

# COMMITTEE ON TRANSPORT POLICY AND COORDINATION

NOTES ON  
TRANSPORTATION POLICY  
(WITH PARTICULAR REFERENCE TO ROAD-RAIL COORDINATION)  
IN SOME FOREIGN COUNTRIES



GOVERNMENT OF INDIA  
PLANNING COMMISSION

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## INTRODUCTION

The Committee on Transport Policy and Coordination had mentioned briefly in Chapter XI of its Preliminary Report the experience of some of the more important industrialised countries in respect of road-rail coordination. The Secretariat of the Committee has now prepared preliminary notes which attempt to give some idea of the transport policy followed in some of the foreign countries with special reference to the coordination of road transport and railways, and the organisation for the management of the railways in these countries. Part I mainly deals with the national transport policy, the licensing policy and the organization for regulating and administering the transport agencies. Part II deals with the organization for the management of railways in some of the countries having nationalised railway systems.

These notes have been compiled from factual data collected by the Secretariat of the Committee from various sources such as the local Embassies of the foreign countries, our Embassies abroad, and other published material. Some more material is still awaited, and it is proposed to revise these notes later and bring out a comprehensive Appendix on the subject.

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PART I - ROAD-RAIL COORDINATION

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## PART I

### ROAD-RAIL COORDINATION

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## AUSTRALIA

The railways were for long the principal inland transport service in Australia, although there was some river traffic. The railway construction was undertaken to stimulate general development - to "open up" the country. As the use of motor vehicles for the carriage of passengers and goods developed, particularly in the late twenties, the necessity to regulate, in the public interest, this form of transport was generally recognised. Broadly speaking, the principles that have generally governed public policy in all Australian States are summarised below:-

- (a) The railway system must be maintained at the point of highest possible efficiency to ensure that it is there to perform the essential tasks which, so far as can be seen ahead, railways must continue to perform.
- (b) It is, therefore, necessary, in the present stage of development of the Commonwealth, to conserve to the railways from the comparatively limited traffic available as much of that traffic as the railways can make adequate provision for.

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### Constitutional Jurisdiction over Transport

2. Australia is a Federal Commonwealth consisting of a Federation of six States. Under the Commonwealth Constitution, executive responsibility for transport administration within the country is divided between the Commonwealth and State Governments. The Commonwealth is responsible for navigation, shipping and lighthouses, civil aviation and the Commonwealth Railways, while the States are responsible for the State railway systems, road construction and maintenance, ports and harbours and the regulation of transport activities within States. The Australian Transport

Advisory Council which is representative of the Commonwealth and State Governments, provides a machinery for achieving agreement upon and uniformity of approach towards transport administrative procedures and policy and national solution pressing transport problems.

### Railways

3. The Federal Government operates the Commonwealth Railways in its territories and in Western and South Australia. The Constitution permits the Federal Government to acquire and operate the railways in a State on terms arranged between them. The Federal Government can undertake railway construction and extension in any State with the latter's consent. It also possesses control over the railways in so far as the transport requirements of the Navy and the Military have to be met.

### Roads

4. As already mentioned earlier, roads and traffic thereon come within the jurisdiction of the States. No specific mention about the construction and maintenance of roads is made in the Constitution. Being thus unenumerated, it forms part of the powers reserved to the States. To prevent wasteful duplication of rail services, the State Authorities carry out strict regulation and licensing of motor transport. The inter-State road traffic is absolutely free of any restrictive taxation.

5. The Federal Government makes available financial assistance to the States for undertaking road construction works. The most important provision under the financial assistance to States is contained in the Commonwealth Aid Roads Act. The history of this Act goes back to 1923, when the Commonwealth passed the Main Roads Development Act providing the sum of £ 1.75 million to the States for road works. The States were required to provide a sum of £ 1.5 million for similar purposes. The money was divided among the States on the basis of 3/5ths according to population and 2/5 ths according to area.

6. Following this, there was a succession of Acts under which the Commonwealth provided increasing amounts of money for road purposes. In 1951 the States were relieved of the obligation to contribute pro rata with the Commonwealth and the Commonwealth grant was for the first time related to collections under the petrol tax. In 1954, an Act was passed which provided for the payment into the Commonwealth Aid Roads Trust Fund of 7 d. per gallon of the petrol tax to be allocated on the original basis of 3/5ths population and 2/5ths area. Of this £ 800,000 was set aside for expenditure by the Commonwealth on strategic roads, roads or access to Commonwealth property and other roads serving Commonwealth purposes and in addition £ 150,000 was set aside for expenditure, on the promotion of road safety practices throughout Australia. The Act also required the States, out of the money they received each year under the Act, to spend 40 per cent of the total amount paid into the Trust Funds on rural roads. Thus each State had to spend on rural roads 40 per cent of the money which it actually received from the Commonwealth, plus an amount equal to 40 per cent, of the share of £ 950,000 retained for Commonwealth purposes that it would have received if that amount of £ 950,000 had been distributed amongst the States on the 3/5ths-2/5ths basis. In June 1956, an amending Act current until June, 1959 increased the payment into the Trust Fund to 8d. per gallon. This coincided with an increase in the petrol tax of 5d. per gallon.

Coordination at  
the Commonwealth  
level

7. The action taken by the Australian Government in the field of Transport Coordination falls into two parts, action taken at the Commonwealth level and that taken by individual States. The role of the

Commonwealth Government in the field of transport coordination although largely advisory includes some interesting features in regard to the overall planning and development and lays special emphasis on research. There is included in the Commonwealth's field of interest consultations between the Commonwealth and the States on transport matters of common concern. This is done through the Australian Transport Advisory Council established in 1946. It consists of Commonwealth Minister for Shipping and Transport and Minister for Civil Aviation as Chairman, the Commonwealth Ministers for National Development, Interior, Army and Territories and each State Minister for Transport. The executive work of the Council and its Sub-Committees is carried out by the Department of Shipping and Transport. The Council aims to provide the opportunity for Ministers to meet and discuss problems relating to transport development and coordination in Australia. The principal functions of the body are:

- i) To initiate discussion, and report to the respective governments on any matter raised by the Council, or any State Government;
- ii) generally, to exercise its purely advisory duties and to report as necessary to the respective Governments concerned, in any matter which will tend to promote a better coordination of transport development and also to encourage modernisation to meet modern needs;
- iii) to assist in maintaining continuous and comprehensive research in relation to transport development.

8. Through the Council comprehensive research is being carried out into problems of transport development in Australia and abroad. The Council has established a number of Sub-Committees to enquire into and report on important matters of transport regulation and control and assist Member Ministers, to advise their Governments on

transport policy. The work of these Committees is briefly summarised below:-

(i) The Australian Road Safety Council aims to coordinate road safety activity in all States and Territories, to formulate a national policy.

(ii) The Australian Motor Vehicle Standards Committee seeks to develop the essential basic motor vehicle standards such as maximum lengths, weights, height, carrying capacity of vehicles and minimum lighting, braking and other mechanical efficiencies.

(iii) The Australian Road Traffic Code Committee is charged with the responsibility of drafting recommendations for uniform road traffic laws throughout the Commonwealth, in keeping with modern traffic requirements.

(iv) The Committee of Transport Economic Research, which was established in 1955, has already submitted a comprehensive report to the Australian Transport Advisory Council relating to road and rail transport. Some of the conclusions of the Transport Economic Research Committee regarding the appropriate fields of operation of both road and rail transport are given below:-

1) A large proportion of road transport, estimated at 90% of all commercial vehicles, is non-competitive with railways.

2) The problem of dividing up traffic relates only to a comparatively small proportion of total freight movement. The Committee estimates that not more than 15% to 20% of the total would comprise traffic for which road and rail transport are really competitive. As far as the rest is concerned, comprising the bulk of freight movement, there is a natural flow of particular types of traffic to each of the forms of transport, either because of the nature of commodities carried, areas served or distance of movement.

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3) Close examination of the Australian transport situation at the Commonwealth level has confirmed the very great difficulties in the way of affecting a truly economic coordination of the operation and development of the forms of transport based upon costs of providing services or on any other basis. It is likewise most difficult to plan on any valid economic bases a controlled flow of resources to achieve the planned development of one form of transport vis-a-vis the others. The Committee is informed that these factors have led to the development of thought at the Commonwealth level that if restriction upon freedom of users to choose the form of transport most suitable to their needs is kept to a minimum, effective transport coordination and development will be achieved by the natural working out of the transport economic forces. As a result of its investigation into the economics of rail and road transport, the Committee is of the opinion that, under present conditions of operation in Australia, it is not possible to devise any generally applicable rules for demarcating the appropriate roles of road and rail transport on the basis of costs of providing services. The Committee thinks that in the long term the minimum of regulation and achievement of freedom of choice by the user are desirable, provided unnecessary capital investment and wastage of resources are avoided. Until conditions can be provided which would permit free and unregulated competition on a purely economic basis, each particular problem of the coordination of road and rail transport services must be dealt with on its merit, based on the fullest possible assessment of the costs and other factors involved.

The Committee is at present enquiring into the pattern and development of transport generally throughout Australia, and the likely demands this development will make on capital available for investment.

Coordination  
by the States

9. Since the States have sovereign rights in relation to matters of transport within their own

borders, they have carried out strict regulation and licensing of motor vehicles in order to prevent wasteful duplication of rail services. The Government authority, charged with the task of coordinating the transport services within its boundaries in all States except New South Wales, is usually either a statutory Transport Commission or a statutory Transport Board. In New South Wales, a Commission for Road Transport and Tramways functions under the State Ministry of Transport. All these State authorities are specifically empowered by legislation to take steps to coordinate the services within that particular State. In some cases they even have the power to close or re-open railway lines, although closure is subject to the confirmation by the State legislature. In the following section the legislation now operative in the different States and in Federal territories for the purposes of rail and road coordination are outlined. Although there are minor variations between States, the term "commercial use" is generally taken to mean the carriage of goods for hire or reward, or in the course of trade, and the conveying of passengers for reward. Carriage of goods "in the course of trade" by a person engaged in business, using a vehicle owned and maintained solely for use in connection with the business concerned, is often called "ancillary" or "private" use. Broadly this classification conforms to "Common" and "Private carriers" respectively.

New South  
Wales

10. There are two Acts in operation in the State, namely, the State Transport Coordination Act, 1931-54 and the Road Maintenance(Contribution) Act, 1958. The State Transport(Coordination) Act, 1931-54 was the first of the comprehensive transport coordination Acts introduced in Australia. The Act is still administered substantially in its original

form, with only subsequent minor amendments. Its administration is in the hands of a single Commissioner. Under this Act, vehicles operated for the carriage of goods for hire or consideration or in the course of trade or business are required to be licensed. The present annual licence fee is 10/-. The licence authorises the running of the vehicles in carrying over any distance fresh fruits, vegetables, eggs or poultry ~~from~~<sup>farm</sup> to market and goods non-competitive with rail. Goods competitive with rail can be transported only over a distance of fifty miles and for transporting beyond, a permit has to be obtained. Such a permit may impose a charge per ton mile on the operator which is calculated on the full carrying capacity of the vehicle even if it is not actually so loaded and on the full length of the journey including the exempted first fifty miles. Where it is established that for one reason or other, road services offer advantages over those available by rail for the carriage of particular commodities, it is the practice, according to the circumstances, to scale down or waive altogether the prescribed maximum charge. The Department of Motor Transport, in association with the Police Department, maintains constant road patrols and checks to see that carriers obtain permits when these are needed.

For purposes of road maintenance the State Act imposes a charge on all vehicles at the rate of one-third of a penny per ton per mile calculated on the sum of the tare-weight of  $\angle$  vehicle and 40% of its load capacity, but where charges are payable under the State Transport(Coordination) Act, these are reduced to the extent of the roads maintenance charges paid in respect of such journeys.

Victoria

11. There are two Acts in operation in the State, i.e., the Transport Regulation Act, 1955 and the Commercial ~~Goods~~ Vehicles Act, 1955. Both the Acts are administered by a Board of three members. All Goods Vehicles must be licensed but vehicles operating within a radius of 25 miles in metropolitan



areas and 20 miles in rural areas are granted the licences 'as of right' on payment of annual fee of £ 2. Licences are also issued 'as of right' to primary producers to carry their own goods and in respect of any vehicle which is to be used solely for prescribed purposes, such as the carriage of market-garden and orchard produce, ice, ice cream, milk, cream, eggs, meat, fish, flowers, furniture(removals), livestock, and petroleum products under certain conditions. Private carriers('ancillary use') are also granted licences - similarly only for operating within a radius of 50 miles from the principal place of business of the owner-provided the load capacity of the vehicle is not greater than four tons.

Before a motor vehicle can be used to carry goods for hire or reward, or in the course of trade, beyond the limits prescribed for licences 'as of right' the Board must hear and determine an application. Particulars of any application must be published; any interested party who may be affected may lodge objection and the application and the objections are heard publicly. A decision of the Board under these proceedings is then subject to review by the Governor-in-Council who may approve, disapprove or make any decision within the powers of the Board.

All commercial vehicles which have a carrying capacity exceeding four tons are required to pay a reasonable charge to help maintain the road facilities provided throughout the State. The only exemptions under the Act apply to vehicles used solely for any of the following purposes:-

- (1) the carriage of berries and other soft fruits, unprocessed market garden and orchard produce (other than potatoes and onions), milk, cream, butter, eggs, meat fish or flowers, and, on the return trip any empty containers used on the outward trip for the carriage of any such commodity; and
- (2) the carriage of livestock to or from agricultural shows or exhibitions, or direct from farm to market or from market to farm or from farm to farm or to or from agistment or while travelling unladen directly to or from the business premises of the owner of the vehicle so as to be so used or after having been so used. -/-

Queens Land

12. The Acts in operation in this State are Transport Facilities Acts, 1946-1955 and the Roads (Contribution to Maintenance) Act 1957. These are administered by a single Commissioner, in whom are vested wide powers (subject to the confirmation of the Minister of Transport) to regulate and plan road services, as well as air-transport services, within the State.

Wide scope is provided in imposing licence fees, which for public passenger-carrying vehicles can be upto a maximum of one penny per passenger mile on the total distance passengers are carried. The fees are reduced to a half penny per passenger-mile where alternative railway service is not conveniently available or is inadequate. With certain omnibus services the licence fee is fixed at from  $2\frac{1}{2}$  per cent to 10 per cent of gross revenues. In the case of road services for the carriage of goods, fees can be assessed upto a maximum of 3d. per ton-mile, calculated on the capacity of the vehicle approved for the operation of the service. In practice, the fees are graduated from 20 per cent down to  $2\frac{1}{2}$  per cent of the gross revenues earned, according to the extent and availability of alternative railway service.

Fares and freights for road services are based on corresponding railway charges, and licences generally provide that an amount not less be fixed in either case.

The Commissioner is not obliged to licence alternative road services. He does so only if he concludes that substantial advantage in terms of public convenience would result.

Under the Roads (Contribution to Maintenance) Act, 1957, a charge, similar to that imposed in New South Wales and Victoria, is imposed on owners of commercial vehicles with a load capacity exceeding

four tons, for the maintenance of roads. The only exemptions are for vehicles being used solely for any or some of the following purposes as the carriage of milk or cream, any empty containers on the return trip used on the outward trip for the carriage of either such commodity or while travelling unladen directly to or from the business premises of the owner of the vehicle so as to be so used or after having been so used.

South Australia

13. Only one Act is in operation in the State, i.e., the Road and Railway Transport Act, 1930-1956. The Act is administered by a Board of three. So far as goods transport is concerned, it refers only to goods carried for hire. "Ancillary" use is free<sup>4</sup> is not required to be licensed. This includes the primary producer with his own vehicle when it is used solely for his business as a primary producer. The only goods vehicles which come under licence are those engaged in permitted operations in "declared" areas or on "declared" routes (that is, in effect, routes competitive with rail).

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Fees are imposed under the Act for both passenger and goods licences up to a maximum of 10 per cent of gross earnings, particularly, on services deemed to be on competitive routes. Fees at the rate of 5 per cent of gross revenue are generally imposed on routes regarded as non-competitive. But for a few developmental services in isolated areas lower fees are also assessed.

Western Australia

14. In this State also there is only one Act in operation, i.e., State Transport Coordination Act, 1933-1954. The Act is administered by a Board of three. In the area in which the Act is effective (the Act is not applicable to the sparsely populated region of the State in the north) it provides for

comprehensive regulation, in the spheres of the carriage of both passengers and goods. However, there are certain exemptions in the sphere of goods-carrying, notably of vehicles operating solely within a radius of 35 miles from the General Post Office, Perth, or within a radius of 15 miles from the owner's place of business. Vehicles operating solely as feeder-services to country railway stations are also exempted up to a radius of 35 miles. Transport of bees and bee-keepers' requisites and, under certain conditions, of furniture is also exempted. There is no distinction between "ancillary" operators and "general carriers" for hire or reward. In the case of goods vehicles, fees up to a maximum of 7s. 6d. per unit of a prescribed power-load weight formula can be imposed, and for omnibuses up to the maximum rate of 6 per cent of gross earnings. Under this Act the Board can subsidise a developmental road service where this is found to be in the public interest.

Tasmania

15. The Transport Act, 1958 is administered by a Transport Commissioner, consisting of a full-time Commissioner as Chairman and two part-time associate Commissioners. The duties of the Commission are to devise, initiate and carry out methods and measures for the coordination, improvement, and economic operation of the means of and facilities for transport in Tasmania. It is responsible for the control and operation of the railways; the regulation of motor vehicles; the licensing of drivers; and road and State jetty policy and the Commission's own road services. It covers all motor vehicles used for the carriage of passengers for reward or of goods for hire or reward, or in trade. The "ancillary" user thus comes under the general control.

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road transport; .  
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The State is divided into nine traffic areas, so defined, that vehicles licensed for one area only do not get into anything approaching long-haul operations in competition with the railway services. They are, in the main, purely local feeder-services, or, alternatively, provide longer services in areas

where no railway exists. Generally speaking, there are no goods vehicles licensed to operate beyond one traffic area. Goods transport by road may, however, be authorised by a permit which is issued at a charge based on the nature of the journey and the degree of competition with the railways. Special concessions are allowed for the carriage of furniture, horses, livestock generally, seed potatoes, eggs, poultry, vegetables, scrap iron, fruit, cordials, straw and fat lambs. Somewhat more liberal principles are also applied both in licensing and in the issue of permits for ancillary use beyond one traffic area.

As has already been mentioned, the Commission conducts the administration of Tasmania Government Railways. It operates certain freighting services of its own, carrying such commodities as cement and coal to and from the railhead to a number of industrial establishments. It operates a goods service by road from Bothwell to Hobart, replacing a closed railway line. The Commission also conducts a number of road passenger services, and there is evidence that this general policy will, on present intentions, be pursued further, particularly where it is thought to be desirable to run road passenger services to supplement existing railway services.

A.C.T. and  
Northern  
Territory

16. The Australian Capital Territory hardly has any road transport problems of significance as compared with the States. The Commonwealth Department of the Interior is the administering authority, but in the regulatory sense it is concerned only through the licensing or the actual operation of public passenger services.

Legislation for the regulation of road transport in the Northern Territory is along lines similar to that provided by the various States, and is contained in the Northern Territory Control of Roads, Motor Vehicles and Traffic Ordinances. To aid vital economic development, legislation under the Control

of Roads Ordinance was amended early in 1956 to facilitate the increased use of road transport principally road-trains of increased dimensions, on the main highways. It is expected that this form of transport will be a significant factor in the development of ~~of~~ pastoral and mining industries in the territory.

An interesting feature of road transport in the Northern Territory is the coordinated road-rail freight and passenger services between Alice Springs and Darwin, which operate in competition with the through road service from Alice Springs to Darwin. These road-rail services are provided by the Commonwealth Railways, under agreement with private tourist and freight road-service operators who ply between the rail heads at Alice Springs and Larrimah, respectively.

17. It would seem that the guiding consideration in the matter of regulating road transport in Australia - goods or passenger - is its impact on the corresponding service by rail and largely the States are keen on preserving the interests of the railways. Where, however, the road transport operations, in the opinion of the administering authority (the Board or the Commissioner) are supplementary or non-competitive in nature to the rail services they are easily licensed and allowed to expand their operations. Three of the States have also maintenance Acts to impose charges on the vehicle in order to maintain the roads used by them.

## CANADA

Upto the thirties most of the country's transportation was done by railways and water carriers. However, during the last more than 25 years the Canadian economy has undergone remarkable change due to rapid industrialisation evolving from a largely agricultural economy. This had led to the growth of various other types of carriers. The new carriers which came to be established were the motor carriers, airlines and pipelines. The motor carriers which are ideally suited for the movement of shipments over short and medium distances developed as one of the important features of the development of light industries in Canada. With the rise in the standard of living highway transportation made continuous improvement. There has also been enormous growth in the number of private carriers. Net work of pipelines which has developed due to Canada's increasing importance as a producer of petroleum also provides a major distribution system. Thus the railroads are now engaged in competition with the trucks, airplanes and pipelines. According to the Dominion Bureau of Statistics, between 1948-1958, the railways' share of the national inter-city transportation market dropped from 71% to about 52% with the water carriers' share remaining practically constant. During the same period the highway carriers' share rose from 4.9% to 11.1% and that of pipelines carriers from 1% to 13.4%. "Competition has risen from a position of comparative insignificance to a major consideration in the **structure** of the transportation industry. Railway monopoly, based upon technological conditions, has been virtually ended."

### Constitutional jurisdiction over transport

2. The Federal Government, has under the Constitution of Canada, authority to regulate inter-provincial traffic or traffic over international highways but this authority has been delegated to the Provinces since 1954. All highway and road building is the responsibility of provincial

and municipal Governments. The licensing of motor vehicles and the regulation of motor vehicle traffic is done by autonomous Provincial Boards. The provinces differ in respect to licensing policy of motor vehicles, the extent of regulation over services and control in the matter of fares and rates. The relatively limited jurisdiction of the Dominion over highway carriers is in decided contrast to the extent of its control over transportation by railway, steamship, airplane, and pipelines. Under the British North America Act, the Federal Government may declare that railways, steamships, etc. are "works for the public advantage of Canada" and so assume legal control over them. By virtue of this, the Dominion controls almost all railways in the country, grain elevators in the West, Telegraph and Cable companies and telephone concerns in Ontario, Quebec and British Columbia. Courts have laid down that dual control of transportation is to be deprecated. It is undesirable for a province to control traffic when it is local and for the Dominion to regulate it when it is part of a through movement. Legally, a province controls all traffic, both local and through, over provincial railways. The Dominion has complete jurisdiction over freight carried by Dominion railways..

Regulation of  
Railways.

3. The Board of Railway Commissioners (now Board of Transport Commissioners) created under the Act of 1903 exercises control on the policy for operating the Railways. The Board has full powers of a superior court regarding attendance and examination of witnesses, production and inspection of documents and enforcement of orders. The Board of Transport Commissioners has all the legal powers necessary to carry out its responsibilities. The powers of the Board to fix, determine and enforce just and reasonable rates are not limited. The Board may require a company issuing competitive rate traffic to furnish information (a) that the



competition exists (this may be any competing form of transport); (b) that the proposed competitive rates are compensatory; and (c) that the rates are not lower than necessary to meet competition. The Board has powers, when considering the fixation of rates, to hear evidence from interested parties or to consider complaints of unfair competition by railways from such parties. This power of the Board may be used to prevent railways from engaging in improper competition. The Board of Transport Commissioners which also regulates licensing of ships operating on the internal waterways, is charged with the duty of coordinating and harmonising the operations of all carriers engaged in transport by railways and ships. It has no power over the highway competitors of the railway. The fact that the licensing of motor vehicles is in provincial hands, militates against coordination between the licensing policy for motor vehicles which may differ from Province to Province and the policy for operating the railways on which control is exercised by the Federal Government through the Board of Transport Commissioners.

3.1 Following the Second World War the Board had to deal with the problem of rise in wages, high cost of raw materials and supplies and also intensive competition from a number of directions. Hence the Board was forced to consider the inter-relationship of railway and other transportation agencies even though not all these agencies were within the ambit of its legal authority. The Board's general frame of reference gradually became out of date. The Royal Commission of 1951 was assigned the task of suggesting possible improvements by revising the legislation. The Commission more or less confirmed what the Board had been doing and the plans which it seemed to have under consideration. The Royal Commission suggested the amalgamation of the three Federal Boards having supervision over transportation.

#### Highway Regulation

4. Road transport in Canada is carried on by private entrepreneurs and as already mentioned, the Provinces exercise jurisdiction over the construction of highways and traffic thereon.

/and does not  
apply to pri-  
vate or con-  
tract carriers

Control over inter-provincial and international highways has also been delegated to the Provinces. Generally speaking, Government regulation of freight transport relates to safety, wages, admission to the industry, routes and rates. Regulation as regards safety applies to all carriers. The regulation in regard to admission, routes and rates applies only to common carriers/and some other excepted categories. The excepted carriers are free to enter the business and charge as they like. Common carriers are subject to the necessity of obtaining a certificate of public convenience and necessity after providing their financial ability, their experience in highway operations and the profitability of their operations. This control over admission exists only in respect of six Provinces. Control over their rates is still less prevalent or effective. There are major differences in the degree of control exercised by each province. There is thus little uniformity in licensing policy or regulation over the rates, fares etc., so far as the motor carriers are concerned. Only 5 of 10 Provinces require proof of public convenience and necessity in granting operating licences. Only two provincial Governments have seriously attempted to control intra-Provincial motor carrier rates and only one has regulated the rate of inter-provincial and inter-highway traffic under the authority delegated by Parliament in 1954. In some Provinces railway applications to substitute motor carrier service for rail-service, or to provide a coordinated road-rail service have been considered on their merits. In others, there is almost complete/prohibition against a rail-operated highway service.

#### Competition

5. Commercial factors have greatly influenced the pattern of Canada's transportation/system. The shift in the pattern of national output has reduced the railways' share of the transportation market. There has been relative rise in services as opposed to commodity production. There has also been change

from coal to hydro-power, oil and gas as the main source of energy. The rapid growth of the manufacturing industries in which output components are more conveniently shipped by truck and increased industrial concentration in and around urban areas, have all been responsible for the fall in the proportion of national production moving by rail. Unlike the railways which are facing the problem of relatively declining industries, trucking in Canada has had a very rapid growth. Between the period of 1948-1958 the highway carriers' share in the field of transportation rose from 4.9% to 11.1%. The competition to Railways was not only confined to trucking industry but development in other fields like aviation, motor bus, pipelines etc. also hampered their efforts to obtain new traffic.

5.1 Many proposals were made to deal with the problem of road-rail competition before the Royal Commission, 1951. The Railway Association stated that "control of highway operations was directly related to the over-all problems of the regulation of all forms of transportation. It was unfair that railways should be compelled in the national interest to move basic commodities at low rates, handle every type of shipment offered for movement, maintain unprofitable services, if so required, give the same rates to all shippers under the same conditions, build and maintain their own right of way and conform to established regulations as to operations, and at the same time compete with a method of freight transport with no obligations but to itself, which might pick and choose the most profitable traffic and disregard any other, operate only in good weather, charge any rate to any person, discontinue unprofitable operations when so desired, and which uses a highway largely provided at public expense". The Association held that "no complete and adequate national transportation policy could be established which did not include uniform control of highway operations, rates, schedule, conditions of service

and adequate payment for the use of highways. Control should be in the national rather than local or provincial interest. Instead of the existing diversity or lack of regulation, control should be uniform across the country. Parliament should regulate inter-provincial and international trucking and legislator should agree on common licensing arrangements for intra-Provincial truckers. An exhaustive study of highway costs and their allocation among motor vehicles should be undertaken to determine the fair and reasonable proportion that should be borne by various classes of highway users". The Royal Commission in 1951 recommended Federal control over inter-provincial and international trucking but the Government did not implement these recommendations.

5.2 The two major railways - the Canadian National Railway and Canadian Pacific Railway - have been hit by the competitors because of the statutory and regulatory restrictions imposed on them. The statutory grain rates have imposed upon the railways obligation and limitations involving a substantial burden on them. Grain and grain products moving at statutory and related rates constitute more than one-third of the total freight traffic moved by the railways in Western Canada. The substantial decline in railways' financial position has occurred notwithstanding large increase in property investment and in the volume of traffic handled. For example, the net rail investment in CPR was 950m. at the end of 1946 and increased to \$ 1440m. at the end of 1958. Similarly on CNR it increased from \$ 1852m. at the end of 1946 to \$ 2906 m. at the end of 1958. During the same period the revenue ton miles of freight traffic increased from 23.5 billion to 26.9 billion on CPR and from 27.0 billion to 31.9 billion on CNR. The decline in the railways' financial position was due to " (a) fixed nature of statutory freight rates on Western Canadian grain; (b) competition from other media of transport; and (c) inability to secure general freight rate increases to meet increased costs and earn a reasonable

return on investment". In 1959, the CNR handled 12.7 million passengers as against 20 million in 1948. The CNR have represented to the Royal Commission on Railway Transport that there is "need for further changes in pricing policy in order to attract greater volume of freight traffic to the rail and at the same time the urgency of the stringent economy in operation not only in the methods and means of handling traffic but in respect of elimination of burden of upproductive services".

Rating Policy:

5.3 The national considerations have strongly influenced the railway rate policy unlike those of their competitors. It is due to promoting the widest possible development of market by reducing natural geographic disadvantages. It has naturally encouraged the growth of low rated export traffic and thus developing remote areas. The transportation cost on certain traffic has to be maintained at a minimum because of the small population long distances over which commodities have to move to markets, and high dependence on export of relatively low rated commodities of primary industries. These public obligations have, however, created unequal conditions of competition between railways and other carriers. It has become increasingly difficult for the railways to transfer their over-head expense to other traffic, much of which is highly competitive as they no more enjoy a monopoly position. "Railway internal subsidization as an instrument of national policy is no longer appropriate to today's competitive transportation conditions. Some alternative method will have to be found to achieve this objective of if the railways are to adjust themselves effectively to the new competitive conditions and if equality of competitive opportunity for each carrier is to be meaningful".

5.4 Regulation of motor carriers rates has been seriously attempted only by two Provincial Governments and the rate of inter-Provincial and international

highway traffic by only one State under the authority delegated by Parliament in 1954. The Board of Transport Commissioners is responsible for adjudicating obligation to fix just and reasonable rates for railways. It has, however, no control over statutory rates. The railway rates are not only subject to regulation by the Board of Transport Commissioners but also by Parliament through statutory rate provisions. In spite of the rapid growth of competition the Parliament has not relaxed the regulatory control on railway rates. On account of the difficulty in making necessary rate adjustments the Railways have resorted to the adoption of competitive rates and agreed charges and also to progressive abandonment of unprofitable lines. Parliament no doubt, realised the railways' need for greater freedom in their use of 'agreed charges' and, therefore, accepted the recommendations of the Turgeon Commission by amending the Transport Act, in 1955. Agreed charges are a competitive technique that has been described as "one of the most effective weapons the Canadian Railways have in retaining traffic and ~~getting~~ new business". Agreed charges are undertaken between railways and any shipper who would agree to ship any percentage of his product by rail. The rate quoted is based on the percentage of traffic that has to go by rail with better rates for higher percentages. The railways have to make a similar rate available to any other shipper of the same product who wishes to enter into agreement. With some exceptions, agreed charges can be increased only by re-negotiation with the shippers.

5.5 One of the major questions now being considered by the Royal Commission on Transportation appointed in May, 1959, is that of pricing of freight transportation and the burden on railways of statutory rates of grain moving to export positions in Western Canada. The Canadian National and Canadian Pacific Railways have represented in a joint memorandum to the Commission that "Because of the

volume of the grain traffic, other problems of Railways have become unbearable and resulted in the deterioration of the financial position. As rates were increased, competition, particularly from motor vehicles, became more intense and pervasive further limiting the area to which the Railways could turn to meet their increased costs. The limited area open for rate increases is the basic situation which gives rise to the problem of the Railways' inability to secure adequate revenues and enable them to be in a sound financial position. The railways' ability to secure their expenses is severely limited. As a public service industry they must provide service but as a business the railways must secure revenues to meet their costs". The Railways have, therefore, submitted that "inadequate revenue from the movement of the Western Canadian grain crop to export positions is contrary to public interest and the solution of the problem created by the fixed rates on this traffic is basic to solution of problems relating to railway transportation in Canada..... The characteristics of the railway rate structure require the railways to recover a high proportion of overhead cost from high density lines where costs are low and is in effect a further application of the principle of internal subsidization. This situation does not prevail to the same extent for pipelines, water carriers, airlines and motor carriers".

5.6 With the construction by the Provinces of extensive net works of modern highways, many of the branch lines have been abandoned or consolidated. The total trackage abandoned during the period 1923-1959 was 1495 miles. In 1960 orders for 26 miles of track abandonment have been issued. A number of applications are currently before the Board of Transport Commissioners for permission to abandon some 195 miles of track. A track of 557 miles was being studied for abandonment but it was not considered feasible. The latest study of the Traffic Density carried in 1959 indicates that CNR still has a

considerable amount of branch line trackage of a very low density.

5.7 The Royal Commission on Transportation in its first Report submitted in March, 1961 has made the following comments on the present rate structure of Railways in Canada:

"This trend in the railway rate structure, resulting from the uneven impact of competition, is tending to disrupt the regional pattern of relative transportation costs which evolved over the years in Canada. Central Canada, where a concentration of the bulk of the country's population and manufacturing industry conjoins with a relatively well developed highway system, has provided ideal conditions for the growth of the trucking industry; add to this the competition provided by an improved Great Lake-St. Lawrence system and a situation is created wherein the railways must use every device at their disposal to retain traffic. The greater portion of railway traffic in this area, therefore, moves under competitive rates and agreed charges rather than normal rates and rate increases are kept to a minimum in order to prevent the loss of traffic to alternative carriers"..... "The competitive position of the railways has been seriously weakened, we are convinced, because of the burden which the railways continue to carry as a legacy from the monopolistic environment of the past. It is a burden which, in our view, derives in part from public policy and in part from policies pursued by the railway industry. This burden, which bears upon the plant, the rate, and the regulatory structure within which the railways operate, prevents them from adapting fully to the new competitive environment and it must be lifted if the railways are to take their place which adequately reflects the needs of our Canadian society"

be  
proper place in a  
transportation  
system

According to the Commission, "the broad aim of public transportation policy should be to ensure - consistent with the other goals of national policy - that all the various modes of transport are given a fair chance to find their proper place within a competitive system. The application of such a policy is, we believe, essential if we are to obtain - at a minimum cost - a balanced and efficient transportation system which is fully adequate to meet the nation's transportation requirements".



5.8 Referring to the future policy regarding uneconomic branch lines, the Royal Commission says "Looking to the future one can visualise a rail system which is no longer geared to perform the entire transportation function to all segments of the community. The objective would be to have a rail system in which the uneconomic portions would be small, kept in existence either because of the national necessity to provide a certain level of service in certain areas regardless of commercial considerations, or kept in existence at the discretion of railway management for reasons of their own. In the first instance, such lines would incur losses by commercial criteria which would be borne by the public at large and would not be a burden on other users of rail transport. In the second instance, the lines would exist because of managerial discretion and the burden would be <sup>a</sup>corporate one, which managements would need to justify only to their shareholders".

5.9 On the question of uneconomic rail passenger services, the Royal Commission have come to the conclusion that "the competitive environment in the transportation industry has made it impracticable for the railways to continue to accept the great burden - dictated not by economic considerations but by social, political and traditional pressures - which is involved in the maintenance of rail passenger-train services. Therefore, our conclusion is that the railways must eventually withdraw all uneconomic rail passenger services, subject to similar time limitations imposed in connection with the abandonment of uneconomic plant. Immediate and abrupt withdrawal of rail passenger services where they are unprofitable would cause dislocations far out-weighting the advantages to be gained. But the pressing necessity of relieving the railway freight shipper of inequities arising out of the competitive environment causes us to make immediate recommendations for the removal of the financial burden of maintaining uneconomic passenger service, with the necessary incentives to see that these

services are withdrawn as rapidly as possible. The net effect to the railways, if these recommendations are adopted, will be, not to make all extent passenger service profitable, but to lift the burden of direct losses which railway managements have hitherto sought to recoup from the freight shipper"...."the Government of Canada should, in the interests of the nation as a whole, absorb in declining measure for a period of five years, this most substantial of all obligations now incumbent upon railway management. Unless remedial action, attended by a change in public attitude is introduced, a significant and inequitable burden will continue to rest upon the users of railway freight services. To the extent that there remain after this five year period rail passenger services operating at a loss but essential because of a lack of alternate surface transportation it shall be the responsibility of the nation to bear the burden of that loss".

5.10 As regards the burdens imposed on Railways by reason of Law and Public Policy, specially the requirement to carry grain and grain products to export centres ~~at~~ statutory rates, the Royal Commission have recommended that "losses associated with the obligation to carry grain and grain products to export positions at a rate set by statute, which must of necessity now be recovered from other shippers, should in future be borne by the Parliament of Canada, who in its wisdom sets the statutory rate. In this way Parliament remains the sole judge of whether or not the grain industry can bear rates higher than it presently bears for its movements to export positions. We note that none of the parties appearing before us disagreed that this should be so or advocated that Parliament should relinquish this responsibility".

## FRANCE

The Railways in France are mainly operated by the French National Railways (SNCF). It is a joint stock company formed out of the consolidation of the different railway systems into a single nationalised Railway in 1938. The State holds 51 per cent of the shares and the former private companies 49 per cent. Though, two-thirds of the traffic is carried by Railways, there is still competition between the Road and Rail Transport.

### Competition

2. The problem of competition between rail and road transport in France, and of the appropriate methods to stop it, had always pre-occupied the attention of the authorities, especially after the nationalisation of the French Railways and the industrialisation of the country. Formerly, when the railways were practically the only quick mode of transport, there was hardly any competition, except perhaps with the waterways, which was negligible. While the railways, owing to their importance in the life of the nation, as well as of their monopoly position, strictly confined within their role of public service, the motor transport, was growing rapidly, enjoying practically a free hand.

2.1 In 1930, the Public Authorities were alarmed by the amount of budget charges upon the Government due to the critical condition of the railway companies. They felt it necessary to intervene in order to coordinate the various modes of transport. In 1931, a Report by M. Fournier, Assistant Governor of the Bank of France, commented on the financial situation of railways thus: "Competition will increasingly require the introduction, in the establishment of railway rate and fare scales, of a greater distinction based upon a thorough study of the various flows of traffic and of the possible route charges they might be subjected to". This Report meant to suggest that flexible and varied charges should be introduced by the Railways to avoid losses.

2.2 As part of general measures designed to "alleviate the financial burden of the Government", the Decree of 19th April 1934 entrusted a coordinating Committee to look into the agreements at district and regional levels between public rail and road passenger and freight carriers. The order also provided for the prevention of new services being created. Though measures had the effect of preventing an increase in the Government's financial commitments no coherent transport policy could be evolved.

2.3 The Order in Council of 1937 replaced the Decree of 1934. The principle of discontinuing costly redundant services through the substitution of another service was retained but Departmental Technical Committees were directed to "submit plans for a rational organisation for public passenger transport and public goods haulage." The task of studies of coordination was entrusted to a Transport Advisory Authority in order to have a coordinated outlook.

### Coordination

3. The following important measures relating to coordination were undertaken as a result of Decrees of 1938 and 1939.

- (i) Passengers Traffic - Every operator of a road service listed on the transport scheme was bound by certain articles and conditions - the obligation to carry, to provide adequately comfortable vehicles, to establish routes, fares and time-tables.
- (ii) Goods Traffic:- The public hauliers were divided into 4 categories - rural and urban haulage and short and long distance haulage.
- (iii) Creation of S.H.C.F.:- Steps were taken to balance the S.H.C.F. accounts. The Government made payment arising of certain transport charges for civil services, subsidy allowed to cover some fare reductions in favour of certain categories of travellers.

3.1 A Supreme Transport Council was set up in 1947 to advise the Minister of Transport on the coordination of Transport in France. In each 'department' (French Administrative District) a technical Department Transport Committee was set up to advise or take decisions in respect of coordination. The Supreme Transport Council's main function was to provide all means of transport for the country at a minimum cost by rational use of investments and cooperation between various services. As this policy a detailed entailed/economic study, the National Transport Accounts Commission was set up in 1955 with a view to assessing the overall cost to the nation of each mode of transport starting, particularly, from the initial cost, the fares and rates charged to the users, the financial participation of the Government and public organisation and the indirect costs to the nation. The Accounts Commission has brought out two very useful reports.

3.2 A comprehensive plan of coordination and integration between rail and road services was adopted in France by the Decree of the 14th November, 1949. This plan embodied Government action in the administrative, organisational and legislative fields and represented an attempt to provide the best possible service to the public by the most suitable means at the minimum economic cost, by a close fusion of interests both at local and national levels between rail and road transport. It set forth principles with a view to achieving the maximum national economic return in the following words:-

/most advantageous way, all the transport

"Rail, road, inland waters, air and sea transports ought to be coordinated and fused together in such a way as to guarantee users requirements; making available to the nation's economy, in the/resources it may want, both in quality and quantity; using the kind of transport which - considering the importance of the services provided for the users as well as the obligations resulting from the conditions applying to these transport means of public services - involves for the Nation the lowest actual working cost; ....the cooperation between types of transport when several of them are required to ensure a given traffic".

3.3 Coordination by means of taxation was another way of meeting the situation. The abolition of taxation of turn-over in this direction, and the taxation of road vehicles and inland waterways vessels enabled equality of taxation between public and private means of transportation of the same type. Moreover, the sur-charge imposed on road vehicles going beyond short-distance zone had, in itself; the coordinating effect. However, the effect of these taxes was not great, since these amounted to hardly 3% of the costs of a lorry on a long distance operation.

/the closure

/transport

3.4 The decree of 1949 also dealt with public road transport licensing and the reduction of railway services by closing the light traffic lines. In order to counterbalance/of these lines in favour of road services, the decree provided the protection of rail traffic on low operating cost main lines. This measure was, however, not enforced. All public/ services with the exception of private transport or transport on own account were subject to measures of coordination and were restricted by licence. A certificate of registration was issued to the operator for all the vehicles he was permitted to operate within the limit of total tonnage authorised. Additional short and long distance rights could be granted to the hauliers by the Minister of Public Works Transport. The licensing of road transport, put a brake on the haphazard development of road transport.

3.5 Towards the end of 1956 and at the beginning of 1957 the Public Authorities, in pursuance of an agreement between SNCF and the representatives of public road haulage and auxiliary carriers of transport outlined by decree an organisation entrusted with putting rate coordination into practice, and ensuring its proper working. One of the objectives was to organise road transport at

"regional level" and at "national level". At both these levels "tariff coordinating" organisations, placed under the chairmanship of senior officers of the Public Works Administration were created in which the S.N.C.F., road hauliers and forwarders participated. All tariff proposals made by the National Road Committee or the SNCF which might affect the road transport activity must be submitted together with the Council's advice for approval by the Minister of Public Works. The SNCF is studying a reform of its tariffs in order to put them better in line with the operating costs of the commodities involved.

3.6 One aspect of coordination in France is that SNCF is prohibited (unlike the minor railway companies) to run its own road services by partially changing over, if need be, from rail to road. There are, however, certain exceptions to those conditions in favour of S.N.C.F. In large cities, it runs its own delivery services and in smaller towns, the work is entrusted to auxiliary hauliers who are bound by contract to the railway. Finally provision is made for the S.N.C.F. to hire, to a limited extent, the road transport undertaking vehicles for its long distance traffic. To counter-balance its handicap in terminal delivery operations, the S.N.C.F. has developed the combined rail and road technique which permits a goods 'door-to-door' service. Besides, the use of containers of various descriptions has developed a great deal. Transport by means of rail-road semi-trailers is of particular interest, as it means actual coordination between the railway and road hauliers who adopt this method of operation. The former financially assists the latter who in turn give up their role of purely road operators. Moreover, on two lines a scheme has recently been started consisting of solid trains of flat wagons carrying lorries or semi-trailers over long distances, the final part of the journey only being made by road.

3.7 Due to the increasing number of road transportation a special regulation became necessary (except for short-distance transport up to 150 kilometres and firms carrying their own goods). As an administrative measure it was decided that road transporters should hold a special authorisation card issued by the Ministry of Transport for purposes of carrying out their profession. To avoid misuse of cards it was decided to charge fees which was governed by such factors as weight, distance, nature of commodity transported etc.

3.8 The regulation of the activity of road charterers was also taken up. This proved very useful for grouping goods to be despatched together in the same wagons and thus made them cheaper, but the charterers tried to make the best <sup>use</sup> of the situation by earning both from the transporter and the client. Their increasing number rendered necessary the holding of a licence for carrying out the trade. Now the licence is obligatory.

Formerly, only those who had been in the trade from 1939 were granted licences. This date was later extended in 1948 and again in 1952.

Though these administrative measures were found useful, S.N.C.F. considered them inadequate. Government, therefore, imposed <sup>two</sup> taxes on road transporters: (i) fixed tax and (ii) tonnage tax in order to restrict their growth.

3.9 The following financial measures have also been taken:

(i) Coordination of road-rail tariffs has been organised with a view to equalising the cost of road and rail transport. S.N.C.F. have revised their tariffs in certain cases, lowering them by as much as 14%. A standard tariff schedule has thus been drawn up which permits of lowering the cost in certain special transport upto an irreducible basic minimum provided therein.



(ii) The Road Transporters Association have issued, for the first time, a tariff list, effective from 1st July, 1961. It is similar to the Railway Tariff List. It is, however, felt that the new tariffs will make the rail and road transport uniform. All proposals for modification of Road Transport tariffs have to be examined by the, "Conseil National de Coordination Tarifaire", and submitted to the Ministry.

(iii) As regards Railway Transport Tariffs, the tariff schedules also contain provisions for granting rebates in the following cases:-

1. Private tracks (junctions): In such cases, the S.N.C.F. have less work and expenses while the factory concerned has extra expenses and responsibility such as investment on the installations, care and maintenance of the tracks, etc. The S.N.C.F. reimburses a specific amount calculated on the basis of tonnage received or despatched by the factory.

2. Full trains: Subject to certain conditions, such as minimum tonnage, distance, etc., an allowance on a percentage basis is paid to the sender (for example, 14.50% for 600-ton trains; 33.50% for a 1,000-ton trains, running on week days).

3. Private wagons: As the S.N.C.F. incur no expenses for these wagons, a specific amount is refunded to the firm owning these wagons. This is calculated on the basis of the type of wagon, the weight and distance. The supplier are subject to payment of a fee depending on the weight and distance.

4. Rail-Road Trailers: Cost is calculated on the basis of the utilization of the equipment (full part, etc).

5. Containers: When these belong to the user, a discount is shown. Transport fee is chargeable on empty containers returned to the owners. When containers are grouped together in the same wagon/s, a concessional tariff is applied.

/ weight and distance. The empty wagons returned to the

## GERMANY

### Transport Policy

The total volume of traffic movement by inland transport in the Federal Republic of West Germany in 1957 approximated 127,000 million tkm. Roughly, half was on the Federal Railways and a quarter each on inland waterways and road haulage. Of this about 13,000 million tkm. of short-distance freight traffic is carried in firms' own vehicles which are restricted to a 50 km. radius of the location of any particular undertaking. The West German Government have not left the transport system to "Market Automatism" and have developed an individual transport policy in view of the following considerations:

- (i) Transport has to serve social, cultural and economic purposes and has an important significance for the defence of the country.
- (ii) No State can afford to dispense with the opening up of remote and economically backward regions by means of providing traffic services. In case of need, the State will require from the traffic, installation services which are not paying. At least a big transport carrier must be available which can regularly provide such services as yield very little income or no income at all.
- (iii) In the field of inland traffic there is no uniform market pattern under which price structure can be fully formulated automatically according to supply and demand. The supply in traffic market is pronouncedly inelastic. The traffic services are exposed to many circumstantial and seasonal changes in the economic life without their being able to get accustomed to them easily and quickly.

1.1 Since 1949, the traffic policy of the Federal Government has been guided by the following principles:

- (a) The traffic policy should serve the general welfare of the German people. It may favour neither any individual traffic carrier nor any individual economic group.
- (b) The transport user has the free choice of the means of transport.
- (c) A service competition of the inland traffic carriers such as the railways, the inland navigation system and the motor traffic is necessary and shall remain in force.

-/-

- (d) The self-sufficient economy of traffic service is to be aimed at.
- (e) The table of fares must be published and has to be approved.
- (f) All transport-users are to be treated equally. Any individual discrimination is prohibited.
- (g) Generally the service of railway transport and omnibus lines cannot be dispensed with.
- (h) The admission (licence) to public transport, if necessitated by special circumstances, requires a sanction.

Constitutional jurisdiction:

2. The fundamental law of 23rd May, 1949, sets out the jurisdiction of the Federal Republic and the States in the field of transport. The railways fall within the exclusive legislative power of the Federal Republic, while road transport and construction and maintenance of long distance highways is subject to the concurrent legislation. The autobahns and roads which formerly belonged to the Reich (German Empire) are now owned by the Federal Republic. The administration of the Autobahns and other long distance road transport is, however, in the hands of the States or the self-administered corporations.

Railways:

3. About 35 per cent of the West German Railways' net work consists of Federal owned State Railways (Deutsche Bundesbahn) which are wholly State controlled undertakings. They provide the largest volume of traffic but their share in the transport as a whole has been steadily declining due to severe competition from road transport. The Federal Railways have functioned purely in the interest of the State economy and to serve social and political objectives. The tariff rates for valuable goods and for regions of heavy transport have been in marked contrast to the transport concessions given to the backward and economically weak areas. The Federal railways have the following obligations:-

- (1) Operation of uneconomic sections.
- (2) Maintenance and servicing of such railway offices as do not bring profitable returns and which could be coordinated and operated more centrally.
- (3) Operation of passenger traffic according to requirements irrespective of the profitability of the different traffic services and type of trains (workers and students' trains, slack traffic sections).
- (4) Maintenance of transport reserves for busy traffic.

3.1 As regards the Railway tariffs, the position is as follows:

- 1)
  - i) The tariff rates are to be fixed for all sections and railway offices irrespective of costs and competitive conditions.
  - ii) Tariff rates are graded, lower rates being charged for longer distances.
  - iii) There are subsidy tariffs for coal and steel transport.
  - iv) There are reduced tariffs for passenger transport.
  - v) The tariff rates are the same as that of industrial long-distance goods traffic irrespective of difference in performances (such as house to house delivery in the case of road transport).
- 2) There is general obligation to publish these tariffs.
- 3) Special charges are subject to Federal Transport Minister's sanction. Any changes in railway charges have to be approved by the Minister. A committee representative of the railways, industry, the State and the Ministry submits recommendation on charges. There is an all party Standing Committee in Parliament which submits reports on proposed legislation which require major changes in charges.

3.2 When the railways had a monopolistic position, they came to have a tariff structure under which revenue from a consignment bore no relation to the actual cost of carrying it. While the classification ensured that consignments should bear charges related to their value, the distance scale provided that as the distance conveyed increased so the rates per km. toppled downwards. The objective was to equalise the global revenue and expenditure of the undertaking and not the covering of costs for each individual consignment. As a result profitable transport services subsidized unprofitable ones. The obligations imposed on tariff operations and forwarding conditions as well as the principle of equal rates for equal distances meant that the railway could exercise no preference as to the traffic it wished to carry. The Railway Law requires that certain concession fares be granted notably for all travel to and from work on weekly and monthly tickets. Over 90 per cent of journeys are at concessional fares and average about half of normal fares. They have not risen proportionately to the cost for the railways, including wages. Moreover, the railways have to carry a very heavy pensions burden. Another burden for the Federal railways is stated to be the inter-zonal traffic between the West and East Germany. The annual loss from this traffic is to the tune of DM. 20 million. In the case of goods traffic also, the annual loss is DM 50 million. In 1958 the major losses suffered by the Federal railways amounted to DM. 847.3 million in the case of passenger transport, DM. 374.6 million in mixed cargo, and DM. 119.4 million in respect of luggage and express freight transport.

#### Road Transport

4. In West Germany the motor transport is regulated under the Road Haulage Act of 17th October, 1952 which superseded the law of 26th July, 1935. A

distinction is drawn between the short and long distance goods transport. The former moves within a radius of 50 Km. from where a vehicle is stationed, and the latter beyond this range. As regards short distance commercial transport, firms require operation permit and no transport tax is levied. No restrictions are imposed on short distance transport on 'own' account and it is also not subject to taxation. A licence is required for long distance haulage. The number of vehicles licensed for long distance haulage was frozen in 1958 at about 21,000 for a period of 8 years. Long distance permits are subject to a quota fixed by the Federal Government. Thirty per cent of all long distance licences are issued for transportation within a radius of 150 Km. of the place where the vehicle is stationed, and 70 per cent of licences are issued without restrictions on distance for the carriage of goods to any place in the Federal territory. Railways are entitled to 3.5 per cent of long distance road transport permits. In actual practice, the Federal railways have not utilized this offer fully. The railways only exceptionally operate lorries, for instance, where branch lines have been closed and they contract out their collection and delivery services. These long distance vehicles are not permitted to ply within short distances of 50 Km. Licences are issued taking into consideration the personal reliability, competence, operating efficiency of firm, technical fitness of vehicle and public transport requirements.

4.1 The long distance transport of goods by road is subject to fixed tariff rates which are established by the Federal Ministries of Transport and Economics and are almost the same as on the railways except in the case of coal and ore for which railways have special rates. It was with the object to prevent undercutting of rates that the freight road transport charges for distances over 50 Km. were first linked

to the State Railway tariffs. Transport insurance is also compulsory. As regards short distance goods transport, the tariff provides floor and ceiling rates.

4.2 There is no restriction on transport on 'own' account except that it is legally prohibited from undertaking transport of goods "for others". This form of transport does not require any licence. In order to prevent its unhealthy expansion and to protect the public road transport and the railways, long distance factory transport was subjected to an enhanced transport tax through Transport Finance Law of 1955. With effect from the 1st April 1959, this form of transport is subject to a special transport tax amounting to 5 Pfennings per ton kilometer which is about five times as high as the usual transport tax. Exceptions have been made in respect of transport of commodities like milk, milk products, fresh meat, inland fruits, vegetables and fruit juices for which the tax is 1 Pf per ton k.m.

4.3 Through the Law of March 21, 1956, the permissible size and weight of heavy lorries and trailers was reduced. By altering the road transport licensing regulation, the maximum permissible axle load was reduced from 10 tons to 8 tons per single axle and from 16 tons to 12 tons per double axle. The maximum was cut from 40 tons to 24 tons. These regulations were first applied to new vehicles coming into traffic on 1st January, 1958. The existing lorries and trailers were permitted to operate in the old way up to July 1, 1960.

4.4 Under the Road Haulage Act of 17th October, 1952, a Corporation known as the "Federal Institute of long distance goods traffic" was set up. This Institute is controlled by the Federal Minister of Transport and it advises him on matters of transport and tariff policy. The Federal Institute is in charge of tariff control and the enforcement of other regulatory measures on road transport

industry and for these purposes it depends a great deal on what are known as Freight Control Agencies. 26 such agencies render assistance to the Institute and out of these, 19 are cooperative organisations of the road transport industry. No new licences for long distance public goods transport by road are issued without the consent of the Federal Institute. Moreover, lorries with a payload exceeding 4 tons and operating on own account on long distances, are required to be registered with the Institute. It is stated that it has not been possible to enforce road transport tariffs. "... despite BAG's (Federal Institute for long distance goods transport) endeavour, no effective control could be exercised so far. Due to lack of commercially trained personnel employed in small transport organisations, freights are seldom properly calculated.... moreover, road transport tariffs exist often enough only in theory as it is practically impossible to control this type of transport business transaction, apart from the fact that many of these transport services could be camouflaged as accommodation (courtesy) services".

4.5 Due to the fact that the entire legislation for the road transport, whether it deals with professional regulations, taxes or other problems, is in the hands of the Federal Authority, it was considered necessary to create a Central Federation of the Road Transport Profession (ZAV) in 1947 in order to secure participation of the transport organisation at the framing of the legislation. The economic matters are dealt with by the Road Transport Cooperatives (SVGs) in the various Federal States which together form a Central Cooperative for the Federal Republic. There are 20 regional cooperatives which have set up 73 distribution centres. These centres serve as head clearing offices between users and hauliers. They collect the demands for loading capacity and distribute them to <sup>the</sup> offering hauliers through a system of public notice.

Competition and  
Coordination:

5. With the development of the road system and the introduction of the heavy motor lorry into the



movement of goods, the monopoly which the railways once enjoyed has been broken. The question of equalising competitive conditions in inland transport has been discussed for long in connection with the problem of coordination of different systems of transport. The problem is complex as the technique, the legal and economic organisation, the cost structure and methods of transport are very different in the case of different carriers.

5.1 The charges for long distance road haulage, apart from a few exceptions, are linked to railway charges. The railways feel that this state of affairs is detrimental to them in meeting competition since the door-to-door service offered by the road vehicles is bound to look more attractive to the users than the carriage from station-to-station by rail. It was felt that the application of the tariff systems to the road transport without at the same time applying obligations regarding operations and forwarding of traffic "enabled road operators to concentrate on traffics which were highly rated but whose working costs were low. The railways were left to carry individually the unprofitable traffic and their profitable flow were undermined". The regulation of long distance transport which brought about the licensing of individual vehicles under the Act of 1935 and subsequently the Road Haulage Act of 1952, however, limited their activities to some extent.

5.2 The costs of building and maintaining the Autobahns and other roads were made out of general taxation, but the railways had to find the money to provide and maintain its permanent way and to pay interest and depreciation charges. The road transport, therefore, has been relieved of the substantial costs from the very beginning. Moreover, during the years when the road transport industry in Germany was undeveloped, vehicle and fuel oil taxes did not constitute any important

factor in total costs. It was not until 1955 that the tax system was reformed in order to tackle the trend towards the use of very heavy goods vehicles. The long distance road haulage industry mainly employed lorries run by diesel which was priced low. It is only recently that the rise in the fuel tax on diesel oil and the increase in the price of oil have corrected the situation.

5.3 Ever since a transportation tax on long distance industrial transport was levied in 1955, the volume of such traffic up to 1958 decreased by approximately 11 per cent. This was, however, not for the benefit of Federal railways but for that of industrial transport organisation. Since the beginning of 1959, private factory transport is winning back its lost position (as the result of transportation tax) and by June 30, 1959 it has been able to increase its traffic volume by 7 per cent as against the first half of 1958. Within the same period long distance goods traffic increased by 12.3 per cent while Federal Railways incurred a loss of 3.5 per cent in goods traffic. The motor truck transport of almost all kinds of goods is offering serious competition to rail goods traffic especially, if truck traffic receives freight on return journeys and if such transport does not involve circuitous routes.

5.4 Thus it is seen that the West German Railways have been accumulating large deficits over recent years. As, in the words of Ernest Davies, "freight traffics have fallen sharply mainly because of unequal competition; profitable traffics go to the roads and the unprofitables are left to the railways; the railways are handicapped by statutory obligations not applicable to other transport forms; charges have lagged behind rising costs". Moreover, capital investments since the war have been inadequate both to catch up arrears and to bring the system up to modern standards to enable them to halt the drift of traffic to other competitors.

5.5 The railway administration is making determined efforts to get the deficit under control. The Federal railways lay stress on the need to bring in line all the basic conditions of operation to all carriers, that is, to equalise them as far as practicable. The Railways consider that each mode of transport should pay its full share of costs with taxation equally applied. The railway administration maintains that with the equalisation of costs and the fixation of charges according to cost, the railways would be in a sound competitive position. The steps considered necessary by the railways to eliminate operating at a loss are (1) removal of certain social obligations, particularly those relating to charges, and all other statutory requirements including common carrier obligations etc.; (2) placing of competitors on an equal footing with themselves; and (3) by modernisation or rationalisation which includes the elimination of unremunerative lines.

5.6 The railways only exceptionally operate lorries, for instance, where branch lines have been closed and they contract out their collection and delivery services. Road rail operators are, however, being developed with containers, piggy-back service of loaded lorries on flat wagons and so on. Road passenger transport does not constitute such a problem as road goods carriage as generally long bus and coach fares are higher than railway fares. The railway themselves operate road vehicles mainly to provide alternative services where branch lines have been closed. They also work in close cooperation with the German postal buses.

5.7 As there was lack of knowledge of the structure of cost of individual transport undertakings, information is being compiled at present, in accordance with the Law of December, 1958, on statistics of costs and

services performed by rail transport systems during the year 1959. Progress in this respect could well lead to the laying of firm foundations for new independent road and rail tariff structures based on actual costs.

5.8 The Federal Railways are also engaged in an endeavour to rationalise and modernise their operations. Railways are trying to offer the travelling public a quick, commodious and economical means of transport and to the loading agencies a quick, sure and reliable transport system. A number of technical measures have been introduced which could ultimately improve the competitive position for rail a great deal. The German Federal Railways have made the maximum effort towards the improvement of goods transport.

5.9 The rationalisation of branch lines undertaken by the railways is of particular significance. In order to get a clear idea of the importance of branch lines for the total budget, economic investigations were started in the middle of 1949 for approximately 480 branch lines with an operational length of 12,000 km. and these are being systematically carried on even today. In 1958 a programme was drawn up for the closing of unprofitable local lines. The entire traffic on 44 local lines (433 km.) was to stop. Traffic on 17 lines (199 km) has been stopped. Passenger traffic was to cease on 22 lines (324 km) of which 8 (105 km) have already been closed to passenger traffic. Between 1952 and the institution of 1958 programme, 11 lines (140 km) were closed to all traffic and 30 (306 km) to passenger traffic.

5.10 A lively discussion has been going on in West Germany over the question of how far could the Railways at best be relieved of its present stringent public obligations, in favour of a more flexible policy on strictly commercial lines. In 1958, the Parliament appointed a Commission to report on this particular question while studying the economic position generally of the German

Federal railways. In its report which was published in February 1960, the Commission expressed the view that under its statutes Federal Railway has to operate a public service and not simply to run a commercial business and suggests that Federal Railways be enabled to operate on a commercial basis in so far as it is required to fulfil its tasks. The Commission has proposed that it should be for the Federal Transport Minister to decide and to bear the cost of such operational and traffic measures as are thought economically right and socially desirable.

5.11 With regard to Federal Railway transport obligations, the Commission is of the opinion that at least in short distance traffic there are sufficient transport facilities available to the users to allow the removal of the obligations on railways in respect of goods traffic for distances upto 100 km. This would mean an equalisation of rail goods traffic with road transport. Economic and industrial requirements, however, in the opinion of the Commission, render it necessary that railways continue to operate as a public service in long distance traffic i.e. distances more than 100 km. Autonomous tariff policy will, according to the Commission, enable the Federal railways to balance uneconomic services with higher tariffs.

5.12 After a thorough examination of the problem, the Commission has come to the following conclusions:-

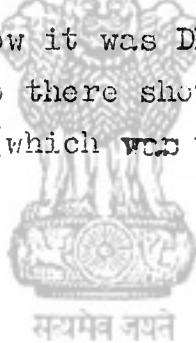
- a) The obligation to set up fixed tariff rates and the publication thereof should be applicable to all transport.
- b) It is incompatible with Federal Railways commercial operations that they be denied to fix their own tariff rates, that is, these be determined by a third party. As proposed by the Commission competent Federal Railways authorities should be authorised to fix railway tariff rates, including special tariff rates.

- c) In determining tariff rates, the following principles should be observed:
- (i) According to self-costs, and competitive conditions,
  - (ii) Equal tariff rates for all transport users under even circumstances; there must be no unjustified discrimination no undue preference or prejudice vis-a-vis the shipper and/or receivers, places and/or economic sections; there must be no misuse of position in market,
  - (iii) They should make visible the natural advantages of rail transport vis-a-vis competitive transport system e.g., concede scaled rates for different distances.
- d) The Federal Minister of Transport should continue to have the right to exercise a general control on the proper execution of tariff regulations, as well as on the observance of legal regulations regarding tariff determination; he must be entitled to take steps against tariff offences and must be able to prevent other irregularities. Federal Minister of Transport should be granted the right to lay down the principles for tariff determination, especially such, as should govern the tariff structure of all transport organisations.
- e) Federal railways' tariff autonomy will not prejudice Federal Minister of Transport's right to issue tariff injunctions.
- f) Federal railways must, as all important European railways, have the right to allow rebates or other concessions whenever such be in their own business interest and/or where general market conditions should render such measures necessary.
- g) Federal Railways must be entitled to charge differential rates where and whenever such be in the interest of their competitiveness.
- h) <sup>The</sup> broker's commission be fixed and thus be brought under control too.
- i) The Commission further suggests a revision of the present coordination system for transportation charges. There should be

equal rights for all types of transport organisations to determine freight rates, including special rates.

- 1) The Commission wishes to grant Federal Railways the long claimed right of self-management and freedom of action on the basis of equality with other transport organisations.

5.13 The Commission has also strongly recommended raising of the vehicle tax for the lorries and trucks because of the fact that gasoline is used by them and therefore, the contributions <sup>of</sup> these vehicles on the basis of mineral oil tax is not proportionate to the costs of the rates (it is much less) with their tonnage and km. According to the new Transport Finance Act which was passed in March, 1960 incorporating the recommendations the Commission, it is necessary that for over 200 kg. to 2 tons, there should be a basic contribution of DM 22 (upto to now it was DM 20) and for tonnage of more than two there should be a rising tax of DM 1.50 per ton (which was up to now DM 1 per ton).



## ITALY

The Italian State Railways are managed by the Administration of State Railways which is an autonomous body, functioning within the ambit of the Ministry of Transport. It has no juridical status of its own. The Railways get subventions from the Treasury for the services rendered in the nature of public services, e.g., the support prices applied in the interest of certain productive sectors or for the development of economically backward areas. The tariff policy followed by the State Railways is gradually departing from the principle of "what the traffic can bear". This principle, applicable mainly to goods transport, is still being applied to a reduced extent to the tariffs which are based on the value of the goods carried. A policy of levelling down tariffs has been developed in order to enable the Railways to face competition with roads.

2. The Italian Railways are also running road transport services under Royal Decree which empowers railways to operate automobile services to replace or to supplement certain railway lines. So far as the management of such services is concerned, the State Railways are authorised to arrange them either directly or by awarding a contract to other concerns.

3. A great development of road services which competed with the Railways posed a problem of coordination. The operation of public motor transport in Italy is subject to a "Concession", that is to say, an administrative provision recognising the effective necessity to establish the service, taking into account the existing rail and road services which are considered inadequate to meet the public demand. Besides, with a view to coordinating the rail and road transport, the Association of Road Transport "Concessionaires" on a voluntary basis which provides among other things for the constitution of a Commission of high officers and representatives of the parties concerned, presided over by the Minister of Transport or his representative. This Commission has the function of examining, at a high level, proposals for the establishment of a motor service or the alteration of an

the Administration has reached an agreement with



existing motor service which might have met with the opposition of the State Railways.

4. The Transport of goods by road on behalf of third parties is subject to regulation which limit their free operation by means of parliamentary authorisation in respect of the numbers to be authorised. Thus, the licensing system safeguards the interest of not only the State Railways but also the economic interests of the existing road transport companies. A policy of almost complete freedom <sup>is</sup> however, adopted in respect of transport affected as a complement to an industrial or commercial activity to satisfy the needs of the firms themselves.

5. In the interest of coordination, the State controls the rates charged by the transport services in order to limit to a reasonable extent the profits of the contractors. This duty is entrusted to the Ministry of Transport which carries it out by applying a common rate to the various services, the basic tariffs, determined by taking into account the need to control competition of such services among themselves and with the State Railways. Passenger fares on the railways are more strictly controlled than charges for road transport. Rail fares are increased by Act of Parliament but no legislation is needed for changes in road transport charges.

6. For coordination between road transport and other systems of transport, the Ministry of Transport maintains in each region a Consultative Regional Committee which assesses the local needs of transport and study the possibility of rationalising the various systems of transport for the benefit of the users of the area. The results of such studies are then collected by the Central State Organisation which takes them into consideration before taking final decisions.

## JAPAN

Japan is a country of many islands. The main means of transport up to the Second World War were the Japanese National Railways, a number of private railways and the coastal shipping. The Railways have played an important role in the rapid industrial growth of the country. Coastal Shipping is also carrying a mass volume of freight traffic. With the progressive industrial development, demand for transport facilities is also increasing. The total volume of traffic handled by various carriers during the year 1959 was as below:-

	<u>Passenger</u>	<u>Freight</u>
Railways	75%	43%
Road	22%	13%
Coastal Shipping	0.5%	44%

1.1 Japanese National Railways mostly depend on earnings from the passenger traffic in the main city districts. In the Japanese Transport Law, there is no provision to restrict short-distance traffic to road and long distance to Railways nor is there any restriction on the privately owned trucks by large companies for movement of their own products.

### Railways

2. The construction of railways in Japan was undertaken by the State in 1873. The private companies were also encouraged by the State with guaranteed interest and in certain cases also cash subsidies. In 1906 the railways were nationalised. After the Second World War, the railways were running

in huge deficits because of the reconstruction work and labour troubles. The Government, therefore, reorganised the Railways into a public corporation from 1st June, 1949, charged with the task of operating the railway enterprises, ferry service and motor transportation service (relative to railways). The budget, basic fares, rates and charges of the Railways have to be approved by the Diet. The Railway organisation has to take the Government's permission for the new construction or closure of a railway line, commencement of a ferry service or motor transportation, electrification and other important works.

Railway Rating  
Policy

2.1 There have been many revisions in the basic structure of the current freight rate system of the J.N.R. since it was established in 1912. The basic idea that the railway undertaking is a monopoly remain unchanged in the fixing of rates. However, with the rapid development in motor transport, the railway is fast losing its monopoly status. Efforts are now being made to revise the system in view of the competition.

2.2 Freight classification is established only for car-load freight. What each commodity is able to bear is the main determining factor of the ordinary classification and to this is added the element of cost of transport. A special classification is established for commodities that require transport at low rates by reason of the Government's socio-economic

policy. There is no classification system for less than car-load freight. Since freight rates are uniform throughout Japan, the commodities are treated in a generalised manner in the car-load freight classification table and the special characteristics of the different localities are neglected. As a measure to offset any shortcoming, the system of special reductions has been adopted. These reductions are applied so as to induce greater volume of traffic, reduce the burden of freight rates on specified commodities in special areas, or to comply with the public welfare policies.

Regulation of Road  
Transport

3. Japan has enacted a detailed Road Transportation Law which lays down the procedure to be followed before operating a motor transport enterprise and also the conditions to be observed in operating the enterprise. There are two broad types of motor transport enterprises in Japan, namely, 'General' motor transport and 'Special' motor transport. The 'General' motor transport enterprise covers the transport of passengers and goods in general and the 'Special' motor transport enterprise covers the transport of what is specified in the law as "definite scope of passengers and goods". It would appear that these two types conform broadly to the general classification of common and contract carriers respectively.

Licensing, its  
scope and  
conditions.

3.1 A licence from the Minister of Transportation is necessary before a motor transport enterprise can be started. The licence specifies the route and area of the service and the kind of business the enterprise will cater to. The licence may also impose limitations on the enterprise in regard to the utilisers or the passengers to be transported or the freight to be handled etc. Temporary licence is also granted to meet temporary demand and the period of the licence may be limited to meet the demand.

The Minister of Transportation assures himself

of certain standards in regard to an operator before granting a licence. These standards are different for the general and special motor transport enterprises.

For the 'General' motor transport enterprise before granting the license the Minister of Transportation assesses the ability of the operator to satisfy the following standards.-

1. That the inauguration of the service is reasonable in meeting the demand;
2. that the additional transport on the route or in the areas to be served by the new motor transport enterprise does not affect the balance of supply against the volume in demand;
3. that the applicant has an adequate plan in executing the enterprise in question,
4. that the applicant has an ability to accurately execute his plan of the enterprise; and
5. that the inauguration of the Service by the applicant is necessary for public interest and is adequate.

For the 'Special' motor transportation enterprise the following standards are taken into account before the granting of the licence:

1. That the inauguration of the service is reasonable in meeting the demand,
2. that the demand for motor transportation on the route or in the sections concerned cannot be adequately met by "General" motor transport enterprises; and
3. that the applicant has an ability to accurately/

execute his plan  
of the enterprise.

Fares, Rates and  
Charges:

3.2 The operator has to decide fixed fares, rates and charges applicable to passenger, freight and other kind of traffic and obtain the approval of the Minister of Transportation for them. Any revision in the fares, rates and charges has also to be approved by the Minister of Transportation. The Minister of Transportation accords his approval on the following considerations:

1. That the enterprise is under an efficient management adequately covering the cost

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- of operation and providing reasonable margin of profit;
2. that the service to be offered is not discriminatory to any specific passengers or shippers of freight;
  3. In consideration of the ability of the passengers and shippers of freight in bearing the cost of transportation, the enterprise must be such as will not make it difficult for the passengers and shippers to utilise the service;
  4. the enterprise must be such as will not create undue competition with existing motor carriers;
  5. the basic kilometerage for calculation of fares, rates and charges decided by the Minister of Transportation must be applied in the case where the fares, rates and charges on a distance-basis is to be used.

In the initial stage approval was granted to a carrier for the maximum rates only, and the carrier was allowed to decide the rate for each case, within the framework of this maximum, with the agreement of the shipper. Such a practice of applying different rates to different shippers was detrimental to the development of business. In 1951 the Road Transportation Law was revised. Rates and fares for road motor service were to be pre-determined, no rebate was allowed on rates and charges and the latter were to be collected before the object of transport was delivered to the consignees. However, in case of trucking business, the maximum and minimum rates were established instead of 'pre-determined rates' and it was allowed to collect rates and charges after the delivery of goods to consignees.

Transportation Agreement

3.3 Before starting the operation, the operator has to prepare a transportation agreement which is sanctioned by the Minister of Transportation after taking into account that the agreement is not likely

to affect the rightful interest of the public and that it contains specific provisions in regard to the collection of fares, rates and charges and the responsibilities of the operator.

Obligations  
and rights of  
the operator

3.4 The operator of the enterprise has to accept all the requests for transportation except the following ones:-

1. When the request for transportation falls outside the scope of the transportation agreement;
2. when the operator lacks facility for handling the type of freight requested to be shipped;
3. when the request places a special burden upon the operator in regard to the shipment of freight;
4. when the request is likely to violate public laws, regulations, rules, orders and morality; and
5. when general transportation is hampered by acts of God and other unavoidable reasons or by any ordinance of the Ministry of Transportation.

If an operator makes any change or revision in the plan of his operation, he has to obtain prior sanction from the Minister of Transportation, who will be guided by those conditions which are taken into account by him in granting a licence.

The operator can enter into agreement or contract with traffic traders, express and terminal handling agents for connecting service or joint management or for making alterations thereof. The agreement or contract and their revision are subject to sanction by the Minister of Transportation who will be guided by public interest in giving it.

Control of  
the Operations:

3.5 The operator is not permitted to conduct his operations in any way prejudicial to public interest or to indulge in competition which hamper the sound development of general transport industry. He cannot discriminate between passengers or shippers.

The Minister of Transportation may direct an operator after giving him an hearing to alter or suspend his operations if he violates any of the aforementioned prohibitions. The Minister may also issue orders to the operator concerning any of the following matters:-

1. Alteration, modification, revision or change in the plans of undertaking;
2. alteration, modification, revision or change in the fares, rates and charges or the transportation agreement;
3. improvement of automobiles and other transport facilities and equipment;
4. the consummation of agreement for common use of traffic, equipment, connecting service, joint management or other agreement relating to transportation with other traffic traders or express and terminal handling agents;
5. establishment of such measures as would be required in guaranteeing smooth transport operation in passenger and freight traffic; and
6. execution of insurance covering the amount of compensations to be paid in connection with the transportation of passengers and freight.

Suspension of business.

3.6 An operator can suspend his business either temporarily (i.e. for a minimum period of one year) or permanently after obtaining the approval of the Minister. The Minister gives his approval in all cases except where such suspension is likely to seriously inconvenience the general public. The approval of the Minister is not necessary in the case of suspensions caused by damage to roads or bridges or other logical reasons.

3.7 It would thus appear that in Japan the motor transport enterprise is subject to quite extensive and intensive regulation by the Minister of Transportation who has the powers to grant a licence, to define the scope of service, to determine



its fares, rates and charges and also to ensure the operation along lines agreed to by the operator himself. For giving sanctions to the operator at different stages he is essentially guided by the public interest and sound development of the general transport system.



## NEW ZEALAND

The New Zealand Government have exerted a great influence over the nature and development of transport services as it is the only major spending and constructing agency and the largest transport operator in the country. As in the case of other rapidly developing countries, New Zealand is also faced with heavy demands for capital expenditure to meet the needs of expanding industry and growing population. Under these circumstances, "the only satisfactory national transport policy is one which attempts, to the extent that is consistent with the maintenance of an efficient service, to ensure that we make the best use of the capital that we have already invested in our transport facilities. We must take advantage of the benefits of the motor vehicle, but we must not undervalue the railways merely because they are an older service. Progress in transport, as in other activities, should be cumulative and, although it is proper to clear away what is obsolete, we automatically lose part of the gains offered by a newer invention if we too hastily discard the still valuable older inventions which preceded it". \* The over concentration on privately owned motor transport is stated to be already causing congestion in some of the cities in New Zealand, and creating problems of town and country planning and road development incapable of speedy solution.

2. Much of New Zealand's economic development is stated to have been due to its extensive railway

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\* Statement of Policy on 'Transport of Goods by Road in New Zealand' presented by Hon. J. Mathison, Minister of Transport, in the House of Representatives (1959).

net work (some of it is in areas where traffic was never likely to be plentiful), and to the railways's willingness to carry large volumes of goods at low prices. As was pointed out in 1955 in a White Paper on the Transport of Goods by Road:

"The country cannot ignore the job of mass transportation done by the railways each year in handling heavy tonnages of coal, timber, etc. Nor can it ignore the fact that to duplicate the service given by the railway through an expansion of road transport would mean considerable expenditure on motor vehicles, equipment, fuel, and manpower. This would necessitate the scrapping of millions of pounds of railway plant and installations, and expenditure on road construction and maintenance far beyond the country's present capacity. We must not forget the value of railways for development and to cater for the traffic needs of the future. Nor must we over-look the part the railways play in New Zealand's defence system".

3. According to the statement of Government Policy, New Zealand requires a programme of balanced expansion in the use of transport facilities. However, as the relative potential and costs of different agencies are altered by the technical and economic developments which also influence what the country can afford to spend on new equipment, it is felt that there can be no solution for all times to come. The transport policy in its detailed application has, therefore, to be reviewed at frequent intervals. The New Zealand Government, however, does not feel that "the present time is an appropriate one at which to expand substantially the sphere of road with consequential increased demands on overseas funds for vehicles, parts, fuel, and road-making equipment". The Government is satisfied that the railway maintrunk net work is essential-indeed, that it is of vital importance - as far as freight is concerned, and that it must be maintained in an efficient condition.

In New Zealand the need for public control of motor transport was felt in 1930s when legislation was introduced to ensure stability within the transport industry and to reduce wear on the roads. The legislation also recognised the need to preserve to the railways a 'solid core' of traffic so that the railway net-work could be maintained with as much efficiency and economy as possible. The detailed provisions of the law have been revised in the light of changes in the economic conditions and technical advances.

Transport  
Regulation

5. The Transport Act, 1949 (Section 153) sets out the general objectives of transport regulation and requires the Licensing Authorities and other tribunal engaged on transport licensing and rates fixing work to have regard to the following matters:-

- "(a) The provision of modern transport facilities best suited according to the nature of the services to meet the needs of national production and living standards and of national defence; and
- (b) the fair and impartial regulation of all forms of public transport in order to develop and maintain transportation facilities adequate to meet the needs of New Zealand and of national and Commonwealth defence; and for those purposes so to administer the transportation facilities as to recognise and preserve the inherent advantages of each form of transport; to promote safe, adequate, economic, and efficient service, and the fostering of sound economic conditions in transportation; to encourage the establishment and maintenance of reasonable transport charges without unjust discrimination, undue preference or advantage, or unfair or destructive practices; and to promote good working conditions for workers".

6. The Government of New Zealand feel that the following criteria are useful guides which can be applied from time to time, to test whether the Act and regulations are, in fact, accomplishing their purpose:

- "(i) No protection should be afforded to any form of transport where the adverse effects on production and distribution more than offset the gains achieved by the protected industry through increased stability, increased utilisation of equipment, and increased efficiency;
- (ii) no restriction should be imposed on any form of transport where, because of administrative difficulties, it is likely to be both irksome and ineffective; and any restriction found to be ineffective should either be made effective or removed; and
- (iii) in addition, the system of regulation in use should be as simple and clear as possible."

According to Government's Statement of Policy the transport licensing system has eliminated much of the waste and destruction of facilities that would have accompanied unfettered competition. It has brought financial stability to the commercial road transport industry and at the same time fostered its expansion in line with increasing production to the stage where it now runs approximately 490 million net ton-miles a year for a revenue of more than £36 million. Parallel with this expansion, there has been a much greater growth in unlicensed private transport which now runs an estimated 937 million net ton-miles a year. An equally important fact is stated to be that an efficient railway system has been maintained with an increased volume (although a small relative proportion) of business. Despite this growth in work, it would seem that expenditure on transport now represents a smaller proportion of the gross national product in New Zealand than it did prior to the introduction of transport licensing.

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Licensing  
Procedure.

7. The Transport Act of 1949 provides for the licensing of carriage by road of passengers and goods for hire or reward and, in certain cases, the carriage of goods by the owner thereof. This act empowers the Minister of Transport to appoint committees to inquire into transport problems for the purpose of securing improvement, coordination and development, and the better regulation and control of all means of and facilities for transport. Committees are appointed in this way to inquire into specific transport problems. In addition, there is a Government Transport Committee, which includes Cabinet Ministers and which under the Chairmanship of the Minister of Transport enquires, from time to time, into matters affecting transport generally. The existing licensing policy in New Zealand is outlined below.

For the purpose of licensing of road transport services, the country is divided into 12 transport districts. These districts are, as far as is possible, self-contained in relation to the carriage of goods and passengers by road, and anyone wishing to carry on a goods or passenger service has to apply to the Licensing Authority appointed by the Minister of Transport for the transport district. The Licensing Authority on receipt of the application gives public notice in the newspapers that the application will be heard in such a place on such a date, and at the hearing the applicant states his case and anyone objecting to the proposed licence can state his case. The Authority then gives its decision, and there is a right of appeal to the Transport Licensing Appeal Authority against any decision made by a Licensing Authority within 21 days after the date of the decision.

For the numerous cases where the licence applied extends beyond the district the applicant resides in, the application is heard by one Licensing Authority who consults the other concerned Licensing Authorities before hand.

In considering any application, a Licensing Authority is required to take the following factors into account:-

- (a) The needs of the district and the extent to which the proposed service is necessary or desirable in the public interest, and the extent to which an improved service is necessary or desirable in the public interest;
- (b) the necessity in the public interest of protecting the public funds involved when the application is for a licence for a service which has been purchased by the Minister of Railways;
- (c) the transport services already provided in the locality to be served;
- (d) the financial ability of the applicant to carry on the proposed service, and the likelihood of the proposed service being carried on satisfactorily;
- (e) the desirability of providing and maintaining a reasonable standard of living and satisfactory working conditions in the transport industry;
- (f) the time table or frequency of the proposed service, if it is intended to be of a regular nature, and the vehicles proposed to be used;
- (g) the route to be traversed and any restrictions that would affect the class of vehicle it is proposed to use;
- (h) any evidence or representations received.

A Licensing Authority is required to give every application by the Government, Minister of Railways, a local authority or other public body, preference over all other applications for goods and passenger service licences if:-

- (a) there is no existing service for the area concerned;
- (b) the proposed service is an extension of an existing service carried on by the applicant, or, if the applicant is a local authority or public body

carrying on a transport service, is a new service to be carried on wholly within the district of the applicant;

- (c) the authority is satisfied that the proposed service will not unfairly compete with an existing service to the same area by another route; and
- (d) the Authority is satisfied that the proposed service will be satisfactory, having regard to time tables, frequency of service, and otherwise.

Railway Protection 8. The carriage of goods by the owners thereof in competition with the railways is regulated by Section 96 of the Transport Act which declares that the carriage of goods by means of vehicles which, with their loads, exceed two and a half tons in weight shall be deemed to be goods services within the meaning of the Act in the following circumstances, if there is a route available that includes not less than:-

- (a) Seventy-five miles of open Government railways when the goods carried consist only of fresh meat or fresh fish;
- (b) Fifty miles of open Government railway when the goods carried consist only of logs, biscuits or confectionery;
- (c) Thirty miles of open Government railway in any other case.

These restrictions do not apply where the owner of the motor vehicle is carrying on business as a farmer and the goods are carried in connection with that business of the owner, but such farmers are not permitted to carry certain goods if the laden weight of the vehicle exceeds six and a half tons and if there is a route available that includes not less than-

- (a) Seventy-five miles of open Government railway when the goods carried consist only of fresh milk, fresh cream, fresh vegetables, fresh fruit, eggs, poultry, or fresh meat.



- (b) Fifty miles of open Government railway when the goods carried consist only of livestock;
- (c) Thirty miles of open Government railway in any other case.

The effect of the above is to require a person who wished to carry his own goods in competition with the railways to apply for a transport licence authorising such carriage.

9. In the case of transport licences authorising the carriage of goods for hire or reward the licences are subject to a condition prescribed by Regulation 29(2) of the Transport Licensing Regulations 1960, which provides that goods shall be carried by road only so far as is necessary to permit their carriage by rail in the following circumstances, if there is a route available that includes not less than:-

- (a) Seventy-five miles of open Government railway in the case of fresh milk, fresh cream, fresh vegetables, fresh fruit, eggs, poultry, fresh fish, or fresh meat;
- (b) Fifty miles of open Government railway in the case of biscuits, confectionery, logs or livestock (except that this does not apply to the carriage of stock exhibited at Agriculture and Pastoral shows, or to the carriage of registered pedigree stock (except racehorses), or of live-stock entered in chill-beef and fat-lamb competitions);
- (c) Thirty miles of open Government railway in all other cases, except for the carriage of furniture and household effects arising from a change of residence of the owner for which there is no restriction.

Application may be made to the Licensing Authority for exemption from these restrictions but exemptions are not lightly granted.

None of the above restrictions apply if the shortest road route available is less than the relevant minimum railway restriction; if the route that includes the railway is longer by more than one third than the shortest road route available if the Crown is the owner of the motor vehicle; or if the owner of the motor vehicle is a local authority or public body and the goods are loaded at a place within that body's district and carried to another place within that district.

10. The Commissioner of Transport fixes the charges for cartage under a continuous transport licence and there is a right of appeal against his decisions to the Transport Charges Appeal Authority. Some flexibility is, however, given to the licensing system by the issue of temporary permits of up to 14 days duration to authorise the cartage of goods which cannot be handled conveniently by existing permanent licences or by the railways.

Enforcement:

11. The provisions of the Transport Act and of the associated Transport Licensing Regulations are enforced by the Traffic Officers of the Transport Department. Every goods service vehicle is issued with a vehicle authority which summarises the conditions of the owner's licence and must be carried on the vehicles at all times.

In addition, the Licensing Authorities are empowered to review any transport licence if they are of the opinion that the circumstances under which the licence was granted have changed materially. The Minister of Transport also has the power to direct a Licensing Authority to review a transport licence. /

is under review is the same, apart from the necessary modifications, as that for the application for a new licence.

/The procedure  
that is follow-  
ed when a  
licence

Any alleged breaches of the railway restrictions are heard in the normal Magistrate's Courts, and in addition to any penalty imposed by the Court the defendant is required to pay to the Crown the same amount that would have been due to the Railways Department if the goods had been sent by rail.

## SWEDEN

As early as 1853 the Swedish Parliament had decided that the main trunk railway lines should be constructed and operated by the State while the building of other lines should mainly be in the hands of private Companies. However, certain departures from the above principles had to be made. The State had to undertake the construction of a few branch lines for the economic development of certain areas and also due to military reasons. The private enterprise could not be expected to undertake the construction of those lines which were commercially unremunerative. On the other hand concessions were given to private companies for constructing certain trunk lines. In 1939 the Swedish Parliament adopted the principle of nationalising the Swedish Private Railways. Since then a large number of private railways have been incorporated in the State network. The railways resorted, at an early stage, to the use of road traffic as a means of feeding the railways. The motor bus lines taken over by the State Railways upto 1935, consisted of typical feeder lines for the railways. Later a systematic expansion of the motor bus network was initiated to acquire those private bus lines lying within the railways' traffic area and, therefore, competing with the railways.

/by

### Freight and bus transport:

1.1 The Swedish State Railways have motor freight service with over a thousand trucks. These provide transport in areas not served by the railway. The Railways opened its first bus line in 1911 in areas where trains could not profitably run. Since 1931 the net work of bus lines has steadily expanded, partly by the purchase of private lines and partly by the institution of new routes. Many of these latter have been necessary when the State Railway ceased traffic on certain areas of railway. Today the State Railway is the largest bus company in Sweden. In 1959 it had almost 2,000 buses, plying routes covering more than 21,000 miles.

-/-

1.2 The freight traffic plays an important role in the economy of the State Railways than the passenger traffic. Two-thirds of the income comes from freight traffic. There has been rapid development of motor traffic which has influenced railways in many respects. Railway constructional work has now been suspended altogether, and on number of small privately owned railways as well as some of the shorter State lines, the traffic has had to be abandoned entirely or in part due to motor competition. The economy of the railway and its tariffs systems have been sharply affected by the motor competition. It has, therefore, been found necessary for the railways both to introduce general reductions in the highest tariffs and also to allow special reductions on a very extensive scale. By the adoption of a tariff policy of this nature and the introduction of improved transport facilities as regards speed and customer service, the railways have been able to stop the diversion of traffic to road transport. The competition from motor vehicles was directed mainly towards high tariff goods with the result that the railways were obliged to lower these high-tariffs to compete with the road transport tariffs. In this way, however, the railways lost additional revenue on high-tariff goods which had made it possible for them, whilst retaining their economic position, to allow lower tariffs for carrying large quantities of goods of low value.

Coordination:

2. In Sweden, transport policy at present concerns itself mainly with a system of authorisation or licensing of road transport for hire or reward in the interests of inland transport as a whole. With a view to protecting rail transport from undue competition, a restrictive licensing policy is applied to long distance transport by buses and lorries. However, in areas where railway is in a position to compete on a purely economic basis, a more liberal attitude has been adopted in the matter of granting of licences for motor traffic.

2.1 Only road transport for hire and reward is subject to licensing. The road transport operations on 'own account' are free, but their remunerativeness is limited as the return loads on 'own account' are generally not available.

2.2 Licences for road transport are granted when such transport is considered necessary and suitable. The licensing authority has to consider the total development of the communication within the area for which the licence is to be issued. Particularly for long distance hauls the need and the advisability of using road transport has to be considered with regard to existing railway and maritime services and their capacity. No precise criteria for such considerations are laid down in law, but each case is considered with regard to actual circumstances and the general principles of the national transport policy.

2.3 Two categories of transport are exempt from authorisation viz., ambulances and transport concerned solely with milk, milk products, eggs, sugar beet or beet pulp and animals scheduled to be delivered at slaughter houses. Licences are granted by the National Commission for Road Transport (Statens Biltrafiknämnd), for regular bus and lorry services concerning more than one country and for heavy lorries in occasional service. In all other cases, licences are granted by local authorities. A licence may be granted, only if the service with regard to already established transport undertakings is not considered to meet a public need and to be otherwise suitable, and the applicant fulfils certain conditions as to experience and reliability.

2.4 A transition to a transport policy/<sup>based</sup> on free competition on equal conditions has been considered in Sweden in the past. The equalisation of the competitive conditions will include a complete abolition of all such public service obligations imposed on the railways which cannot be justified on economic grounds.

## UNITED KINGDOM

In the United Kingdom, the railways had from the very beginning, certain common law obligations as a common carrier which greatly handicapped them in their struggle for survival against free and unfettered road haulage. The various Acts of Parliament between 1845 to 1921 regulated the competitive freedom enjoyed by railway companies in respect of freight charges. Since the growth of competition after the First World War the financial position of the Railways became quite unsatisfactory. The railways again suffered badly during the Second World War when they were put under direct control of the Government. There were heavy arrears in the maintenance of track and in signalling equipment. The rolling stock had suffered abnormal damage due to war and needed replacement. There was fall in revenue due to diversion of traffic from rail to road. The Government had to take drastic measures to make the best use of the country's available transport resources.

### British Transport Commission

1.1 The Labour Government when it came into power in 1945, decided to nationalise the country's inland transport system. The Transport Act of 1947 set up the British Transport Commission as a public authority 'to provide or secure or to promote the provision of an efficient, adequate, economical and properly integrated system of public inland transport and port facilities within Great Britain for passenger and goods with due regard to safety and operation.' The Commission consists of a Chairman and not more than 14 other members, all of whom are appointed by the Minister of Transport. The Chairman and at least four Members render whole-time service. The part-time Members belong to industry and commerce and from ranks of those who are experts in industrial relations. The Commission Members have a corporate responsibility for the action of the Commission as a whole; they do not act as functional executives but act as members of the Committees and Sub-Commissions through which the Commission works. The Chairman is the Commission's Chief Executive. The Committees have executive power, and deal with subjects of general concern like establishment and staff, finance, power supply, technical, traffic and works

and equipment. They are normally composed of Members of the Commission, though in certain cases, membership is extended to Members of Area Boards. Sub-Commissions are small groups of Members nominated to devote special attention to one or more divisions. The Sub-Commissions do not have executive powers nor are they links in the chain of authority. Their role is to keep in touch with the affairs and management of the Divisions concerned, to watch performance including financial results, and to assist managements by interpreting Commission's policy to <sup>them</sup> / them. There are eight Sub-Commissions which include British Railways, Road Haulage, Road Passenger, Docks, etc.

## Road Transport

2. In the U.K., the growth of road haulage industry after the First World War introduced an ever intensifying form of competition for the railways. This competition was sought to be controlled by regulation of the expansion of road transport vehicles through a system of licensing. The Road Traffic Act of 1930 introduced a system of licensing of public passenger services which was entrusted to Traffic Commissioners <sup>in</sup> / thirteen areas into which the country was divided. The Traffic Commissioners <sup>and</sup> / maintained fares, sanctioned routes and time tables. The Road and Rail Traffic Act, 1933, which was passed as a result of the recommendations of the Royal Commission and the Salter Report of 1932, established a system of licensing for road haulage vehicles, which is still in operation. It was designed to restrict vehicle operations to approved needs and to eliminate wasteful competition. A licence had to be secured from the licensing authority (who is in fact, the Chairman of the appropriate body of Traffic Commissioners) before a goods vehicle could be used on the road.

2.1 The Act of 1933 introduced three types of licences for goods vehicles - 'A' licence was given for general public haulage. They ply anywhere in U.K. and they can carry goods only for hire and reward, e.g., an 'A' licence holder cannot carry his own goods. There is no restriction generally on 'A' class licence holders. 'B' licence is restricted in different ways.

For example, 'B' class licence may be given to a truck for being used only for a particular party or for particular types of goods or for being run within limited distances. A 'B' class licence may also be restricted season-wise, i.e., may be allowed to operate only during a part of the year. A 'B' class licence can carry his own goods. The holders of 'A' and 'B' licences are bound by regulation concerning the fitness and loading of vehicles, keeping of records and the pay and hours of work of their employees. 'A' and 'B' licences represent the controlled sector. 'C' licence is given for the carriage by the traders solely of their own goods. This licence is granted on application as of right, but the holder is bound to keep records, to observe statutory driving hours and to fulfil certain other conditions. The keenest competition for goods transport by rail comes not so much from road haulage contractors as from the trend of manufacturers to undertake more and more of their transport work using 'C' licence vehicles. 'C' licence fleet carry merchandise which otherwise would go by rail or by hauliers' vehicles. Not all the goods carried by 'C' licence vehicles are suitable for public transport but there has been enormous growth in the number of these vehicles.

2.2 The licensing authorities are independent of the Ministry of Transport in their judicial capacity, though the Minister could give general directions to the authorities. Appeals are to be made to the Ministry of Transport in the case of passenger transport and in the case of goods transport, to Special Appeals Tribunal set up under the Road and Rail Traffic Act of 1933.

2.3 Under the Transport Act, 1947, all long distance road haulage concerns, apart from those dealing with certain specialised traffic such as furniture removals, meat and livestock, were acquired compulsorily and the vehicles and property were transferred to the management of the Road Haulage Executive Division of the British Transport Commission. All 'A' and 'B' licensed operators not taken over had to get permission from the Commission if they wanted to carry goods for hire outside the radius of 25 miles from their operating centre.



2.4 The Transport Act of 1953 which amended the legislation of 1947 introduced the basic principle of competition within the transport industry. The operators were free to compete with each other. Thus the long distance road goods transport was denationalised. The British Transport Commission was required to dispose of the whole of their road haulage undertaking (British Road Services) except for a small retained fleet of about 3,500 vehicles. The disposal of vehicles in small lots continued up to 1956 when the Road Haulage (Property Disposal) Act amended the Act of 1953 and brought this process to a halt. The British road services were able to retain the main fabric of their trunk services. It was on account of the value to trade and industry of the national network represented by British Road Services (BRS) that the 1953 Act was not allowed to follow its full course <sup>which</sup> and led to the disposal of vehicles in small units and the disintegration of both the general haulage and the parcels networks. The road haulage was also left with complete freedom of charge under the Act of 1956.

2.5 The competitive principle was, however, not taken to extremes. A system of licensing of road transport remained with a few important changes in the procedure for the grant of licences. As a result of the 1953 Act, it is not the applicant that has to prove the need for the goods vehicles, but it is the objector or objectors who have to prove that the proposed licence was not to be granted. Another important change introduced by the Act was that the charges which were to be made by the applicant should also be taken into account in deciding the grant of licence. The restriction on the radius of operation of private hauliers to 25 miles from the operating centre was also removed.

2.6 The restrictions placed on the licences are enforced effectively. The Traffic Commissioners have a force of traffic Inspectors for purposes of check. Basically however, enforcement is materially assisted

by one operator complaining against the other whenever the other infringes on his "territory".

Coordination

3. Prior to the Transport Act, 1947, the policy governing transport, except during the war years 1914-18 and 1939-45 when special conditions applied, had been mainly one of regulatory control intended to promote safety, to protect transport users by the regulation of rates, services and facilities, and to ensure reasonable hours of work, wages and working conditions. Government policy did not attempt to coordinate the different forms of transport in order to have an integrated transport system for the whole country. Each form of transport and each undertaking was left free to pursue its own policy as determined by the normal criteria of private enterprise, subject to its conforming to the appropriate government regulations and to its providing a reasonable service (and to its not failing in its duties to an extent sufficient to give rise to such criticism as would necessitate intervention by the appropriate regulatory authority or by the government).

3.1 However, the British Railways, under their special Acts of Parliament, were granted certain specific powers to own, operate or invest in other forms of transport, and by one or more of these methods they became owners or operators of, or acquired a direct financial interest in, canals, docks, steamship services, road transport (after 1928) and air transport (after 1929). The integration of different forms of transport under the aegis of the railways, while not sponsored by government policy, was, nevertheless, carried out with the full approval of Parliament. The four British main-line railways were, on the outbreak of war in 1939, no longer purely railways but had become providers of all forms of transport.

3.2 At the end of the Second World War, the drift from rail to road which fuel rationing and other measures had artificially reversed, was resumed. Under the Transport Act, 1947, the Government established the British Transport Commission to promote integrated system of transport in the country and also to run the transport undertakings on commercial lines. In the

matter of day-to-day administration Parliament decided not to interfere. In accordance with the provision of the Act, on the 1st January, 1948, the railways, all the railway-owned steamships, docks, hotels and road transport interests, most of the country's canals (including all those owned by the railways) and the whole of London's passenger transport system came under the control of the British Transport Commission. Under the Commission, a number of different executives were set up to manage and operate the various interests acquired under the Act. The principal railways were placed under the management of the Railway Executive. The vehicles and property owned by all long distance road haulage concerns with the exception of certain specialised traffic were transferred to the management of the Road Haulage Executive. <sup>The</sup> Commission's authority for carrying goods for hire outside the radius of 25 miles from their operating centre was required by all 'A' and 'B' licensed operators. This helped in securing the properly integrated system of rail and long distance road haulage and solving the problem of competition for goods traffic between these two forms of transport. The Commission was also given powers to prepare area schemes for coordinating road and rail passenger services.

3.3 The old established policy of subjecting rail charge to the jurisdiction of independent Tribunal was continued under nationalisation. But the concept of integration necessarily meant that the charges of all the transport services provided by the Commission including both rail and road should be controlled by one body. The Transport Tribunal, therefore, replaced the Railway Tribunal and was given wider powers and functions. The Transport Act of 1947 made no change of immediate effect in the legal position regarding charges, but there was placed on the British Transport Commission a duty to prepare and submit to the Transport Tribunal Draft Charges Schemes for determining the principal charges in respect of the services and facilities provided by the Commission. The Tribunal was given a wide scope to adopt any system that seemed desirable in the circumstances. Thus a Charges Scheme could

provide for fixed charges, maximum charges, standard charges or minimum charges or it could leave the charges to the determination of the Commission. It was contemplated that the Transport Commission should bring forward a comprehensive scheme for freight charges.

5.4 In 1951-52 the new Government came into power and decided to modify the Transport Act, 1947. The Act of 1953 dropped the principle of integration and introduced the basic principle of competition within the transport industry in which operators of transport should be free to compete with each other on the grounds that coordination is best achieved through competitive processes. Accordingly, the long distance road goods transport was denationalised and returned to private ownership. Subsequently, the Act of 1953 was amended by the Transport (Disposal of Road Haulage Property) Act, 1956. The new Act brought to an end the denationalisation of road haulage and enabled the Commission to retain a nucleus of nationalised long distance road haulage for operation on trunk routes.

3.5 <sup>also</sup> The railways were given a large measure of commercial freedom, particularly, in regard to charges to enable them to compete with road hauliers. The long standing equality and undue preference requirements in respect of railway charges were removed. The New Railway Merchandise Charges Scheme was introduced in July, 1957 after a prolonged public enquiry by the Transport Tribunal, which fundamentally changed the principle of railway pricing policy. It only fixed scales of maximum rates which were graded according to consignment, weight and loading characteristics of the goods to be carried. The value of merchandise being only of secondary importance, it provided that the charges for certain traffics (those carried in owner's wagons or in consignments of over 100 tons) and for private sidings and terminal services should be 'reasonable'. Any question as to reasonableness of rates was to be determined by the Transport Tribunal. Within these limits, the Commission had the power to make agreed

charges according to commercial considerations. For instance, they would be able to allow a preferential rate to the trader who sends all his goods by rail. They are no longer restricted by the need to publish their charges.

3.6 In practice, under the new scheme the direct costs of carrying traffic, in so far as they are ascertainable, provide a floor to the charges while the ceiling is determined by the degree of competition from road transport within the limits imposed by the maximum charges authorised by the Tribunal. "The policy thus is still one of 'what the traffic will bear' - but applied in more realistic and, therefore, more effective manner under competitive conditions." The following comments of the P.E.P.\* on the New Charges Scheme is instructive:

"Although the new schemes and the lifting of restrictions allow the railways much more flexibility than they have ever had before, there are still serious limitations on their freedom of operation. For instance, charges in the maximum rates must still be authorised by the Transport Tribunal and considerable cuts were imposed on the B.T.C's first freight charges scheme. Further, maximum rates are now based on operating costs in "adverse but not extreme" circumstances so that although the railways have the power to charge a considerably higher rate to the traffics which they find more costly to carry they do not have the power to price out of the market these traffics which are carried in 'extreme' circumstances at a very high cost to the railways. Since they still have obligations as common carriers - they cannot refuse to carry such traffics. Nor can they refuse to cater for the marginal requirements of firms who send the bulk of their traffic in their own "C" licence vehicles. Many such firms use the railways as a stand-by service in special circumstances, but even under the new scheme they cannot be asked to pay the full cost of providing this service in extreme cases though the railways now have the power to charge them rates well in excess of those which they are now paying. Thus even under the new charges schemes there will still be the need for some high cost traffics to be subsidised by others which the railways carry more cheaply.

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\* Paper published by Political and Economic Planning organisation dated 19 December, 1958.

The Transport Tribunal is still able to exert a considerable influence over the structure of new charges scheme and its operation and will have the power to intervene in cases where a trader is able to submit that he has not been charged a reasonable rate".

3.7 The Transport Act of 1953 was further amended in 1957 to authorise the Commission to borrow from the Consolidated Fund sums required to meet the deficits on revenue account of British Railways during the years up to 1962 - up to a total of £ 400 million - plus the interest on these advances. The Commission were further authorised to borrow moneys required to meet the interest on capital spent on the modernisation programme in the period that it was expected that it could become revenue earning. This was done to modernise the railways. "When the White Paper was published in 1956, it was forecast that the Railways would in due course be able to close the financial gap which had then developed, probably without substantial raising of fares. But this forecast was inevitably based upon certain assumptions of a general nature about the value of money, continuance of current economic conditions and public policy." \* The Railways were, however, not in a position to take advantage of their new commercial freedom and decentralised management. They continued to run at a loss due to severe competition from road transport, particularly, in the category of general merchandise. The railways were in urgent need to produce revenues.

#### Reorganisation

4. The financial difficulties experienced by the railways, led Mr. Harold Macmillan, the Prime Minister, to declare in the House of Commons on the 10th March, 1960, that the British Railway system must be remodelled to meet current needs. He said that the public must accept certain sacrifices of convenience, for example, in the reduction of uneconomic services and increases in some fares and charges. He stated that it would also be necessary to examine urgently the question of relieving the industry of restrictions and obligations

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\* Memorandum by the British Transport Commission on 'Commercial Outlook: Revenue and Expenses'. - submitted to the Select Committee on Nationalised Industries.

which limited the Commission's earnings and prevented its making the best use of its resources. He emphasized that 'the Commission must accept a radical alteration of its structure so as to secure a more effective distribution of finances and better use of all its assets. The reorganisation measures may include decentralisation of management so that individual undertakings, including the regions of British Railways, should, as far as practicable, be made fully self-accounting and responsible for the management of their own affairs'.

4.1 An Advisory Planning Board was constituted with 4 members "to examine the structure of finances and working of the organisation at present controlled by the Commission and to advise the Minister of Transport and the British Transport Commission as <sup>a</sup> matter of urgency how effect can best be given to the Government intention as indicated in the Prime Minister's Statement."

#### Uneconomic Services

4.2 In July, 1960, the all-party Select Committee on Nationalised Industries submitted a report on Railways wherein it expressed an opinion that "there is no doubt that a large scale British Railway system can be profitable. The number of improvements in hand, and the number of points at which further improvements can be made, lend force to this.....Direct profitability is not the only one consideration which applies in this case. But because of the cost of the roads, and of congestion on them, the national interest may require railway services which do not in fact directly pay for themselves, but which may cost the nation less than the alternatives". In some cases according to the Committee, social need may also be one of the considerations for maintaining railway service. "A service may be justified on other than economic grounds, because, for example, the less populous part of Britain might otherwise be left without a railway service. Account may, in other words, need to be taken of social considerations." The Select Committee, however, felt that "the consideration of profitability, mentioned above,

should be left to the Commission. But if decisions are to be taken on grounds of the national economy or of social needs, then they must be taken by the Minister, and submitted by him for the approval of Parliament. Furthermore, if Parliament is to specify that certain services should be undertaken, despite the fact that the Commission cannot profitably undertake them, then the additional cost of them should be provided, in advance, out of public funds." It has recommended that the Government should subsidise uneconomic routes that it wants to keep running for social reasons. The Committee has also stressed the need for proper <sup>railway</sup> accounting by which the profitability of Regions and services could be judged.

Administrative  
Reorganisation:

4.3 In the light of the recommendations of the Select Committee on Nationalised Industries and the views of the Special Advisory Group on the British Transport Commission, the position and prospect of the nationalised transport undertakings have been viewed by the British Government. The Government in a White Paper submitted to Parliament in December, 1960 have put forward their proposals for the future structure, working and financial reorganisation of these transport undertakings (excluding statutory air corporations). The plan for reorganisation has three main aims:

1. to replace the British Transport Commission and the existing organisation by a new structure designed to overcome the main defects and disadvantages of the present organisation;
2. to reconstruct the finances of the Commission particularly those of the railways; and
3. to give the various undertakings the maximum practicable freedom of operation in their commercial affairs.

British  
Transport  
Commission

4.4 The Government propose that under the new structure each of the British Transport Commission's main activities should be managed by a separate Board holding its own assets and responsible for its own capital debt. In the Government's view "this should secure more effective management and foster financial discipline. The object is to provide each Board and



management with a clearly defined task within a set field." There will be Boards for British Railways, London Transport, British Transport Docks and British Waterways and each of them will be incorporated under statute with the appropriate duties and powers necessary to the efficient conduct of these undertakings. They will be responsible direct to the Minister of Transport, who will appoint their members. All other activities of the Commission will be grouped under a Holding Company which will have its own Board.

Railways:

4.5 The new Railways Board will be responsible for the railways' capital debt, national staff and wage negotiations, overall control over finance and investment, policies for safety, training and research and for determining the future size and shape of the railway system. Existing Area Boards will be replaced by autonomous Regional Railway Boards fully responsible for management and operation of their regions. "They will thus continue a process of devolution of authority and decentralisation of management." A regional trading account will be maintained by each Regional Railway Board to help achieve the highest level of efficiency and economy of operation.

Ministerial  
Control

4.6 The Minister of Transport will be responsible for the coordination of policy between the new Boards including allocation of funds for new investment. As in the case of other nationalised undertakings, the Minister's main charge will be for "overall coordination and for securing the general efficiency of the undertakings in accordance with his responsibility to Parliament for them." It is intended that the new organisation would provide for direct contact between the Minister and the main component parts of the nationalised transport industry. The White Paper makes clear that Minister's statutory powers and responsibilities are not to be extended. The Minister will be assisted by a new advisory body, the Nationalised Transport Advisory Council which will comprise the Chairman of British Railways, London Transport, British Transport Docks, the Inland Waterways authority and the Holding Company and some outside members. The Minister will ordinarily act as Chairman of the Council.

Appointments: 4.7 While discussing appointments to various boards, the White Paper says, "the Minister will have regard to the special contribution which can be made by those with Trade Union experience." The Government, it is added, would like to see a system of promotion within the undertakings, particularly for the railways, but at the outset, however, some major posts may have to be filled from outside.

Financial reconstruction: 4.8 According to the White Paper "the grave financial state of the railways calls for a far-reaching financial reconstruction." Hence an interim plan has been proposed in order to find a working basis for the railways over the next five years and to lay foundations for financial recovery. At the end of 1959, the Commission had net capital liabilities of some £2000 million, of which £1400 million were in British Transport Stock and £600 million in advances from the Minister of Transport. Of the total, around £400 million were due to the non-railway activities of the British Transport Commission which have been largely self-supporting and it would be transferred to the appropriate new Boards. The balance of £1600 million is attributable to the railways. Of this £400 million represented accumulated losses in recent years and as there is no prospect of their recovery, that amount is to be written off. A further £400 million equivalent to written-down railway investment since modernisation started in 1955, should in the Government's view, continue to rank as an interest bearing loan. The remaining £800 million will be put to suspense account, carrying neither fixed interest nor fixed repayment obligations. It will be reviewed from time to time and amounts may have to be written off for ascertained capital losses. But as it will be in suspense the Exchequer may obtain some return if rail finances improve sufficiently.

Emphasising the nature and size of these measures, the White Paper says: "These heavy liabilities, though removed from the Railways, will not have ceased to exist. They will only have been transferred to the public in another form since they will fall upon the Exchequer."

The changes will give an immediate relief to the railways of over £40 million of annual interest. They will still have to pay interest on £400 million of capital on superannuation funds and savings bank deposits (totaling around £280 million) and on new capital borrowings. At the end of the next five years the total charge under those heads may amount to some £60 million to £70 million a year.

Over the next five years, "the railways must try to eliminate their operating loss, now running at about £60 million a year, and move to a position where they can meet their new levels of interest charges. In consultation with the railway administration the Government is to set financial targets for each of the next five years. The Government will make a special review of the financial position at the end of the five years."

As the Exchequer will still have to provide large sums in the interim period, necessary powers will have to be sought. "But increases in railway fares and charges must, where and when appropriate, make their due contribution towards meeting railway costs," the White Paper asserts. It adds that present restrictions on rail freight charges and passenger fares are "no longer justified." Statutory control over fares and charges in case of Railways will therefore be removed, except for fares in the London Passenger Transport area.

Ineconomic  
services:

4.9 The Government did not take any decision on the recommendations of the Select Committee for providing specific grants from public funds for certain uneconomic services which the railways were required to maintain on grounds of national interest or of social needs. According to the White Paper the problem affected other nationalised undertakings and the recommendations would be considered in that general context. The Government, however, in a recent White Paper entitled "The Financial and Economic Obligations of the Nationalised Industries" (April 1961) have envisaged that the nationalised undertaking should make some profits so as to provide at least payment of interest on capital, depreciation

and redemption of capital. The Government's general policy is to ensure that the industries are organised and administered efficiently and economically. "Although the industries have obligations of a national and non-commercial kind, they are not, and ought not, to be regarded as social services absolved from economic and commercial justifications." The Government propose to put into effect this new policy by means of specific targets for each nationalised industry (including railways) which may be expressed either in terms of self-financing or a rate of return on capital. The amount of non-commercial operations expected by the Government will be taken into account while fixing these targets. "To the extent that commercially unprofitable activities are subsequently imposed from outside, a Board would be entitled to ask for an adjustment of its financial objectives."



The Act to regulate Commerce of 1887 is the foundation statute of what is now called the Interstate Commerce Act which defines the Federal regulation of the U.S. domestic transportation system and the jurisdiction of the Interstate Commerce Commission over the system. The U.S. Congress has from time to time incorporated in **its** laws certain statement of policy. The Transportation Act of 1940 defined the National Transportation Policy of the United States as follows:-

"It is hereby declared to be the national transportation policy of the Congress to provide for fair and impartial regulation of all modes of transportation subject to the provisions of this Act, so administered as to recognise and preserve the inherent advantages of each; to promote safe, adequate economical, and efficient service and foster sound economic conditions in transportation and among the several carriers; to encourage the establishment and maintenance of reasonable charges for transportation services, without **unjust discriminations**, undue preferences or advantages, or unfair or destructive competitive practices; to cooperate with the several states and the duly authorised officials thereof; and to encourage fair wages and equitable working conditions; - all to the end of developing, coordinating, and preserving a national transportation system by water, highway, and rail, as well as other means, adequate to meet the needs of the commerce of the United States, of the Postal Service, and of the national defence. All of the provisions of this Act shall be administered and enforced with a view to carrying out the above declaration of policy".

1.1 The Act of 1887 created the Inter-State Commerce Commission as an administrative agency to regulate the interstate carriers subject to the provisions of the Act. The Commission is independent of the executive branch of the Government and reports directly to Congress. It consists of eleven members, with terms of seven years. Appointments are made by the President with the advice and consent of the Senate. No more than six are of any one political party, and no commissioner <sup>may</sup> engage in any other employment or

have any interest in any subject common to the Act. The orders of the Commission are reviewable only in the United States District Courts which are constituted of three members, at least one of which must be a judge of a Court of Appeals. Appeals are allowed from the decisions of such a District Court directly to the Supreme Court of the United States. In reviewing the orders of the Commission, the courts do not try the issues de novo; but merely review matter on the record before the Commission. "The Court only confines itself to the ultimate question as to whether the Commission acted within its powers or failed to observe the procedure required by law and whether such error has substantially prejudiced the rights of any party. It will not consider the expediency or wisdom of the order, or whether on like testimony, it would have made a similar ruling. The findings of the Commission are made by law prima facie true and this Court has ascribed to them the strength due to the judgement of a tribunal appointed by law and informed by experience". \*

Constitutional  
jurisdiction  
over transport

1.2 On the question of constitutional authority over transport, Bigham and Roberts in their "Transportation Principles and Problems" have observed thus:

"The Constitution delegates to States certain powers and provides that shall exercise the remainder. Among the powers is that over inter-state commerce. 'commerce clause' declares that Congress shall power 'to regulate commerce with foreign Nations among the several States, and with Indian Tribes' (Art I-Sec 8). The residual powers are provided as follows in the Tenth Amendment:- 'the **not** delegated to the United States by the Constitution, nor prohibited by it to the States

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\* Observations of the Supreme Court of U.S. connection with a case - Interstate Commerce Vs. Union Pacific.

reserved to the States respectively, or to the people ..... Three Zones have been **recognised** In the first Zone, Federal power is exclusive, in the second State power is exclusive, and in the third Federal and State powers are concurrent. 'Concurrent' does not mean that Federal Government and the States may act at the ~~same~~ time, but that the latter may act if the former has not. If the Federal Government legislates, its regulations take precedence." They further observe that "matters which are essentially national in character and which require uniformity of treatment fall in zone one. Matters which are not entirely local in nature but which permit of diversity of regulation, or which affect interstate commerce only indirectly or ~~incidentally~~ incidentally, are in zone three. Examples are the speed of trains, the size of train crews, and the weight of motor vehicles. Such matters can be regulated by the States, but it lies within the purview of Congress to exercise control whenever it sees fit to do so. This it has done in numerous instances."

1.3 The fundamental principle underlying the regulation of transportation in United States is not only the protection of public against unreasonable and discriminatory charges through the control of rates but also the long run interest of the public in the maintenance of an adequate, efficient and dependable system of transportation by the prevention of ~~destructive~~ destructive competition within and among the various modes of transportation and the promotion of safe and economically sound operations. The report of the Cullom Committee in 1886 provided much of the ~~material~~ material for the construction of the First Act to regulate Commerce on a national basis. The national legislation was found necessary in order to remedy the evils of competition, and because the operations of the transportation system were the jurisdiction of the States and until the Congress acted, they were not subject to any government control in the public interest. The national legislation was also necessary because the business of transportation is essentially of a nature

requiring a uniform system and method of regulation which the national authority can alone prescribe.

1.4 Federal jurisdiction extends to each and every part of transportation service including terminal and accessorial services. The provisions of the Inter-State Commerce Act apply to transportation of interstate and foreign commerce by rail-road, pipeline, express and sleeping car companies, inland and coast-wise water carriers, carriers by motor vehicles and freight forwarders. The activities that now fall within the scope of the Act include licensing (entry into the field by rail - roads, water carriers, motor carriers and freight forwarders and discontinuances of operation by railroads); rates, fares and practices (including the publication, posting for public inspection and filing with the Commission of rates and the direct observance of those rates) mergers and common control of carriers and the transfer of certificates; issue of securities by carriers; filing of annual and other reports and keeping of accounts and records; pooling of operations, service or revenue, furnishing of insurance or other security for protection of the public by carriers who operate motor vehicles; and observance of safety practices by railroads and motor carriers, including regulation governing the grading, marking and handling of explosives and other dangerous articles.

1.5 The Federal Authority supersedes the authority of the States as to intrastate transportation. Where intrastate railroad rates are on a lower level than interstate rates and the effect of this disparity is to prejudice interstate traffic in competition with intrastate traffic, the Inter-state Commerce Commission, after hearing, may require changes in the intra-state rates to remove discrimination or prejudice. This authority with respect to rates is limited to rail rates; it does not extend to rates of other types of carriers. Under the Act, the Federal determination with respect to public convenience and necessity for the construction and abandonment of an interstate railroad, or part thereof, is conclusive upon the



States, even though intra-state Commerce may be affected. Again, determination by the Federal Agency of the propriety of consolidations, mergers, and common control of carriers is conclusive upon the States even though the carriers also engage in intra-state commerce and even though the charges may be in conflict with the charters and incorporation laws of the States.

1.6 The Interstate Commerce Act, however, does not control intra-state operations and specifically exempts operations "within a municipality or between contiguous municipalities, a zone adjacent to and commercially a part of such municipality". It provides for formal cooperation with State regulatory bodies through the medium of joint councils composed of the representatives of three or more of the States and of the Interstate Commerce Commission. This has reduced the conflict of jurisdiction between State authority and Federal Government.

Federal  
Regulation  
**(a) Rail-roads**

2. With the passage of the Act of 1887 to regulate Commerce, federal regulation of rail-roads was started in a comprehensive manner. The United State Congress had earlier passed a number of Acts related to special matters but had not established a general system of regulation. The provisions of Part I of the Interstate Commerce Act applied to the Inter-State Commerce and foreign commerce by rail-road, pipeline, express and sleeping car companies. Under the Act, there were several provisions which conferred upon the Inter-State Commerce Commission power to regulate rail-road services. The rail-roads had to secure the consent of the Inter-State Commerce Commission before they could build or abandon any line. The Commission could order a carrier to provide safe and adequate facilities and to extend its lines provided that the expenses involved will not impair the ability of the carrier to perform its duty to the public. The Commission might also compel joint use of terminal facilities if this could be done without substantially impairing ability of owning carriers to handle its own business. Approval of the Commission was

also required to effect consolidation or acquisition of control. All proposals for rail-road consolidation ~~or~~ acquisition of control had to be consistent with the public interest and if one of the parties was a motor carrier, it must also be shown that services by motor will be in the public interest and that competition will not be unduly restrained.

2.1 The Act provided that all charges must be just and reasonable. Rates, fares and other charges had to be filed with the Commission. In the exercise of its powers to prescribe just and reasonable rates, the Commission had to give due consideration, among other factors, to the effect of rates on the movement of traffic by the carrier or carriers for which the rates were prescribed; to the need of providing in the public interest an adequate and efficient rail-road transportation service at the lowest cost consistent with the furnishing of such service; and to the need of revenues sufficient to enable the carriers, under honest, economical and efficient management to provide such service. Rebates and discriminations

**WCTC** forbidden. This applied to personal and place discrimination and to discrimination in connection with different types of traffic. If the Commission found that a rate regulation or practice was unjust, unduly discriminatory or in some other way violated the Act, it was authorised to prescribe the rate, regulation or practice to be adopted. This included fixing of a maximum or a minimum rate or both. If the Commission found that a rate, fare charge, classification, regulation or practice caused any undue advantage or prejudice as between intra-state commerce on the one hand and inter-state or foreign commerce on the other, it could prescribe the rate, fare, charge and the like which would remove the discrimination.

2.2 The Commission was authorised to inquire into the business of common carriers and report thereon. It might require carriers to provide information.

It was authorised to require annual and other reports from the carriers. It might also prescribe a uniform system of accounts.

2.3 During the First World War the railways fell upon difficult times with the increased traffic, rising operating costs and depressed earnings. The railroads were ultimately taken over by Federal Government **for unified operation in December, 1917.** So far, the legislation was intended only to protect the public against extortionate acts and discriminatory charges by Railways. The Transportation Act passed in February, 1920 assigned the Inter-State Commerce Commission the positive functions of 'protecting and fostering the railways'. The Act marked a new phase in transportation legislation. The most important clauses of the Act related to rates, combinations, securities, service and labour disputes. The new emphasis was not on the prevention of abuses but to make the Commission responsible for the development of an adequate national transportation system. It was provided that <sup>the</sup> Commission should adjust rates so that the railways as a whole, would earn, under honest and efficient management an annual net operating income equivalent to a fair return on the value of the railway property held for and used in transportation. The Commission was directed to prepare and adopt a plan for consolidation of the railways into a limited number of systems with limitations that "competition should be preserved as fully as possible and the systems should be so constituted as to have approximately equal earning power". The Commission was given power to approve acquisitions of control, and carriers proposing new construction were required to secure a certificate of convenience and necessity from the Commission. The Act had also granted the Commission authority to prescribe intra-state rates when necessary to remove discrimination against inter-state commerce.

(b) Road 2.4 In the thirties, the USA was facing ruinous Transport: competition and great confusion in the inter-city motor carrier industry itself and very severe competition for the rail-roads. Congress, therefore, decided in 1935 that, in the public interest, these conditions called for regulation of motor carriers and not for ~~relin~~ation of the regulation of rail-roads. The Motor Carriers Act which was enacted as Part II of the Interstate Commerce Act in 1935, provided the framework of federal regulation of motor carriers and authorised the Interstate Commerce Commission (ICC) to regulate road transport in interstate operations. Short-distance or local traffic such as carriage within a city and its surrounding commercial area and a large proportion of intra-state transport was not subject to regulation at all. Agricultural commodities, fish and livestock were also exempted from the control of the ICC.

2.5 Apart from the exempted carriers, the Act recognised three types of carriers, viz., common carriers which offer to carry for the general public for compensation; contract carriers which carry ~~for compensation~~ but limit their service to certain ~~customers~~ <sup>ra</sup>, under special and individual contracts or agreements; and private freight carriers which carry only their own goods.

2.6 As a condition of operation, Common carriers must secure from the Commission "a certificate of convenience and necessity" which is issued only if the applicant is found "fit, willing and able to perform the proposed service and proposed <sup>service</sup> ~~is~~ or will be required by the present or future public convenience and necessity". The licence given to a common carrier indicated the service to be rendered and the route or area to be covered. Charges were required to be just and reasonable and not to discriminate unjustly. They had to establish reasonable 'through' rates and joint rates with each other and establish such routes and rates with Common carriers by rail or water.

The classification of freight and rate schedules was also required to be published and keep them open for public inspection. The ICC was empowered under the Act to prescribe both maximum and minimum rates for common carriers.

2.7 In the case of contract carriers, a permit from the Commission was required. To secure such a permit, the applicant had to show that the operations will be "consistent with the public interest and national transportation policy". Commodity restrictions were generally attached to contract carrier permits. Contract carriers were also required to publish schedules of minimum rates. The ICC was required by the Act to prescribe such minimum rates for contract carriers that protect common carriers from undue competition. The Commission could not prescribe maximum rates and actual rates were not published. The law relating to discrimination did not apply to contract carriers.

2.8 According to the so called 'grandfather clause' of the Motor Carriers Act, 1935, carriers which were in business before 1935, were entitled to certificates or permits without the proof required in the case of both common and contract carriers, but they had to show that their operations were bonafide and were consistent with the authority for which they applied.

2.9 Private carriers were not subject to control. These carriers as well as those vehicles engaged in the transportation of freight, such as agricultural commodities, fish and livestock were exempted, from the provision of the Inter-state Commerce Act. They were, however, subject to requirements with respect to safety of operations, standards of equipment and qualifications and maximum hours of service of employees whose activities affected safety of operation.

2.10 The federal system of regulation is concerned only with the work done and the charges levied. No

restrictions are imposed on the number of vehicles operated by any haulier. In view of the freedom enjoyed by any hauliers to extend vehicle fleets it would appear that the regulation of public road haulage operations in the USA was not so severe, but in fact, "the ICC constructed the 'grandfather clause' very strictly. Narrow limitations on operations were imposed in certificates and permits. Definitions of authorised traffic were so narrow that virtually the only hope for a haulier to extend his operations lay in a growth in the authorised **traffic**. Subsequent extensions of operating authority were hard to acquire".\*

Until recently cases involving the effect of motor carriers on rail road transportation were confined to specific local situations. It was in 1950 that the problem appeared on a much broader scale. The Inter-State Commerce Commission denied the Pacific Inter-mountain Express Company application for authority to acquire control of the Keeshin System, coast-to-coast trucking operation. In doing so, the Commission made the following statement:-

".... The necessity for maintenance of the railroad to meet the needs of the commerce of the Nation is ~~conceded~~ by applicants. The soundness of the argument of the railroads that their financial strength and potential for expansion to meet the needs of national defence must be preserved is beyond question. It is apparent that neither normal needs nor emergency needs can be met by other modes of transportation alone; nor can these needs continue to be met by the railroads, with other modes of transportation unless the rail-roads can continue to receive a sufficient traffic volume to maintain their plants and service  
..... Transcontinental traffic, including the commodities most susceptible to motor-truck competition, when moving in large volume,

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\* "Federal Regulation of Road Haulage in the USA"  
by. A.A. Walters, British Transport Review,  
August, 1957.

can be transported more economically by rail than by motor carrier. The record indicates that this could still be true for hauls at distances much less than coast to coast. To the extent in-roads are made by motor carriers on this type of traffic, through transportation of many small shipments, the volume available for mass transportation by the railroads will be reduced, and the advantage of rail transportation in this field would eventually be undermined. The cumulative effect of the loss of such traffic to motor carriers would necessarily be felt by the railroads, and would impair, not only their service on commodities which motor carriers normally solicit, but also on commodities which must necessarily be transported by rail. The shipping public would suffer from a decrease in rail service and it would be faced with demands for increased rates on commodities which must have moved by rail.

In the administration of the national transportation policy the inherent advantages of rail transportation on traffic volume movements of transcontinental are to be preserved".

State Regulation  
of Road Trans-  
port

3. As the motor highway traffic is predominantly local and intra-state, the state regulation of road transport is very important in the States of the U.S.A. The authority of the State is comprehensive in respect of the licensing of vehicles and drivers, in a wide range of safety matters, in the regulation of sizes and weights of vehicles, and in the levying of taxes to recoup State expenditure for the provision and maintenance of the State highway system.

3.1 State regulation begins by requiring a state licence for each motor vehicle operated. A vehicle having a State licence may enter another State and can be operated there, usually for a specified time. In all States the drivers of the vehicles operated by or for carriers for hire-chauffeurs and operators - must obtain State licences.

3.2 Regulations governing the use of highways include specifications as to permissible maximum size, weight and length of motor vehicles. Vehicle inspection to ensure safe mechanical standard has been introduced in a number of States. Size and weight of motor vehicle must be determined in such a way as to protect highway from damage and to promote safety. Clearances through underpasses, highway width, pavement thickness and weight-bearing features, and the strength of bridges all effect the characteristics of vehicles which can safely be permitted upon the highways. The States may place limitations on vehicles as are legitimately required in the circumstances.

3.3 Post-war action in several of the States indicated a tendency towards greater uniformity and a reduction in the barriers imposed upon inter-state traffic. The presence of limitations in one state lower than those in neighbouring states might compel the unloading of large vehicles into smaller ones at the State line, the use of smaller and less economical vehicles over the route, or the movement of vehicles over circuitous routes in order to avoid moving through the State. Any of these methods imposed added expenses and reduced the efficiency of motor transportation in the affected area. The existence of such inefficiency prompted the Congress in the Motor-Carrier Act of 1935 and again in the Act of 1940, to direct the Commission to investigate the need of federal regulation of sizes and weights of motor vehicles engaged in inter-state commerce. The Commission expressed the belief that variations in highway capacities and conditions made the establishments of national standards impractical. It recommended, however, that the Commission be granted authority to remove unreasonable discrimination in particular instances.



3.4 Since the highways are publicly owned and largely financed by the State Governments, the States are entitled to assess charges for the use of those highways in order to meet the costs of administering their use and

maintaining and improving the highway facilities.

/tax

The States have the right to users and this right extends to those engaged in inter-state transportation as well as those transporting wholly within a State. While taxes upon motor vehicles and gasoline are limited to secure revenues, some of the taxes have an effect upon the types of vehicles used and also upon their operation.

3.5 When a state commission receives an application for a certificate of public convenience and necessity that must be obtained by a motor common carrier or contract carrier before engaging in business, the Commission in reaching a decision gives consideration to the following factors:

(1) The need of the public for the proposed service:- The applicant is required to show that the convenience of the public **will be furthered**, and the necessary transportation services will be rendered, by the proposed operations. Much more consideration is given to this requirement in passing upon applications of common carriers for 'certificates' than in deciding upon requests of contract carriers for 'permits' to operate.

(2) The effect which the proposed operations will have upon highway maintenance and traffic; whether, to quote the Indiana statute, the proposed service "will or will not endanger the safety of the public or interfere with the public use of the highways or impair the condition or maintenance thereof".

/for

(3) Whether the route or territory to be served by an applicant common carrier is already adequately served by existing motor and railway carriers. One of the objectives of public regulation is, or should be, the prevention or restraint of unnecessary and wasteful inter-carrier competition. Carriers are entitled to such protective regulation, and it is

/a in the public interest. In some States the only kind of competition considered in passing upon motor common carrier applications is that between motor carriers. Such/policy regarding the inter-relations of the several modes of transportation is both unjust and unwise.

- (4) Applicants for common-carrier certificates must file and obtain approval of the rates they are to charge and the schedule of proposed operations. Some States make like requirements of petitioners seeking permits to operate as contract carriers.
- (5) Most State commissions, in acting upon applications for common-carrier certificate and contract-carrier permits, have authority to decide what changes should be made in proposed routes of operation and in the kind of property to be transported. A commission has legal authority to impose "such terms and conditions as, in its judgement, public convenience and necessity may require".

3.6 After the granting of certificate or permit for operation, the States continue to have control over the carriers for hire in the following ways:-

(i) Common Carriers:

/changes In general, the authority of the State regulatory body over intra-state common carriers by Highway is similar to that exercised by the Inter-State Commerce Commission over rail roads. It includes in some States, the regulation of rates, fares and charges; the usual provisions with reference to filing and publishing of tariffs and abiding by them; suspension of proposed rates; ~~prohibition~~/prohibition of discrimination, regulation of service, control over accounts, requirements of periodical re-ports; and in a number of cases control over security issues and inter-corporate relationships.

(ii) Contract Carriers:

The States sought from the very beginning to regulate motor contract carriers in much the same way as the motor common carriers. The laws in regard to contract carriers provide inter-alia for control over minimum rates, etc, with a view to preventing

such carriers from under-cutting railroad rates.

(iii) Private Carriers:

The regulation of private carriers involves constitutional difficulties. A State might require private carriers to obtain a permit of some sort but it is difficult for a State to withhold such permits to some while granting these to others. Only a few States have attempted any regulation of private carriers, and where such regulation has been attempted, it is usually limited to requiring a permit, restricting the hours of service of drivers and helpers, or the filing of a liability of the insurance policy of bond. Of course, private carriers are subject to the laws of road use applicable to all public vehicles operators.

3.7 The State regulation of intra-state motor carriers involves the difficult task of deciding what rates, fares and other charges may be levied for services rendered. The laws of several States varied widely. Some States fixed motor carriers' rates with reference to the rates of rail, roads and water carriers, while other States pursued the opposite policy, i.e. some states placed limitation upon inter-carriers competition and consequent discrimination in rates and services, while other States insisted upon unrestrained competition of motor and rail carriers. The policies of States also differed widely as regards the regulation of the charges of motor contract carriers.

3.8 The traditional duties of the common carriers are in substance the following: The duty of service; the responsibility for the safe delivery of goods entrusted to the carriers' charge; the duty to treat all customers without discrimination and the duty to charge a reasonable price for the service performed. The carriers duty of service has been

expressed in one of the standard legal treaties\* as follows:-

"It is the common law duty of a common carrier, on being tendered a reasonable compensation, to receive at reasonable times and carry all goods offered to it for transportation, within the lines of its business or of the kind which it undertakes to transport. Having room or the facilities for transporting the goods, and holding itself out to the public as ready and willing to carry goods for all persons indifferently, the law imposes upon it the duty of receiving and carrying them over its established route".

To a reasonable extent, a carrier may also restrict the classes of goods which it proposes to transport. Some carriers carry passengers only, some freight only, and neither type is required to accept traffic of the other sort if it has never undertaken to handle it. A railroad may refuse explosives or glass or any other commodity which require special care or which may result in violation of law. On the other hand a carrier may not make fine distinctions. If it accepts one article of a class, it must take other articles of the same class (e.g. fruits and vegetables, horses and cows). These common carrier obligations apply to carriage by rail, road, air and water.

3.9 As the State regulation of motor carriers has developed, the tendency has been to protect the common carriers from destructive competition of contract carriers. Also, as the Federal regulation of motor carriers under the Motor Carrier Act of 1935 (as amended) has been worked out and made more definite and comprehensive, the State in the regulation of intra-state motor carriers have given increased consideration to the equitable adjustment of the relations

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\* A Treatise on the Laws of Carriers' by D.C. Moore  
{Referred to by Stuart Daggett in his book "Principles of Inland Transportation"}.

of common and contract motor carriers and rail carriers in respect of rates and coordinated services.

3.10 The Interstate Commerce Act, 1958 rendered the control of the Inter-state Commerce Commission more expeditious in regard to intra-State rate making and intra-state service charges. The charges proposed with respect to intra-state rates have until now been subject to dilatory process of State Rail-Road Commission first dealing with them. Hereafter, upon complaint the Inter-State Commerce Commission must begin 'forthwith' and expedite an investigation of the intra-state rates at issue. This should eliminate many of the burdensome delays in the adjustment of pricing to cost that used to occur in the past.

3.11 The fact that inter-state carriers operate on State-owned highways gives the States a somewhat greater jurisdiction over inter-state commerce by motor vehicles than is true of the inter-state commerce by railroad. But the states may not refuse the grant of permits to any inter-state carriers doing an inter-state business solely on the ground that the route involved is already adequately served. The States may, of course, refuse to grant a inter-state carrier the right to do an intra-state business within its borders. Again when an inter-state carrier wishes to operate over a State highway which is carrying capacity traffic and additional use will endanger the highway or the public safety, a State is within its rights in refusing an inter-state carrier permission to use the highway in question. The inter-state carriers must conform to the speed limits and with ordinary rules of road as established by the various States. The right of the State to tax inter-state carriers for the use of the highways has been upheld by the courts but distinction has to be drawn between the taxes levied for the use of highways and the taxes levied on the business of inter-state commerce as such.

Competition

4. In recent years the nation has been faced with the serious problem of uncertain future of the rail-roads. Since 1944 rail-roads have experienced a definite downward trend of traffic. Because of the importance of constant costs in the rail-roads system, a downward trend could not continue indefinitely. Not only did rail-road traffic decline after the peak war year of 1944 but it continued to decline steadily during the post-war years of peace time prosperity and high production. No similar decline in freight traffic was shown by other agencies of transport. The passenger statistics related a similar story of continued loss of traffic on rail-roads. It was estimated that the total deficit on this account for 1947 was \$ 723.7 million on a fully apportioned basis. The financial position of many of the railways became so unsatisfactory that they were obliged to resort to equipment trusts for the purchase of equipment. Freight shippers had protested against the payment of involuntary subsidies in the form of higher freight rates required to offset losses due to passenger service. In regard to commuter service, the situation was considered to be more immediate and critical. The Commission's jurisdiction to authorise abandonment was confined to complete abandonment of a line of track, as mentioned above, partial discontinuance or curtailment of service being subject to the jurisdiction of the interested State.

4.1 Road transport expanded considerably in intercity and interstate operations. Huge semi-trailers and truck trailer combinations carrying over 20 tons were in use, although for collection of delivery within cities, the vehicles used were three-tonners and five tonners. Road transport had been assisted in serving long distance traffic through the system of traffic interchange involving the change of loaded trailers between trucking companies. The truck lines of one zone turned goods over to the carrier in another zone for onward transport. At the point of intersection they took the tractor off the trailer and put the latter on another power unit. There had also been changes in

the technique of truck transportation, and as a result, trucks obtained from the railways traffic, for which they once had a monopoly. An overwhelming percentage of the lorries in use was of privy to carriers. Nearly 85% of all motor trucks were owned by industrial concerns, the mercantile community and farmers and only 15% were public or 'for hire' vehicles. However, 45 per cent of all traffic was carried by the latter.

4.2 There was thus severe competition in the United States between carriers of the several modes of transportation as well as between carriers of the same mode, the former being more severe. Excluding carriers by air and pipelines, the proportion of the total tonnage transported shifted from 67 per cent by rail-road, 9 per cent by motor vehicles and 14 per cent by inland waterways in 1946 to 46 per cent, 19 per cent, and 17 per cent respectively as estimated for 1957.

4.3 Railroads, however, still carried more freight ton-miles than any other mode of transport. It was brought out in the evidence tendered before the Special Sub-Committee of the Committee on Armed Services, U.S. House of Representatives (1959) that the rail-roads are important passenger carriers with a high potential for the future in certain areas and that in a national emergency, it is the railroads that would have to meet the demand for quick transportation for defence purposes. It was further brought out that "the railroads have considerable flexibility in accommodating expansion of traffic with a minimum increase in equipment....the versatility and adaptability of rail transport as thoroughly demonstrated on world wide basis in all kinds of conditions is but one of the reasons why military logistical planning is built around the rail-roads for the bulk of its freight and passenger movements. The other forms of transport important as they are to the total need are auxiliary and supplemental to the rail-roads".

4.4 The U.S. Congress enacted a new legislation in 1958, namely, Transportation Act 1958 which was calculated to bring about important changes in the coordination of different forms of transport in the country. The Act intended to afford immediate relief to the railways in their present difficulties and modify their relations with other forms of transport at both the State and National levels.

4.5 The new law provided that the Commission in determining whether a rate was lower than minimum reasonable rate, "shall consider the facts and circumstances attending the movement of the traffic by the carrier or carriers to which the rate is applicable" and that "rates of a carrier shall not be held up to a particular level to protect the traffic of any other mode of transportation, giving due consideration to the objectives of the national transportation policy". The Act thus directed to give the various modes of transportation greater freedom in establishing competitive rates.

4.6 The expansion of the list of processed and imported commodities exempt from regulation was checked by the Transportation Act, 1958 to halt further inroads by exempt carriers on the traffic of rail-roads and of regulated motor carriers. "Private carriage by motor carriers in one form or another, has been and is a matter of tremendous importance to both rail carriers and regulated motor carriers. Bonafide as well as illegitimate private carriage had been encouraged indirectly by the existence of certain excise taxes imposed on for-hire transportation as a World War II measure. The growth of private carriage in recent years has been phenomenal. This has been adopted by commercial enterprises for reasons of service and economy. Since it is hard to distinguish this practice from bonafide private carriage, the operation provides a handy method of circumventing the statutory requirement of obtaining rights and



of evading rate regulations, all to the competitive disadvantage of lawful public transportation\*\*. At the recommendation of the Commission, the Transportation Act 1958 redefined private carriage which incorporated the "primary business" test. Persons engaged primarily in any business enterprise other than transportation are now specifically forbidden to transport property by motor carrier in interstate or foreign commerce "for business purposes unless such transportation is within the scope and in furtherance of a primary business enterprise (other than transportation)".

4.7 In view of the mounting deficits, the American rail-roads preferred to abandon some of their passenger services, particularly commuter services. A new section 13(a) enacted in 1958 empowered the Commission to override the States in the matter of discontinuance of service when such service constituted an unjust and undue burden upon inter-state operation of the carrier or upon inter-state commerce. Also in order to enable the Railways to tide over their emergency, the Act extended authority of the Commission up to 31st March, 1961 to guarantee the private loans to railways to a limit of \$ 500 million for capital equipment and maintenance purposes.

4.8 The question whether highways and different classes of vehicles have been required to pay the full highway costs attributable to their use have been the subject of much disagreement and numerous State and Federal investigations. The Federal Aid Highway Act of 1956 set in motion research that "may eventually bring federal highway charging policies into closer accord with the economics of the entire

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\*"Aspects of Transportation Based on Regulatory Experience in the United States" - by the Hon'ble Howard Frees, Chairman, Interstate Commerce Commission. (1958)

transport situation"\*. Section 108 (K) of the Federal Highway Act required that Secretary of Commerce should expedite the road tests of the American Association of State Highway Officials and report to Congress, not later than January 3, 1961 on the maximum desirable size and class of vehicles and also on the effects of weight upon highway design and upon investment and use costs. Under Section 210 of the Highway Revenue Act 1956 the U.S. Congress expects to be furnished... "information on the basis of which it may determine what taxes should be imposed by the United States, and in what amounts, in order to assure, insofar as is practicable an equitable distribution of the tax burden among the various classes of persons using the Federal Aid highways or otherwise deriving benefits from such highways".

#### Future Policy

5. In recent years, the Federal Government has had to take actions to meet emergency problems which have arisen in highways, railways and aviation. These actions have sometimes been taken on a partial and piecemeal basis without full consideration of the impact on other transportation programmes. Hence the U.S. Secretary for Commerce was asked to undertake a comprehensive study of the national transportation to redefine the appropriate Federal role, and recommend any legislation or administrative actions needed to assure the balanced development of national transportation system. On March 14, 1960 the President of the United States put for the consideration of the Congress the Report of Federal Transportation Policy and Programme submitted to him by the Secretary of Commerce.

5.1 Referring to the present transport situation in the country the Report says, "National transportation is presently out of balance. It is less a national system than a loose grouping of individual

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\*James C. Nelson: Rail Road Transportation and Public Policy (1959)

industries.... Economic regulation has been administered in rigid compartments although many basic problems are common to many areas of transportation. Total capacity is not closely geared to total need..... They, (railroads) continued to base their system of rates on what the traffic would bear, charging more than real cost for much traffic to bring up average yield. The new competitors with more specific pricing for lengths of haul and sizes of shipment, took away traffic that the rail had been carrying at high value-of-service rates.... The diversion hurt because it was in the traffic with the greatest margins between rates and true costs.... Unregulated private and exempt carriers now haul nearly half of the inter-city freight. The regulated common carriers are feeling the same competitive weapon they used against the railroads. They still base their rates to some extent on the competitive rail rates, instead of on the true cost".

5.2 As regards the long term objective it is stated in the report "the Nation requires policies which will encourage maximum efficiency in the performance of the transportation function..... Reduction of the cost of transportation in relation to other things increase flexibility in the location of industry, in the exploitation of natural resources, and in the achievement of industrial efficiency. There is, in fact, a multiplier effect-for the quantity of improvement in the transport function is multiplied by the time goods reach the ultimate consumer. At a given level and structure of capital investment, efficiency requires that traffic be distributed among motor carriers, railroads, water carriers, pipelines, and air carriers in such a way that each type receives the traffic which it can carry with the least consumption of resources by the carrier for the service standards required by the user. It requires also that several forms of transport be used in coordination where such a combination can produce a better service-cost result than any single form working alone. Finally it requires that every enterprise participating be ably and energetically managed".

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5.3 The Report further observed "As capital adjustment occurs, policy must encourage the reasonably prompt elimination of redundant capacity in any form of transport. More important, it must ensure not merely adequate growth of plant to accommodate economic growth, but that investment is made in each form of transport in accord with its potential contribution to an efficient overall transport system. This requires compatible standards for appraising investment in each form, whether the investment is governmental or private. Thus, the standards of public and private investment must be brought as close together as possible so that neither is favoured over the other. Similarly, tax and regulatory policies must be neutral in their effects upon the attractiveness of investment in each of the types of transport".

5.4 Referring to the Regulation of carriers it says "Regulation in the long run should remain only where monopoly or the threat of destructive competition remains. This approach requires greater freedom for the carriage in setting their own rates and determining and developing their routes and services. The tighter regulation that was well adapted to protecting the public under the predominant monopoly of the railroads is no longer well suited to highly competitive transport networks. Common carrier rates of all kinds are rapidly becoming regulated by competition whether the common carriers like it or not - the competition of highly developed private and exempt carriers".

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## PART II - ORGANISATION AND MANAGEMENT OF RAILWAYS

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## PART II

### ORGANISATION AND MANAGEMENT OF RAILWAYS

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## AUSTRALIA

### Commonwealth Railways

#### Top Organi- sation and Management

The Commonwealth Railway System consisting of 4 railroads with a total route length of 2252 miles are owned and operated by the Commonwealth Government. The administration of these Railways is vested under the Commonwealth Railways Act of 1917-60, in a Railways Commissioner, who is appointed by the Governor-General for a period not exceeding 5 years. The Commissioner is 'a body corporate, having perpetual succession and a common seal and is capable of suing and being sued'. The Commissioner exercises full control over the administration of the Railway System. He has the power to acquire, purchase, sell, lease and hold lands, tenements, and hereditaments, goods, chattels and any other property. All appointments of the staff (including those of the heads of the Branches) are made by the Commissioner. The Commissioner may also delegate to any employee or prescribed person all or any <sup>of</sup> his powers under the Act. The Act also provides that all money appropriated by Parliament for the maintenance or management of the railways shall be expended under the control and management of the Commissioner. The Act further empowers the Commissioner to enter into contract in his corporate name with the Third parties for execution of certain works; for furnishing of labour or materials; for provision of locomotives or other motive or tractive power; or "for any other matter or thing whatsoever necessary for enabling him to carry the purposes of the Act into full effect. Again the Commissioner may do all that is necessary or convenient making, maintaining, altering or repairing and using the railways". The power to fix rates, fares and conditions for the carriage of passengers and freights resides solely in the Commissioner. Except as provided in Sections 30 and 30A of the Act, no rate, fare or condition can be made or altered without the approval of the Minister or a recommendation thereon by the Commissioner.

#### Ministerial Control

**2.(c)Sanctions:** (i) No rates, tax, or assessment can be made, charged or levied upon any railway or other property vested in the Commissioner, except as may be sanctioned by the Minister; (ii) all the schemes of letting out on lease land, buildings, workshops etc., belonging to the railways and the conditions or such lease, must be approved by the Minister; (iii) the Commissioner is not authorised to enter

into contracts which stipulate supply of materials, by agencies outside the Commonwealth, of a value of more than £ 1,000 or of locomotives, or other motive or tractive power or rolling stock or if the contract exceeds the sum of £ 5,000; (iv) all rates, fares, tolls and conditions levied on the freight traffic or on passengers must be approved by the Minister before they come into force; and (v) creation of a post the salary or the maximum salary of which exceeds £ 850 per annum or appointment, transfer or promotion of a person to such an office is subject to the approval of the Governor-General.

(b) Directions: The Minister may remove the Commissioner from office on an address praying for his removal being presented to the Governor-General by both the Houses of Parliament in the same session. If the Parliament is not sitting, the Minister can suspend the Commissioner for inefficiency, mismanagement or misbehaviour, subject to a full explanation of causes leading to such action within 14 days of the commencement of the next session of Parliament. Under the Commonwealth Railways Act the Minister is empowered to give directions to the Commissioner. He may direct the Commissioner to submit any report, document, or information relating to railways and railway services. The Minister may, at any time, request the Commissioner in writing to propose a scheme for effecting an increase of income or decrease of expenditure or to carry out any matter of policy specified by him. If the scheme submitted by the Commissioner is approved by the Minister, he may direct the Commissioner to implement it. In case he does not approve of the scheme, the Minister shall himself give an alternative scheme and the Commissioner shall have to take all necessary steps to implement it. In case of any doubt it will be finally determined by the Governor-General. The Minister may also direct the Commissioner to make alteration in any existing practice or system or carry out a policy matter, but where any such direction adversely affects the Railway accounts, the loss shall be provided by Parliament in the Annual Appropriation Act and paid to the Commissioner, if certified by the Auditor General.



Article 25 of the Act lays down that the Commissioner shall annually and at such other times as the Minister directs, prepare and submit a statement showing full details of contracts entered into by the Commissioner. He may also be required to submit the estimates of income and expenditure in a particular form prescribed by the Minister. Besides, the Commissioner is required to submit quarterly reports to the Minister consisting of the following information:

- a) The approximate expenditure and receipts during the past quarter;
- b) the general condition of the lines and accommodation for traffic;
- c) the special rates (if any) which have been made and reasons for making them; and
- d) the appointments and removals of employees holding permanent office.

In addition to these quarterly reports, the Commissioner has also to submit an annual report at the close of each financial year, along with balance sheet of assets and liabilities, stocks on hand, depreciation of property etc.

Parliamentary and Financial Control:

3. The Commissioner is subject to control by Parliament through the Minister. Moneys for the operation and maintenance of the railways are provided by Parliament through the Annual Budget. Prior to closing of the year, the Commissioner is required under Article 38 of the Act to prepare estimates of receipts and expenditure and submit to the Minister, who after review and final approval submits them to the Federal Treasurer for incorporation in the estimates of Revenue and Expenditure included in the General Budget to be placed before Parliament.

The Commissioner is also required to submit to the Minister the Statement of estimates of costs of 'new works' proposed to be carried on the railways and which are not chargeable to ordinary working expenses or maintenance. Such estimates, if approved by the Minister and the Treasurer are presented to the Parliament as "New Works and Additions". (The Treasurer may accept the Commissioner's estimates as submitted or may require them to be amended in order that they shall fit in with the over-all financial policy of the Government, on which the Budget is based. The estimates must be amended if so required by the Treasurer). The Annual Report and Balance sheet have to be laid before both Houses

of the Parliament. Besides, Parliament exercise control through its Standing Committee on Public Works. The question involving construction of a railway line is referred to this Committee. The Construction of a railway shall not be authorised by the Parliament except in pursuance of an Act of the Parliament, the Bill for which is introduced into the House of Representatives by or on behalf of the Minister. The Bill contains provisions relating to the description and the maximum costs of the proposed railway route.

The Line Organisation:

4. The Commissioner is assisted by a number of officers who are functional Heads of various Branches - into which the Railway Department has been divided. Certain limited powers have been delegated to the Heads of Branches. These Heads of the Branches are responsible for the effective functioning of their respective Branches and thus assist the Commissioner in the operation of the Railways. The Branches into which the Railway Department has been divided and the designation of the Head of the Branch is as follows:-

	<u>Branch</u>	<u>Controlling Head</u>
1	Secretariat	Secretary
2	Transportation and Traffic.	Chief Traffic Manager
3	Civil Engineering	Chief Civil Engineer
4	Mechanical Engineering	Chief Mechanical Engineer
5	Accounts and Audit	Comptroller of Accounts and Audit.
6	Stores	Comptroller of Stores
7	North Australia Railway (An isolated line)	Manager.

But for this division of work, there are no regions or zones on the Commonwealth Railways. The Zonal control and operational efficiency is sought to be achieved through the dispersion of the head-quarters of the operating Branches and placing the Commissioners' office at a central point. Thus, the Commissioner, with the Secretary and Comptroller of Audit and Accounts is headquartered at Melbourne, whence he exercises general administrative control over all operations.

The headquarters of the operating branches, i.e., Transportation and Traffic, Civil Engineering, Mechanical Engineering and Stores are situated at the Port Augusta, another focal point on the Commonwealth Railways. The

Manager, North Australia Railway, which is isolated and quite separate from other two big railways is not strictly a Head of the Branch, but is responsible for all operations on that railway and in this connection exercises the powers and responsibilities of a Head of the Branch.

The Heads of Branches, including the Manager of North Australia Railways, have been delegated certain limited powers, such as, the appointment of staff on daily wage-basis and on an annual basis, the punishment for breach of Rules and Regulations, reduction in status of the wage employees etc. The Chief Traffic Manager may, however, also pay claims for compensation for goods lost or damaged, and make refunds of amounts due to clients on account of overpayment to the railways and of services paid for but not availed of etc.

#### STATE RAILWAYS

##### New South Wales Govern- ment Railways

The New South Wales Government Railways are administered by the Department of Railways. The administrative agency is not like a regular Government Department that has an Under Secretary as its administrative head. The chief administrator of the Department of Railways is a Commissioner who is appointed for a certain period. Consequently the railway undertaking, as an administrative agency, is in the nature of a Commission rather than a Department. The Commissioner as its supreme executive acts entirely independently in matters of recruitment, promotion, discipline and general control of its staff. Next to the Commissioner there is an officer with the title of Senior Administrator apart from the Heads of the seven branches that form the Department of Railways.

2. The Railway finances are linked with those of the State Government although the Department of Railways has been endowed with its own fund for its financial dealings. The estimates of income and expenditure prepared by the Department are shown separately from the ordinary Government receipts and expenditure in the State Government's accounts. They are, however, included with the separate financial results of other Government undertakings. Thus profit or loss on a year's operation of the Railways has a great influence on the State's finances for that year.

The Audit Act also applies to the Government Railways funds in the same manner as if it formed as a part of the Consolidated Revenue Fund. The Railways have their own Stores Branch to purchase its requirements and it does not obtain its supplies through the Government Stores like the regular departments.

3. The existing legislation provides that the Commissioner for railways, in the exercise of his duties, "shall be subject to the control and direction of the Minister". This may be regarded as a discretionary power vested in the Minister, enabling him to intervene if considered necessary. However, in practice, the Minister normally confines his control to matters of policy and the Commissioner deals with administrative matters.

The control of Parliament over the railways is exercised through the Minister for Transport. An annual report of the railways has to be submitted to Parliament. The Department obtains its capital through the State Treasury. Each year it submits estimates of its capital requirements to the Treasury and receives an allocation from the total loan funds made available to the State by the Loan Council. This allocation depends upon the competing claims of the other Government authorities.

4. The Railways are not distributed in a number of zones or regions. It is organised on the departmental system, not the divisional system. Consequently, the route mileage of 6,113 is regarded as one system. There are Regional Officers for various branches for administrative convenience. For example, the Traffic branch has 9 District Superintendents located at convenient points of the system. The ultimate authority, however, rests with the head of a particular branch located in Sydney and not with the District Officers. The District Officers deal with routine matters in their areas but policy matters are referred to the head of the branch concerned.

The determination of passenger fares and freight rates within the sphere of policy is beyond the jurisdiction of the Department of Railways. The Department may recommend changes in general railway charges but the decision is made by the Cabinet in conformity with the policy of the Government.

Victorian  
Railways

The Railways are vested in three Commissioners under the Act, who are appointed by the State Government. They are a body-corporate called "The Victorian Railway Commissioners" whose powers, duties and responsibilities are mentioned in the Railways Act. The Minister of Transport administers the Act. The Department is divided into 9 separate branches. The heads of these departments are responsible directly to the Board of Commissioners.

2. The Australian Loan Council is a representative body set up to coordinate the public borrowings of the Commonwealth and the States. Subject to its decisions, the Commonwealth arranges for all borrowings for the public works of the States. From the share of loan money made available to the State of Victoria for each financial year, the Victorian Treasurer allots to the Railways Department the amount to be expended on railway construction and capital improvements. A similar procedure is followed for other State departments. The State Parliament passes a 'Raising Act' to authorise the loan moneys made available by the Loan Council and a Railway Loan Application Act to authorise the application of the proportion allotted for railway purposes. Most of these loans raised and applied are interest-bearing which is charged against the Net Revenue Account at the end of every financial year. Approval of Parliament is essential for the construction of new lines, closing of lines, fares and freight charges in principle, letting of contracts over £10,000, etc., all of which are provided in the Act.

3. All income collections are paid into the consolidated revenue of the State and all expenditures are authorised by Parliament before they are incurred. Estimates of the anticipated revenue and working expenses are prepared by the Railway Department at the beginning of each financial year and submitted to the State Treasurer. After approval by Parliament they are incorporated in Appropriation Act.

4. The State is divided roughly into six regions and each main branch in the region is under the control of Senior Officers like the District Superintendent in the traffic and mechanical branches and District Engineer in the civil branch. These regional officers are mainly

for administrative purposes and they have no authority in matters of regulation of freights, fares and other financial matters.

Queens Land  
Railways

The railways are administered under the Railways Act and are under the control of a Minister for Transport who also deals with road, sea and air traffic. A Commissioner is the chief administrative authority who is appointed for a term not exceeding 7 years. The Government through the Minister controls all matters of policy and in accordance with the "Railway Acts" must approve of all loan expenditure. The Minister is closely associated with the administration of the Railways. The copies of the plans proposed to be undertaken from time to time is prepared by the Commissioner and laid before Parliament for approval. All moneys from time to time appropriated by Parliament for the construction of new railways or for the purchase of rolling stock are expended by the Commissioner under the direction and control of the Minister. The Commissioner may enter into any contract with respect to any work for enabling him to carry the "Railway Acts" into full effect, but any such contract must be approved and ratified by the Minister. The Commissioner prepares and transmits to the Minister estimates of receipts and expenditure for the year. Such estimates of expenditure are authorised by Parliament. Bye-laws made by the Commissioner have to be approved by the Governor-in-Council.

2. There are ten heads of branches who are directly responsible to the Commissioner. The railway system is divided geographically into four divisions for administrative purposes. Each division is in the charge of a General Manager. The line mileage in each of the divisions varies from 1144 to 1964.

3. The General Manager is responsible for the working of all branches in his division and has complete control within his division of the traffic and locomotive working as well as of the maintenance of the permanent way and rolling stock. The complete autonomy which the General Manager enjoys with regard to the repair and allocation of locomotive power in conjunction with his control of traffic, operational activities

facilitates effective utilisation of the power to meet the traffic offering. Each General Manager has few assistants in charge of traffic, engineering, etc., to bring about complete coordination of work and cooperation of the various sections. The General Managers are not empowered to vary the freights and fares. Approval of loan expenditure has to be sought from the Commissioner but General Managers are permitted to make purchases upto £20 and can settle claims for lost goods upto £100.

4. All accounts work is under the control of the Chief Accountant in Brisbane. Although there is an Accounts office in each Division where local accounting work is performed under the control of the General Manager, all accounting work is eventually finalised in the Chief Accountant's office. The internal audit work is carried out under the Chief Railway Auditor who is also located in Brisbane.

5. The Divisions are sub-divided into districts each under the control of a District Superintendent, who controls the traffic in that area.

South  
Australian  
Railway

South Australian Railways are administered by a Railway Commissioner appointed by the Government for a period of 7 years. The powers of the Railway Commissioner are given by the South Australian Railways' Commissioners Act 1936-50 and entail full control of the railways and its administration including finance and operation, mechanical and civil engineering construction, repair and maintenance, appointment and dismissal of staff etc. The railways department for administrative purposes is divided into five branches responsible for administration, traffic, engineering, mechanical equipment and accounts respectively.

2. The Commissioner is responsible to the Minister of the South Australian Government. The Minister does not exercise direct control over all activities, as the railways under the Act are autonomous. The Act provides that the Minister must be advised periodically of the general activities of the railways and his approval has to be taken for all matters like policy, finance, regulations, freight rates and fares, land

sales and purchases, etc. Finance is voted in the first instance by Parliament in accordance with the estimates submitted by the Railways Commissioner. The Comptroller is responsible for the payment and allocation of all money in accordance with the estimates provided by parliament and the Railways Commissioner.

3. The railway system having a total mileage of 2532 is divided into four divisions, each under the charge of a Divisional Superintendent who is responsible for coordinating the activities of all five branches in so far as his division is affected. The Divisional Superintendent is assisted by three Assistant Superintendents responsible for train movements, way and works and mechanical matters respectively. The Divisional Superintendents have no control or direction concerning freight, fares and other financial matters. These are determined by the Railway Commissioner following recommendations from the Head of Branch concerned.

The Western  
Australian  
Government  
Railways

The Commissioner of Railways, who is appointed by the Governor of the State of Western Australia, is the administrative head of the Railways. The Government Railways Act (1904-1949) provides that Commissioner shall have the management, maintenance and control of every Government Railway. He is, however, subject to the control of Minister for Railways on certain matters. The act provides the powers of the Commissioner which include the fixing of charges and making all by-laws to regulate the operation of railways.

The Department is divided into 6 branches each controlled by a senior officer who is responsible to the Commissioner for the efficient operation of the branch. The Commissioner is empowered under the Act to appoint, suspend, or dismiss the staff. He is also authorised to delegate his powers to the heads of branches in certain aspects of the staff management.

2. The Commissioner has to refer to the Minister for Railways major matters affecting policy. As regards finances Parliament exercises its control through the annual estimate for the State Consolidated Revenue Fund which provides finance for the operation of the railways and the general loan fund which provides money for new works and other constructional projects. The annual estimates require the approval of Parliament every year.



3. The West Australian system having a total mileage of 4503 is divided into 6 Districts each under a District Traffic Superintendent, a District Engineer and District Loco Superintendent who are in turn responsible to the Chief Traffic Manager, Chief Civil Engineer and Chief Mechanical Engineer respectively for the efficient operation of the District.

#### Tasmanian Railways

The control and management of the Tasmanian Government Railways is vested in a Transport Commission consisting of a Commissioner appointed for a term of not less than 3 and not more than 5 years and two Associate Commissioners. The Commissioner is the whole-time Chairman of the Commission. The Associate Commissioners are (i) person for the time being, holding office as General Manager of Railways and (ii) the person working as Administrator of Road Transport.

2. Under the Transport Act the Commission is supposed to "devise, initiate and carry out methods and measures for the coordination, improvement and economic operation of the means of and facilities for transport in the State and consistently to ensure the provision of services adequate to meet the requirements of the public". In addition to the management and operation of the railways, the Commission operates a dozen road transport and shipping services, regulates and licenses commercial road transport, administers the Traffic Act and regulations concerning road traffic control and is responsible for the registration and taxation of motor vehicles and the licensing of drivers. The Commission is a body-corporate "with perpetual succession and a common seal and power to hold land and to do and suffer all such acts, matters and things as may be done or suffered by a body-corporate".

3. The management and operation of the railways is vested in a General Manager, in-charge of the Railways Branch of the Commission and who is also an Associate Commissioner. Policy and finance are matters for the full commission but the general administration of the railways is the responsibility of the General Manager. The latter works under delegated authority from the Commission, but in certain aspects of administration works under authority given directly by

Parliament under the Railway Management Act. The powers delegated to the General Manager include the right to make appointments and dismissals and fix salaries and wages, except in the case of senior technical and administrative officers. The General Manager may also determine fares and freights in cases where they vary from the general coaching and goods rates.

The departmental administration is on the normal railway functional basis. The principal railway officers responsible to the General Manager are the Secretary for Railways, the Chief Traffic Manager, the Chief Mechanical Engineer and the Chief Civil Engineer.

4. The Transport Act provides that the Transport Commission shall be free from political control. However, if the Minister for Transport is dissatisfied with any discussion or determination made by the Commission, he may appeal to the Governor who shall hear and determine the question at issue and whose final decision is reversed or varied, provision is made for a result of this provision, any decision is as a consequence. The Commission is required to charge "reasonably economic" fares and freights in the operation of any of its services. However, if the Government consider that the freight charges imposed by the Commission so far as they affect any particular industry are greater than the charges which can be paid by the **industry, the Government may direct the Commission** to reduce such charges, and shall reimburse the Commission for any financial loss. The Commission is generally free to make policy decisions and carry on day-to-day administration without political interference. In only two cases, in the 20 years since the Commission was established has the Minister appealed against decisions of the Commission and both cases concerned relatively minor matters. However, the Commission cannot quote Government policy when making major decisions. The practice has been followed of consulting the Minister and the Government regarding major policy matters.

5. The Parliamentary control over the railways is exercised through the device of parliamentary questions, debates and the item in the annual Appropriation Act and on bills approving loan funds for railway works. A separate trading account is kept for the Railways Branch showing all revenue receipts and expenditure incurred. The Commission is required to furnish to the Minister for tabling in Parliament an annual report and statement of accounts. The annual loss incurred by the Commission is re-imbursed by the Treasurer in the following financial year upon the certificate of the Auditor General. This is reserved by law.

The railway system consists of 633 track miles. The system is not distributed in zones or regions and there is no separate regional or zonal administrative set up for the railways.



## CANADA

The Federal Control over the policy of regulating railways in Canada began with the passing of the Canadian National Railways Act in 1903. Under the Act the Board of Railway Commissioners was created with the full powers of a superior court to carry out its responsibilities. The Board originally consisted of 3 members to be appointed for a term of 10 years. Later, the Board was enlarged to six members. They were eligible for re-appointment and were removable only by vote of both Houses of Parliament. Since 1948, it has been provided that the Chief Commissioner must be a justice of the Exchequer Court who is assigned to the Board for a period of 10 years.

The Board has the duty of regulating rates, fares, demurrage and other charges made by the Railway Companies. The Board must approve the location of stations and branch lines. It lays down regulation dealing with safety, comfort of employees and the general public. The Board may initiate investigations of its own motion and must do so, at the request of the Minister of Transport or of the Governor-in-Council. It may state a case for the opinion of the Supreme Court. Appeals may be taken from the Board to the Governor-in-Council or to the Supreme Court of Canada. Thus "the Board is clothed with very broad powers, subject only to appeal to the highest authority in the land". The jurisdiction of the Board has been extended from time to time. Under the Transport Act, 1938, the Board had the jurisdiction over transportation by air and water and over agreed charges and, on account of its enlarged duties, its name was changed to the Board of Transport Commissioners. In 1949, the Board was charged with the responsibilities of regulating inter-provincial and international pipelines. The responsibility which was assigned to the Board in 1938 for the regulation of commercial aviation was, however, transferred to the Air Transport Board in 1944.

2. Under the Board there are branches dealing with administration, traffic, engineering and operation. The legal branch gives advice to Board members on the

conflict of provincial and Dominion jurisdiction, interpretation of the Railway Act by the Supreme Court of Canada, etc. The Bureau of Transportation Economics does research work for the Board of Transport Commissioners, the Air Transport Board and the Department of Transport. Its main job is to prepare reports on individual rates and the general rate structure, on extensions or abandonment of transport and communication facilities, and on the experience and practice of other countries. It collects and analyses financial and operating data submitted by transportation and communication companies subject to the jurisdiction of Parliament.

3. The two main railway systems of Canada are the Canadian National Railways and the Canadian Pacific Railways of which the former is a nationally owned organisation. They offer a complete service using all-rail haul, highway, piggy-back, or air or combination of these methods. The railways engage in trucking operations through wholly-owned subsidiary companies and by acquiring financial interest in the trucking firms. Opposition to such railway activity may be registered by independent truckers before the Provincial regulatory authority. There are no restrictions on the rail-road engaging in truck, water and air transportation. In fact the Canadian Pacific Railway is described 'the World's most complete transportation system'. The Merchandise Transportation Department of CPR is set up to offer complete service using all-rail haul, highway piggy-back or air or combination of these methods. The Canadian National Railway is also moving in the similar direction.

4. The Canadian National Railways are run departmentally by the Government of Canada covering a total mileage of 25,087 including 1743 in USA. Competition from Road Transport, Pipe Lines and Waterways has eliminated the monopolistic position of the Railways in handling an important proportion of freight. Severe competition for passenger traffic has been brought about by the improvements in highways and development in air transportation. Over the past several years, considerable thought had been given on the subject of improving the organisation of the Canadian National Railways in order to meet the challenge of

the highly competitive transportation field in which it is engaged. Early in 1959 a Committee of Senior Officers went into this question and carried out a general evaluation of the whole organisational structure of the Canadian National Railways. The Committee proposed important changes in the organisational structure and the administrative procedure and stressed the desirability of having a broad decentralisation of authority and responsibility on a geographical - as distinct from the present departmental basis. The new organisational structure of the Canadian National Railways is designed to overcome the following defects in the existing organisation.

(i) Coordination of departmental activities exists only at System Headquarters. The Officers at Headquarters are required to take many day to day decisions which is not only expensive in time but tend to distract Headquarters Officers from their important planning and policy formulation functions.

(ii) Problems tend to be considered from the departmental stand point rather than that of the System as a whole.

(iii) Responsibilities and authorities of supervisory officers throughout the System are, in many cases, not clearly defined nor is the difference between staff and line functions delineated.

(iv) Responsibility for some activities is divided between two or more departments making it difficult to hold any one individual accountable for results.

(v) Communications are made more difficult because of the numerous levels of authority.

Levels of  
Administration  
under the  
New Set-up:

5. Under the proposed set-up, there will be only three levels of administration instead of four as at present, viz., the Headquarters, the Region and the Area. This is due to the fact that under the new plan, geographic territories designated as Areas replace the existing districts and divisions. The System Headquarters will be divided into 5 regions (Atlantic, St. Lawrence, Great Lakes, Prairie and Mountain) and below them there will be 18 areas in Canada plus at an appropriate later date Grand Trunk Western Railway Road upto Detroit in U.S.A.

6. The Line Organisation will be divided into units, each of which will be responsible for overall results in its own territory or type of service. The proposed organisation is of the Line and Staff type. The Line organisation, in so far as rail activities are concerned will consist of the President, the Executive Vice-President, Regional Vice-Presidents, Regional General Managers, Area Managers and the Officers, supervisors and personnel and the Area organisation. It is through this chain of command that the policies, plans and decisions approved by the President will be executed and on which will rest the responsibility and accountability for results. The role of the staff officers in the organisation will be to assist the line officers to whom they are attached by providing specialised services and advice to them and to the personnel coming under their direction. It will be the staff officers who will do much of the basic thinking and planning that is so necessary to a sound overall operation. A line Officer's role will be to keep his staff officers informed on what he needs in the way of specialised advice and service; to correlate the advice coming from various staff officers in order to ensure that it is sound in relation to the broader objectives, interests and responsibilities of his organisation; and, if so, to act on the advice received. Line Officer will have the final authority in all matters within his jurisdiction since it is he and not the staff officers who must accept the final responsibility for actions that are taken. At the same time staff officers through their specialised knowledge of particular field will exercise strong influence on the decisions of the line Officer.

The Head-  
quarters'  
Role:

7. Under the new plan, the President within the limits of authority conferred upon him by the Board of Directors will decide upon the major policies to be followed and the objectives, both short and long range, to be achieved in each of the company's principal services to the public - Transportation, communication and hotels. The President will delegate to the executive Vice-President the responsibility for carrying out the policies and achieving the objective that relate to

the marketing operation of transportation services. The principal line officers and heads of staff departments at System Headquarters will help the President in formulating policies and objectives. Thus an important part of the responsibility of all Senior Officers will be to assist the President by proposing new policies and objectives that they consider to be in the interest of the System and by analysing those aspects of proposals under consideration that fall within their field of specialised knowledge and responsibility. The Executive Vice-President's responsibility for managing Company's transportation services will require him (a) to give directions to the regional Vice-Presidents, the General Manager Express and the General Manager-Highway Services; (b) to review the results of transportation activities through out the System; (c) to ensure that Regional Vice-Presidents are provided with assistance on technical matters that they are not staffed to handle; (d) to resolve problems of an inter-regional or inter-service nature in the best overall interest and lastly (e) within the broad policies decided upon by the President, to set the more detailed policies and standards that are to be followed at the Regional and Area Level. The Executive Vice-President will also act for the President in the latter's absence or at his direction.

8. The heads of staff departments will be responsible for providing functional or technical direction to staff personnel engaged in similar work at regional and Area Level and will have a responsibility for the technical competence of such staff.

9. System Headquarters Officers will also have a number of important activities of an external nature to perform. These will include dealing with senior government and other officials, other rail-roads, senior officials of Labour unions, associations, important customers, suppliers etc.

Region's  
Role:

10. The role of the regional administration will be to ensure that in each region rail transportation and its supporting activities are carried out as profitably as possible within the limitations imposed by System policies and obligations and the overriding needs of the System as a whole.



Thus Regional Vice-Presidents will be official representatives of the President and the Executive Vice-President in their regions for all activities concerned with rail transportation and will direct through their line officers all efforts needed to sustain and improve the System's overall position in the rail transportation field. Activities for which they will be responsible will include sales, operation, purchasing, stores, personnel and labour relations, accounting, law, property, freight claims, industrial development, investigation and public relations. In addition, they will have an important advisory role in the formulation of System policy, plans, objectives and standards.

Area's Role:

11. The Area's will comprise the primary administrative level at which rail transportation activities will be integrated. Within the Areas will fall the main burden of actually carrying out these activities and of directing a large proportion of the employees of the System.

12. Regional Vice-Presidents will delegate to the Area Managers responsibility for the personnel, property and plant within their Areas for employing them in such a way as to achieve the greatest profit possible within the limitations of Company policy and obligations, and the over-riding interests of the Region and System. Area Managers will thus be expected to direct the sales, operating and other personnel under them so as to exploit all opportunities to advance the Company's interest within the Area. This would mean a close coordination and control over activities within the Area and cooperation with adjoining Areas to provide efficient inter-area services.

13. Area Managers will be expected to maintain a comprehensive knowledge of the transportation requirements and trends within their Areas. They will participate with Regional Management in matters relating to policy formulation; bring to their attention the need for special studies that will arise from time to time and which they are equipped to carry out; and will continually supply information needed and likely to be of value at Regional or System level. The actual organisation

of each Area will depend on the volume and type of traffic, complexity of operation, geographical characteristics etc.

Coordination  
between the  
Headquarters,  
the Regions  
and the Areas:

14. There will exist a strong functional relationship between staff officers specialising in the same field at different levels of the organisation. The Headquarters Staff Officer in a particular field will have a special responsibility to ensure that the corresponding staff officers at Region and Area level are technically competent and are following technically sound procedures and practices. Headquarter's staff officers will also have an important responsibility with respect to selection; training and promotion of staff personnel at area and regional level. Relationship between staff officers will exclude direct authority of staff officers at one level over corresponding staff officers at lower levels. Direct orders will come through formal channels and will be, in effect, orders to the Regional Vice-President or Area Manager concerned. Between Areas and between Regions there will be informal relationship since each will depend heavily on the others in the provision of services to its customers. This will require close contact and direct communication in order to maintain coordination in the interest of the System as a whole.

Authority:

15. The proposed plan of organisation provides for broad delegation of responsibilities for carrying out day-to-day activities at Regional and Area Level. Regional and Area Officers will have greatest practical amount of authority to discharge this responsibility and thus they will be in a position to take decisions quickly.

Ministerial  
and Parlia-  
mentary  
Control:

16. Jurisdiction of the Board of Transport Commissioners is authorised by the Railway (and other) Acts in respect to the construction, maintenance, operation and tariffs of railways under federal control. The Board communicates directly with railway officials responsible for accounting, tariffs of all nature, operating rules, safety and engineering. On the other hand senior Railway officials are required by legislation to submit an annual budget and report to the Minister of Transport. This is considered by a Sessional (Parliamentary Committee) appointed to

examine the accounts, estimates and operation of the Railway. There is also a Senate Standing Committee on Transport & Communications for the purpose of authorising moneys for capital expenditures. Top railway officials are required to appear before this Committee (and Minister) to provide explanations of operations and proposed expenditures.

17. The Minister of Transport acts in dual function. He both cooperates with the top management in planning and discussing branch line extensions or capital expenditures and acts as contact between management and Parliament. The Minister is also the channel of communication between Parliament, the Privy Council and the Board of Transport Commissioners in respect to appeals from judgements or special bills relating to the duties of the Board.



## FRANCE

The French National Railways cover a net-work of about 39,770 Kilometres. These consist of the 5 former privately owned railway companies and two State-owned railways. These railways were amalgamated from 1st January, 1938 to form a joint stock company called S.N.C.F. In this undertaking 51% of the capital is held by the Government, and the other 49% being owned by the shareholders of the previous Railway Companies.

### Top management

2. The supreme body for the management of the S.N.C.F. is the Board of Directors which consists of 21 members. Of these 10 representatives are of the State, 5 members representing the Board of Directors of former companies, 5 belong to railway staff and 1 Government Commissioner who is the Director General of the Railways and Transport Division at the Ministry of Public Works.

3. At the head of the system, there is on the one hand, the Chairman of the Board of Directors whose function is mainly concerned with general and financial policies; and, on the other hand, the General Manager who is responsible for the technical management of the undertaking. The Chairman is selected from the representatives of the Government on the Board of Directors. He has far-reaching powers. He has to sanction schemes and contracts for supplies or works, upto comparatively large sums. He has full powers to settle exceptionally urgent matters though he has to refer them to the Board, if they are beyond his authority. The Chairman appoints a General Secretary on the proposal of the Board, subject to the approval of the Public Works Minister. The General Secretary has particular authority over the Financial Departments and the Administrative Divisions of the General Secretariat.

### The Headquarters Administration

4. The General Manager is the Chief Executive Authority. He is appointed by the Chairman on the proposal of the Board and subject to the approval of the Minister. He is assisted by two Assistant General Managers. One of the Assistant General

Manager deals, more particularly, with commercial matters, the other with technical problems and capital investment. The General Headquarters include eight Managers who are at the head of various specialised Departments, viz., Budget, General Research, Staff, Operating, Commercial, Motive Power & Rolling Stock, Civil Engineering and Supply. The Managers work out general policy and submit it for the General Manager's approval. They can also issue to the Regions, on the General Manager's authority, directions pertaining to the Department for which they are responsible.

#### The Regional Administration

5. The S.N.C.F. is divided into 6 geographical Zones called 'Regions'. These are: (i) The Eastern; (ii) The Northern; (iii) The Western; (iv) The South-Western, (v) The South-Eastern; and (vi) The Mediterranean Region. Each of these Regions is under the authority of a Regional Manager. They are entrusted with the task of operating the railway in their respective areas within the limits of the orders, regulations and directives given to them by the General Manager. Their main functions are to coordinate the work of their 3 departments: (i) Operating; (ii) Motive power and Rolling stock and (iii) the Way and **Works** and to maintain a liaison with the economic, industrial, commercial or administrative organisations such as Provincial and Local Authorities, the Chambers of Commerce etc. Each of the three regional Departments is headed by a 'Chief Officer' who is the direct assistant of the Regional Manager.

#### The District Administration

6. The territory of each Region in turn is divided into Districts, each corresponding to a Sub-division of the regional structure; Operating, Motive Power and Rolling Stock, and Way and Works. At the head of each District there is a 'District Chief Officer' who is responsible for the carrying out of work in the various stations, shops and plants under his control.

7. Under the Districts are the 'Sections' (they are not a further stage of management) which rather act as liaison bodies, transmitting the District Chief Officer's orders down to the smallest local station or plant.

Decentraliza-  
tion

8. In the beginning, the amalgamation of various Railway net-works into S.N.C.F. justified a highly centralised managerial organisation. But the present trend is rather towards a moderate decentralization, affording a greater initiative to the Regional Headquarters. It is along these lines that some of the managerial functions, so far under the control of the the various Departments of the General Headquarters, have been transferred to regional or even district levels thus enabling the officers of the General Management to devote the whole of their time to research and general orientation.

Liaison between  
Departments.

9. The three managerial levels (General Headquarters Regional Headquarters, Districts) are the three vertical joints of the hierarchy. As for the 'horizontal liaisons' between the various Departments or Bodies, these are maintained, at all levels, by means of periodical meetings of the Officers concerned. In addition, Technical Committees and Sub-Committees, etc., may be entrusted with the task of following up certain particular problems.

The Various  
Financial  
Supervisory  
bodies.

10. Besides the administrative and technical supervision most strictly ensured by the Departments concerned at the Ministry of Public Works, the Government looks very closely into S.N.C.F. capital expenditure.

11. The initial supervision is carried out, inside the Board of Directors, by the State representatives and the Government Commissioner. Certain contracts are subject to the preliminary study and approval of a 'Railway Contract Supervisory Commission' attached to the Ministry of Public Works. Further a permanent Financial Supervisory Mission has also been set up from 1949 under the Presidentship of an Inspector General of Finance; the Mission has its headquarters

at the S.N.C.F. Head Offices. The final audit is made during and at the end of the fiscal year by (i) the Accounts Commission acting on behalf of the General Assembly of shareholders and (ii) the Audit Commission consisting of representatives from the Ministry of Finance and Ministry of Public Works. Apart from the above, the S.N.C.F. is also subjected to a series of other examinations common to all public or state undertakings as well as to companies where atleast 20% of the capital is owned by the State.

12. The S.N.C.F. cannot lay down its rates and fares on its own accord. The proposals are submitted to the Minister of Transport for approval. The losses incurred due to reductions in fares imposed on the S.N.C.F., either by Parliament or statute, in favour of disabled, ex-servicemen, large families, military personnel, etc., is made good by the State (28,000 million francs in 1956).



## GERMANY

The organisation of the West German Federal Railways is laid down in the Act of 1951. The total route length is about 30,500 kilometres. According to this Act, the railways which were formerly being run departmentally by the Federal Government, were separated and constituted with its own budget and financial arrangements. This was done in order to ensure that railways were run on commercial lines. Since the separation of the railways from the Federal Budget, railways are required to work as an autonomous business organisation and have to meet interest charges on the capital invested in railways by the State. The funds on capital account are made available to the railways by the State at rates not exceeding 5% although the prevailing rates of interest are about 6% or 7% on the average. The need for providing adequate depreciation was felt and hence revaluation of railway assets was undertaken in 1949 on the basis of inflated capital costs. The State Department regarded as a basic principle that provision for depreciation on the railways should have priority over contributions by the railways to the general exchequer even on account of interest on capital provided by the State. Also the unexpended portion of the annual contributions to depreciation fund is permitted to be utilised for specific purposes such as the acquisition of new assets, laying of sidings etc., thus enabling the railways to go ahead with their rehabilitation and expansion plans.

2. The organisation is of a dual character. The main organs of administration are the Administrative Council and the Board of



Management. The actual running of the Railways is done by the Board of Management.

To: Management

3. The Administrative Council at the top is composed of 20 members - 5 representatives being nominated by each of the following

4 groups:

1. The Bundesrat (The Upper Chamber of Federal Legislature);
2. Recognised interests in Industry, Agriculture and trade;
3. Trade Unions; and
4. Leading industrialists and businessmen.

4. The Chairman of the Council is nominated by the Minister for Transport and appointed by the President of the Republic. The other Members of the Council are also appointed by the Federal Government. The functions of the Council are as below:-

- 1) Approval of the Annual Budget;
- 2) Construction of new lines and closing of branch lines;
- 3) Electrification of Projects; and
- 4) Major reorganisation of the railway system and general policy making.

5. This body takes decisions on matters of high policy and it meets regularly every quarter and has a Secretariat of its own. The deliberations of the Council are communicated to

the Minister for Transport in the form of resolutions which are advisory in character. But the overall policy control exercised by the Administrative Council is quite considerable. All schemes of the Railway Executive Authority requiring approval of the Minister have to be forwarded through the Council. Although its decisions are said to be binding on the Board of Management, they have not actually been given overriding authority over the Board and it would be more correct to say that both the bodies act with equal rights.

Board of Management:

6. The Executive Authority is vested in a small and high powered Board of Management. On the recommendations of the Administrative Council the Minister of Transport appoints the members of the Board. The Board consists of 4 members, two of whom are professional railwaymen and the other two representing other fields. All the 4 members of the Board are called Presidents and are collectively responsible for the working of the railways. There is no Division of portfolios between them; all important matters have to be concurred in by each one of them. One of the Presidents is nominated by the Minister of Transport as the Chairman of the Board who is known as the First President. The First President has the decisive voice in the deliberations of the Board. The Board of Management has the duty to prepare monthly report of the Department and place it before the Minister for Transportation and the Administrative Council. Under the Board, there are Chiefs of Departments of administration, personnel, mechanical engineering, operating, civil engineering, commercial and finance. The orders issued by the Chiefs of Departments are as from the Board.

Regional Organisation

7. The German Federal Railways are divided into 16 administrative areas called "Directions". Each administrative area is placed under a Director who is responsible for all aspects of railway working within his jurisdiction.

These individual areas do not produce balance sheets and the financial situation of the Railways is controlled from the Centre and supervised in respect of the undertaking as a whole. The regions enjoy no financial independence. The areas are further sub-divided into districts and fields offices.

Ministerial  
Control:

(i) The Federal Minister of Transport is responsible for giving official sanction for:

a) Economic plans, essential modifications of the same in the course of the year or of the annual account. This, however, is given in consultation with Federal Minister of Finance.

b) Construction of new rail-roads, modernisation, suspension of lines and stations, etc.

c) Establishment, transfer and other organisational changes of provincial railways administration or central offices of the Federal German Railways and considerable changes of districts.

d) Floating or purchase of other enterprises.

e) Disposal of other items which are part of the invested capital of special funds the individual value of which exceeds one million Deutsche Mark.

(ii) The Federal Minister of Transport is authorised to demand from Federal Railways any information which he may require. After consultation with the Managing Committee of the Federal Railways, he is entitled to inspect all Railway installations and offices himself or to delegate his representatives to carry out any such inspections.

(iii) The Federal Minister for Transport is authorised to lodge a protest against decisions taken by the Administrative Council on matters which are not subject to his sanction within a period of 14 days. Whenever such a case arises the Administrative Council has to convene a conference for renewed discussions on the subject matter within a period of one month of the date on which the protest is lodged. If the Administrative Council maintains the decision taken earlier, the matter is referred to the Federal Government which within a period of six weeks of the

receipt of the decision, will give ruling on the subject matter after hearing the President of the Administrative Council.

(iv) a) Regulation of the Railway Traffic Act, modifications of standard tariffs, including general tariff regulations, classification of goods and extra charges, as well as introduction, modification and /or annulment of international tariffs and of differential rates and/or all/other tariff advantages are subject to permission by the Federal Minister of Transport.

b) In respect of tariff measures which have little bearing on public interests, the Federal Minister of Transport may dispense with his right to grant approval; and

c) Federal Minister of Transport is entitled to demand such modifications of traffic tariffs as he considers necessary in the interest of national economy.

9. The Federal German Railways as far as possible give due consideration to modifications, if any, suggested by the Federal Minister of Transport in the draft of annual and half yearly time table.

10. Federal German Railways negotiate with foreign governments only on behalf and in the name of the Federal Government. The Federal Government, or on its behalf, the Minister of Transport concludes agreements.

Standing Tariff Committee:

A special committee called the Standing Tariff Committee, consisting of representatives of the railways and of associations of industries and other bodies nominated by Government, has been set up by Government for the purpose of examining proposals for changes in the tariff proposed by the railway administration. In the event of any difference of opinion between the Railways and other representatives in the Committee, the railway organisation is competent to take final decision on the subject with the approval of the Minister

## ITALY

The Railways in Italy are mostly state owned and operated and have a route length of 16533 km. During the period immediately after the war, under the impact of competition with other means of transport particularly automobiles, the problem of structural and organisational reform of the State Railways came to be recognised. It was attempted to transform the administration into an organisation, functional to the maximum degree and ready to meet the changing conditions of the market with special regard to the transport market. Again the balance between the two aspects of the railway administration - public utility service and an industrial concern-had to be maintained. The State Railway Administration is now an autonomous administration of the State with an industrial character.

Top Management 2. The highest executive authority of the Italian State Railways is the Minister of Transport, who besides his ministerial duties such as personnel, general administration, making of policy decisions regarding railway and road transport operations and coordination of the means of transport, also presides over the Council of Administration. In his absence, however, it is his Under Secretary of State (Deputy Minister) who presides over the Council of Administration.

The Council of Administration 3. The Council of Administration is mainly a consultative body, which consists of the Minister of Transport, Under Secretary of State (Deputy Minister) and 16 other members, who are:

- (a) the Director General of State Railways;
- (b) three high officials of the State Railways;
- (c) two Magistrates of the State Council;
- (d) two officials representing the Ministry of Treasury;
- (e) one representative of the State Advocate General;
- (f) one official of the Ministry of Public Works;
- (g) three representatives of the personnel, elected by the personnel; and

- (h) three citizens (not Government Servants) who have shown high technical and administrative capability, especially in the field of Transport.

With the Council are also associated:-

- (i) A high official of the Army who has no right to vote; and
- (ii) one Secretary selected by the Minister from among the Railway Officials.

Although the Council is a consultative body, its judgements are obligatory in certain matters. In case the Minister does not concur with the decisions taken by the Council, it has to be explained and accounted for. The Council meets regularly at a short interval of one week (unless called earlier to meet) to keep in touch with and discuss the day-to-day problems of administration.

Director-General

4. The Director General who is also a member of the Council is the Chief Executive Authority, and directs and supervises the complex of the services of the Railway network. He has financial, contractual, disciplinary and other administrative powers to enable him to run the administration. The main powers vested in him are:

- 1) The distribution, among the various Divisions, of the funds, provided in the budget under a common heading;
- 2) vigilance over the regular use and disposal of funds;
- 3) approval of the projects for works and proposals for sales upto a value not exceeding 10 million lire;
- 4) approval of contracts after public or private auction not exceeding 10 million lire and of private contracts upto 2.5 million liras;
- 5) authorisation to undertake works "in economic" i.e., through the administration itself and not through contracts, upto a value of 10 million lire;
- 6) authorisation, in urgent cases to initiate works and supplies pending the approval of the relative agreements by the Minister;

- 7) adoption of urgent measures, even if exceeding his competence, in the interest of the continuity and security of the railways and in the interest of traffic subject to the subsequent ratification of the Minister;
- 8) taking disciplinary or personnel-controlling measures whenever required; and
- 9) the presentation to the Minister or to the Council of Administration (if its opinion is sought) of the measures which fall beyond his competence.

The Director General is assisted in his work by two Deputy Director Generals, who have delegated powers. One of them is entrusted with the supervision of technical services and the other with the supervision of the administrative services.

#### Divisions and Compartments

5. The Headquarters Organisation consists of ten services; 5 administrative or central services and 5 working services. The latter comprise the following services:

1. Movements (Operating) Service.
2. Commercial and Traffic Service.
3. The Materials and Traction Services.
4. Works and Construction Services.
5. The Electric Plants Service.

The Administrative Services include the General Affairs, Personnel, Sanitary (Health), Supply and Accounts.

These services are as a rule divided into offices, and the latter into sections, and the section into Compartments. However, some of the services like the General Affairs are, divided directly into Sections. It has no peripheral organs.

#### Budget and Finances:

6. Although the Railways are a part of the Ministry of Transport, it has a budget of its own which is submitted to Parliament as an annexure to that of the Ministry's budget. So long as the railways' financial operations are within the overall annual budget estimates they are not subject to prior control of the Auditor General as is the case with all administrative units of

/which

the State but to a subsequent control. The deficits of the Railways are met by the Treasury. In addition to this, Treasury also reimburses to the State Railways such charges/are normally not to be borne by the Administration, and which arise from certain public service obligations.

Parliamentary and Financial control over Railway Administration

7. Parliamentary control on the State Railways is exercised mainly in the act of approval of Railway Budget. The control over the railways finances are exercised by:

- 1) The Ministry of Treasury, through inspections of the regularity of the services and administration;
- 2) the Court of Accounts; (this roughly corresponds to the office of the Auditor General in India through a Special Control Office set up by the Directorate General of State Railways, by checking the legitimacy in compilation of accounts and documents; and
- 3) the Accounts Service which carries out internal control.

8. In addition, the Members of Parliament also ask questions and interpellations on the floor of the House. The interpellations differ from questions in so far as they generally are in the nature of being enquiries addressed to the Ministry of Transport. The motion moved by Members is in the form of approval or disapproval of the policy of transport being followed in the country.

The line Organisation

9. The State Railways have divided the whole railway system into 15 "Compartments" (corresponding to Regions on Indian Railways). Within these 'Compartments' there are "Divisions" which in the technical part of their activity are subordinate to and dependent on the respective services mentioned above from which they receive instructions direct. Each compartment is headed by a 'Compartmental Director' who is assisted in his duties by officers incharge of Operations, Commercial, Personnel, Mechanical and Electrical Engineering branches etc



10. The Compartmental Director has specific functions. He follows the requirements of industry, commerce and agriculture in their relation to the railways. He supervises and ensures the continuity of operations of the railways. He is also responsible for functional agreements with other compartments. Other fundamental duties of the Compartmental Director include: (i) acting as an agent of the Railways with the Users (third parties), (ii) management and operational responsibilities and (iii) maintaining discipline and other personnel matters. He also has specific financial and contractual powers and can, in case, of emergency, dispose of cases which come only under the competence of Directorate General.

11. The Compartmental Director functions directly under the Director General. The post of the Compartmental Director is also interchangeable with the Chiefs of the Headquarters' Department. This, as mentioned earlier also, ensures the advantages of decentralised working and centralised control on the compact Italian State Railways.

12. Within the "Compartments" there are subdivisions into Divisions which in the technical part of their activity are subordinate to and dependent on the respective services from which they receive instructions direct and under whose coordination and control they are placed.

13. Of special importance among the peripheral organs are the Commercial and Traffic Divisions which control, within their respective circumscriptions, the commercial activity of the Organisation, sales to the public (if it can be called so) of that particular service provided by the Railway Organisation, which consists in the transportation of persons and goods. This is effected by special peripheral unit set up within the ambit of the Stations, and, therefore, of the administrations, and by other special units, the Commercial Agencies, which are outside the Railway organisation, which have won the great favour of the travelling public. Added to these, are the information offices near the large stations which, equipped with interpreting staff, are at the disposal

of the public, for all information regarding the Railways, which might be required.

14. Sub-Sections have, furthermore, the functions of registering and keeping the Central Headquarters informed of the variations occurring in the transportation market, of studying all the measures to be taken to meet competition from other means of transportation, functions which have been particularly developing over the last few years as the continuous development in the traffic in relation to the progressive increase of industrial, agricultural and commercial activities.

15. Reverting then, to the powers of the Commercial and Traffic Divisions they are :- the handling of disputes in respect of irregularities in the transportation of goods; of accidents to passengers and of extra-contractual responsibilities; the organisation or substitutive terminal services and freight containers; contractual and publicity matters; control over the administrative accounts; and inspection of the conduct of all the branch offices subordinate to the Division itself.

16. Under the Divisions are the Sections of the Organisation, and under these, in their turn the "Installations" (Stations, Administration, Depots for replacing locomotives and personnel, Elevator Service, Water and Electrical Installations, etc.) which are directed by the staff of the Organisation.

17. Furthermore, within the "Compartmental" system are to be found the Workshops for Repairs of the rolling and fixed stock, the Testing Offices and Special Offices, all units subordinate to the central headquarters of the Services.

## JAPAN

In the initial stage of development, railways were operated by the Government but the financial difficulty led the Government to encourage the construction of private lines. However, in 1906, the Government purchased the leading private companies and thereby became responsible for all the main lines in Japan.

2. After the end of World War II, the Government Railways were charged with the heavy duty of reconstructing the war-torn network. Railways for the first time showed huge amount of deficit because of the shortage in needed supplies, accelerated monetary inflation, worsening of social security, confused labour situation etc. This led to the re-organisation of Government operated railways into a public corporation, called the Japanese National Railways with effect from June 1, 1949. The existing total route mileage under the JNR is 12,600. On the basis of the JNR Laws, 1948, the Japanese National Railways have the status of a public juridical person charged with the mission of taking over and operating the railway enterprise, ferry service and motor transportation service operated relative to railways, and all other enterprises hitherto operated by the Ministry of Transportation. Though the Japanese National Railways ceased to be a Government organ, nevertheless, it is not considered to be a Commercial Company as provided for by the Civil Code and Commercial Code. In the application of Road Transportation Law, Electricity Enterprise Law, Land Expropriation Law and other Laws and ordinances, JNR is considered to be the "State" and the President of JNR a "Compentent Minister". Therefore, substantially JNR is regarded as the State or a Government organ and its capital is wholly invested by the Government. The employees of JNR are not Government employees, but in view of the public nature of their services, they enjoy the status similar to Government employees

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in respect of appointment, pay, demotion and dismissal, disciplinary action and standard of performance of duties.

Top Management

3. In 1949, soon after becoming a public corporation, JNR reorganised its structure. The Board of Directors which is the highest organ for making decisions in important matters relating to the management and operation of the National Railways, is composed of the President, Vice-President and 12 to 17 other members. The President is appointed by the Cabinet. The Vice-President and Members of the Board of Directors are appointed by the President upon the approval of the Minister of Transportation. The terms of office of President and Vice-President are 4 years and that of the Members of the Board is three years.

4. According to the law, decisions of the Board of Directors is required for matters falling under the following items:

1. Establishment of departments within the main office and of subordinate offices, and other important matters relating to organisation.
2. Important rules and regulations concerning business.
3. Budget, business plan and fund plan.
4. Settlement of accounts.
5. Making long-term and short-term borrowing and issuance of Railway Bonds.
6. Redemption plan for long-term borrowing and Railway Bonds.
7. Matters other than provided in the preceding three items, which require the permission, approval or consent of the Minister of Transportation under the provisions of the Japanese National Railway Law (except matters provided by the Ministry of Transportation Ordinances).

5. In addition, to the above, the following are also decided by the Board of Directors:

1. Important matters relating to management.
2. Long-term plans and annual fundamental plan.
3. Important technical research plans.
4. Fundamental matters relating to execution of budget.
5. Annual purchasing plan for important items of supplies.
6. Fares, rates and charges and other important matters relative to the conditions of traffic services.
7. System-wide revision in train time tables.
8. Annual rolling stock construction plan.
9. Other matters deemed necessary by the Board of Directors.

Executive Body

6. The matters decided upon by the Board of Directors are executed by an executive organ consisting of the President, the Vice-President, the Chief Engineer and several Managing Directors. The President and the Vice-President act as Chairman and Vice-Chairman respectively of the executive body and in this manner, the policy deciding body and the executive body are united together. The President is the highest responsible/the JNR, conducts its affairs as decided by the Board of Directors. The Chief Engineer assists the President in respect of improvement and progress to be made in the field of engineering. The Chief Engineer and the Managing Directors are appointed from among the Members of the Board of Directors by the President

/person of the executive organ and, representing

Inquiry and Audit Committee.

7. The main function of this Committee is to ensure that policies and directives are being faithfully followed. The Committee makes inquiries into and audits the business of JNR. The Committee is composed of 3 to 5 members. The Members of the Committee are appointed by the Minister of Transportation and their term of office is 3 years. The Committee not only conducts the auditing of accounts but also inspection of the overall business of JNR and reports its findings to the President. The Committee may also submit its opinion to the Minister of Transportation or to

the Board of Directors. In addition, the Minister of Transportation may order the Committee to conduct inspection and audit on specific matters and to submit a reply to him whenever the Minister deems this necessary from the point of view of supervision of JNR. The Committee also prepares the Inquiry and Audit Report accompanying JNR's Financial Statements.

Parliamentary  
and Ministerial  
Control:

8. The Japanese National Railways are placed under certain limitations imposed by the Diet and the Government. The budget, basic fares, rates and charges of the National Railways have to be approved by the Diet, and the accounts must be audited by the Government Board of Audit.

(i) Budget:- The Japanese National Railways compile their budget for every business year and submit it to the Minister of Transportation together with the documents concerning the business plan and fund plan for the business year and other matters relating to the budget. The Minister of Transportation, after he has received the budget, makes necessary adjustments to it upon consultation with the Minister of Finance and refers it to the Cabinet meeting for decision. The Budget is submitted to the Diet together with the budget of the State when the Cabinet has taken a decision on it. The budget comprises the general rule of budget, revenue and expenditure budget, continuing expenditure and acts of incurring obligations. The Reserve Fund in the Budget is established to meet the shortage of appropriations for expenditure caused by calamities and other unforeseeable occurrences. The Japanese National Railways have to notify to the Minister of Transportation when the Reserve Fund is used partly or wholly. The organisation cannot perform acts of incurring obligations, including those based on the Law, or those within the limits of the amount of expenditure budget or within the limits of the total amount of the continuing expenditure, prior to the decision of the Diet

on them in the form of budget. When the budget has been decided by the Diet, the Cabinet notifies it to the Japanese National Railways through the Minister of Transportation.

The Japanese National Railways on the basis of the budget decide by the Diet determines their fund plan for each quarter of the Business year and submit it to the Minister of Transportation, Minister of Finance and also to the Board of Audit. The Minister of Finance, when he deems that the fund Plan is impracticable from considerations of the fund situation of the State, notifies the Japanese National Railways of the allowable maximum through the Minister of Transportation and the Railways have to revise this fund plan accordingly.

The Railways also submit through the Minister of Transportation and Board of Audit, a monthly report on the amount of obligations incurred and amounts of revenue and expenditure in accordance with the provision of Cabinet order.

(ii) Borrowings and Railway Bonds: The Japanese National Railways make long term and short-term borrowing or issue Railway Bonds with the approval of the Minister of Transportation. The maximum amount of long-term or short term borrowing and the Railway Bonds are decided by the Diet in the form of Budget. For short-term loans, the National Railways have thus far been relying on the surplus funds of the treasury on a short-term borrowing basis. Railway Bonds are issued as a means of procuring long-term funds from private sources to cover the cost of electrification, track addition, additional rolling stock, etc. Redemption of principal and payment of interests on these bonds are guaranteed by the Government under special legislation.

(iii) Supervision: The Japanese National Railways are placed under the supervision of the Minister of Transportation. The following items require the permission or approval of Minister of Transportation:

1. Construction of a new railway line and taking over of other transportation enterprises;
2. Commencement of a ferry service or a motor transportation related to the Japanese National Railways;
3. Suspension or cessation of any operating line;
4. Railway electrification and other important works specified by the Ministry of Transportation Ordinance.

The Minister of Transportation is empowered also to issue supervisory orders to the Japanese National Railway when he deems it specially necessary to do so for the promotion of public welfare. The Minister of Transportation may call on the Japanese National Railways to submit a report, if such is deemed necessary for supervision.

Head Office and  
Regional Organs:

9. The Head Office is incharge of planning, research and execution pertaining to important basic matters. As a central organ, it controls all activities of the Japanese National Railways. It consists of 23 departments. There are also six auxiliary organs of Head Office, viz., Railway Technical Research Institute, Central Railway Training School, Machinery and Rolling Stock Inspectors' Office, Rolling Stock Design Office, Structure Design Office and Central Railway Hospital.

Regional  
Officers:

10. An overall revision in the local organisation of JNR was effected in 1957 to establish a firmer system of responsibility and to raise the efficiency of railway operation. By this organisation, six Regional Offices were established as independent units of regional management to which were transferred much of the powers hitherto held by the Head Office. Each of the regions is given a target on revenue, expense and productivity and is made a separate accounting unit.

11. The Regional Offices supervise the Railway Operating Divisions, Ferry Service Office, Distric



Motor Transportation Offices, District Purchasing & Stores Offices, Workshops, Motor Vehicle Workshops, Construction Divisions, Power Supply Control Office, Electric Construction Division and Colliery located in their respective area of jurisdiction. They map out the general fundamental plan for the Region, notify the budget executing plan to the offices under their charge, analyse business operation, supervise the settlement of accounts, carry out inspections for safety of transportation, audit accounts and compile statistics.

12. Three additional Regional Offices were established in 1959, and there are now nine such offices each of which is under a Regional General Manager. With the exception of 3 Regional Offices, each Regional General Manager has been accorded the status of a Managing Director.

Powers of the  
Regional General  
Managers:

(i) Control

Regional General Managers have the authority to:

1. Set up or abolish sections in the regional headquarters or organs under their jurisdiction;
2. Establish or abolish stations on lines other than important major lines or decide the scope of activities of such stations;
3. Allocate manpower amongst the organs under their jurisdiction within the total quota allocated to them by the Head Office;
4. Appoint, designate the duties of, transfer, suspend from duty, call to duty section chiefs of regional headquarters and organs under their jurisdiction.

(ii) Fares and rates

The Regional General Managers have the authority to carry out the following reductions based on standards prescribed by the Head Office:

- a. Temporary seasonal passenger fare reductions;
- b. Reductions in parcel fares;
- c. Reductions in rates for items to be displayed in exhibitions;

- d. Freight rate reductions for commercial purposes, aside from those obligated by reasons of public interest;
- e. Free transportation or reduced rates for conveyance of articles donated for relief purposes.

2. Permitting post-payment of passenger fares.

(iii) Finance

- 1. With regard to the Profit and Loss Account and Budget, the scope of expenses which Regional General Managers may dispose of under his own responsibility has been enlarged.
- 2. As for construction expenses, Regional General Managers have the authority to sanction replacement and betterment projects up to the amount of 30 million yen per case.
- 3. Regional General Managers supervise the settlement of accounts of organs within their jurisdiction.

Railway Operating Divisions:

- 13. The Railway Operating Divisions which constitute the operating units of JNR's railway and ferry services are established at centres of local transportation, economy and culture. The total number of operating divisions is 24 in all. These Divisions supervise such field organs as stations, marshalling yards, engine sheds, power plants, substations and signal and telecommunication depots.

## SWEDEN

The Swedish State Railways have a total route length of approximately 15,000 kilometres. The Private companies have contributed to a large degree towards the construction of the greater part of the country's railways. This will be realised from the fact that 69 per cent of the existing railways net work has been built by private enterprises while 31 per cent has been constructed directly by the State. It has been the policy of the State to acquire completely the private owned railways or have a large share holdings in the private companies. In Sweden, 95 per cent of the entire railway net work is now State owned.

### Top Organisation

2. The organisation of the Swedish railway system has been based from the outset on the fundamental principle that the State must occupy a prominent position in the expansion, development and working of this mode of communication. The railways come directly under the administration of the State. They do not constitute autonomous concerns but are worked as a Department of the State like the Post Office, the Telegraph Department and the Hydro-electric Power Administration within the Ministry of Communication. The central executive and administrative organisation of the Railways is carried out by a Railway Board appointed by the Crown, which possesses very wide powers. A General Manager is at the Head of the Railway Board and is directly responsible to the Crown for the administration of the Railways. He possesses the sole right of decision in all matters, apart from those of penal nature which are decided later by a majority of vote. The remaining members of the Railway Board are responsible to the General Manager for their respective branches. They are Directors and also Heads of Departments, i.e., they direct policy and are responsible for its execution. The General Manager himself is the Chief Director. The Board consists of a Chief Director, Chief of the Service Operating Bureau and the General Manager's Deputy; a Workshop Director; Stores Director; Chief of Economy Bureau; three Chief Engineers of the

Railway Engineering, Mechanical and Electrical Bureaus respectively; Chief of Ticket Office; two authorised representatives of Railways and a Deputy; and six departmental heads who are chiefs of Secretarial Bureau, the Traffic Bureau, the Commercial Bureau, the Defence Bureau, Auto-traffic Bureau, and Legal Department.

Line  
Organisation:

3. For administrative purposes the State Railways net work is divided into six districts. The district administration is headed by a Senior Officer who is directly responsible to the General Manager. He has under him District Officers for different departments.

Railway  
Advisory  
Council:

4. An Advisory Council appointed by the Crown representing interests of Railway users functions as a consultant institution on matters relating to Railways. The Council's duty is to issue opinions or put forward suggestions on matters concerning the relations between the State Railways and their customers. It consists of a Chairman nominated by the Crown and 25 members appointed for a period of three years, partly by the Crown and partly by other authorities and organisations for economic affairs. An important task of the Railway Advisory Council is to follow the applications of the current tariffs for freight transport on the State Railways continuously and to act in a consultative capacity concerning those tariff questions which are referred to the Council by the Railway Board.

5. A further body of a consultative character has been working, consisting of two authorised representatives of Railways and a Deputy for the latter, all of whom are appointed by the Crown. It is the duty of these authorised Railway representatives as Members of the Railway Board to participate in discussions and questions relating to matters of practical economic nature such as important purchases, the buying up of private railways, laying out of new State lines, questions concerning the basis for staff wage rates, also matters relating to time-tables and tariffs, when called upon to do so by the General Manager.

Powers of the  
Railway Board:

6. The authority to deal with matters concerning the State Railways is divided between Parliament, the Government and the Railway Board with subordinate bodies for administering the lines. Like the Boards for other State Departments of a business nature such as the Post Office, the Telegraph Department and the Hydro-Electric Power Board, the Railway Board possesses very much wide powers. The Railway Board is empowered to make decisions on all matters which are not expressly reserved to the Crown by special regulation. Thus the Railway Board has the right to decide questions of such economic importance as the passenger and freight time-tables for the State Railways. The Railway Board, or its subordinate representatives, determine the size of the entire staff and also to some extent wage rates for temporary employees. Although the general tariffs for passenger and freight traffic are decided by the Crown, the Railway Board nevertheless, exercises considerable influence in these complicated questions by its initiative and the proposals and opinions it puts forward. The Railway Board can itself make reductions in freight rates which are justified on economic grounds. The Board is mainly responsible for standards concerning traffic matters and the maintenance and extension of different line sections. Finally, the State Railways enjoy more flexible purchasing power than the other State Departments.

Ministerial  
and Parlia-  
mentary  
Control:

7. The Parliament exercises the decision in respect of grants for new constructional work and installations, the acquisition of land, the purchase of new rolling stocks, inventories and increased supplies, the purchase of privately owned railways and other measures entailing the appropriation of grants and also questions concerning wages, pensions and conditions of employment for more permanent members of the staff. The decision rests with the Government regarding railway traffic rules and tariffs for the state railways traffic, the annual budget for costs and staff expenses for the State Railways and finally, in connection with proposal for new constructional

work and installations, rolling stock, etc., for which an application for a grant is made to Parliament.

Budget:

8. The Railway Budget is part of the General State Budget. Although the State Railways are responsible for the interest on a certain part of the national debt, no formal debiting of the interest costs in question actually takes place, the latter merely being calculated statistically. The calculation of the interest charges is only a device made to assess if the money invested by the State in railway Department have been remunerative. In order to render low tariffs possible and thus contribute towards economic development the Swedish Parliament had agreed to certain writing down of State Railway capital on which interest is payable during the last few decades. The Railways showed considerable surpluses upto the late forties when the surpluses began to dwindle due to increased working expenses.



## SWITZERLAND

Switzerland with a population of 5 million and an area of about 16,000 sq. miles possesses a total railway network of 5200 route miles of which, the publicly owned Swiss Federal Railways, constitute 1809 route miles which is fully electrified. The SFR comprise all the main lines in the country having heavy passenger and goods traffic.

The SFR are a public undertaking owned by, and dependent on, the State, with the advantages of State guarantees, freedom from taxes etc., but subject to considerable public influence, State supervision etc. They, however, enjoy a large measure of autonomy in the management of their affairs mainly due to the obligation of having to run their enterprise on commercial lines. They maintain their own separate accounts.

- Top Management 2. The supervision of the SFR is in the hands of the public, the Federal Assembly and the Federal Council while the actual management of the SFR consists of the Board of Directors, the General Management and the Regional Managers all of which are constituted by the Federal Council (Swiss Cabinet). The Board of Directors consists of 15 members drawn from politics, industry, trade, banking, agriculture and labour. The Board possesses supervisory powers and mainly decide or voice an opinion on matters of general policy and on very important affairs. The Board can use its own discretion and need not refer to superior authorities. The General Secretary of the General Management attends the meetings of the Board. Thus the Board is a very important and effective link between the general public and the SFR. The Board enjoys some delegation of powers among others, in the matter of appointment of the Divisional Managers of the General Management and the sanctioning of construction projects, of plans and estimates costing over 1 m. francs.
3. The main executive powers and the actual direction of affairs are vested in the General Management in Berne and the three Regional Managers in

Lausanne, Lucerne and Zurich respectively. The General Management in Berne consists of the President and two General Managers. The General Management functions in two ways, one as Collegial Board and the other as the Headquarters of respective Departments. As a Collegial Board, it meets once a week attended also by the General Secretary to discuss and/or to decide important matters falling normally within its jurisdiction or referred to it by the President or one of the two General Managers, as Heads of their respective Departments. The President is the virtual representative of the SFR and the Head of the Department for Finance and Staff matters. He, on the one side, thus deals with the relations of the SFR with outside authorities at home and abroad, with affairs involving several departments of the SFR and with general policy etc., and on the other, with specific tasks of his own department. He is, in addition, the direct superintendent of the General Secretariat which deals with the details of economic policy, organisation, coordination, documentation, public relations etc. The two General Managers are incharge of the Commercial and Legal Department and Works and Operating Departments respectively.

4. While the General Management provides for a uniform policy of management and operation and directs its application, the Regional Managements headed by Regional Managers, are the immediate executive authorities for the actual working of the Railway apart from their auxiliary functions of maintaining contacts with local Government bodies and railway users. Close inter-relations exist between the General Management and the Regional Managements, as well as between the specialised branches at Central Headquarters and similar services in the Regions, particularly whenever questions of principles are involved. The size of the three Regions of Lausanne, Lucerne and Zurich are respectively 591, 597 and 621 route miles. The extent and the geographical position of the Regions are in a certain way based on federalist considerations and not necessarily on the amount of traffic involved.



5. The General Management as a Board and the General Managers individually possess powers to create permanent or temporary posts. The latter can also sanction construction projects, plans and estimates costing over 100,000 francs. The Regional Managers also enjoy some delegation of powers in the matter of **staff** appointments and sanctioning of projects, plans and estimates.

Parliament  
and Public  
Control over  
SFR.

6. The control of the Federal Assembly (consisting of the Council of States and the National Council) over the railways relate, in particular, to the general tariff policy set up by the Federal Council, the legislation in regard to the working conditions of the staff, the sanctioning of the Annual Budget, the Annual Accounts and the Annual Report, covering of possible deficits, purchase or construction of new lines and closure of existing lines.

7. The Federal Council either on its own or through its Postal and Railway Department is concerned with the supreme superintendence of the conduct of affairs and the financial policy of the SFR to whom the Council issues instructions to safeguard the interests of the country. In particular, the Federal Council deals with the representation of the SFR in the Federal Assembly, the election of the members of the Board of Directors, the General Management and the Regional Management, the examination and subsequent presentation of the Annual Budget and Annual Accounts to the Federal Assembly for approval and the issue of loans. The Management of the SFR keep the Federal Council regularly informed of important matters including those that have to be submitted to or discussed by the Federal Assembly.

8. Besides the Parliamentary control referred to above, the public also have some direct control over the SFR particularly in respect of charges. A special Commercial Conference has been set-up which meets once or twice a year to decide questions of transport and tariff policy bearing upon the

relationship between the carriers and the public. This Conference includes representatives of the Federal Postal and Railway Department, SFR, other transport undertakings, and interests representing traders, **farmers**, municipalities consumers, tourists etc.



## UNITED KINGDOM


The management of Railways was undertaken by the Government for the first time at the outbreak of the First World War subject to the general direction of the Board of Trade through a Railway Executive Committee. In all 130 separate lines were taken over including the 21 leading companies. It was intended to ensure complete control of traffic for military purposes. This arrangement continued till the passing of the Railways Act in August, 1921. The new Act radically affected the whole organisation of the Railways in the country by requiring the amalgamation of 123 railways into four large groups. The scheme of amalgamation became effective in 1923. Christopher Savage in his book "An Economic History of Transport" has concluded his remarks on amalgamation of railways thus:-

"Amalgamation, by grouping the railways into large-scale units, did allow considerable scope for technical efficiency through standardization, though since the main railway network had been laid out in the previous century and had for some time been actually complete, the possibility of achieving far-reaching economies was necessarily limited. On the other hand, amalgamation brought disadvantages in that it created four undertakings of very considerable size, which must certainly have made managerial and administrative problems more difficult as well as adding to the inflexibility of the railway companies as commercial enterprises. On the whole, therefore, it may be seriously doubted whether amalgamation produced economy and efficiency to the extent hoped for by the framers of the 1921 Act".

2. The four railway group companies continued to be responsible up to 1939 for the main line railways of Britain. Each group had developed its own system of organisation to suit its particular circumstances. Before 1939, these groups found it necessary to introduce extensive arrangements for the pooling of receipts, which had important effects upon their finances and operating methods and to a considerable

extent eliminated competition between them. In September, 1939 at the outbreak of the Second World War, the Government again took control of the railways for war purposes. This control continued until December 31, 1947. During this period the organisations of the Four groups continued in essentials, as they were before the War, but a Railway Executive Committee was set up to ensure the maximum use of the combined resources of the railways in the war effort. The arrangements included the pooling of the revenues of the four groups.

3. The Transport Act of 1947 completely nationalised the railways and the whole railway system passed into public ownership as from January 1, 1948. The British railway system was divided into six regions - London Midland, Eastern, Western, Southern, Scottish and North Eastern. The mileage of each of the zone is indicated below:-



London Midland	4,207
Eastern	2,823
Western	3,984
Southern	2,188
Scottish	3,404
and North Eastern	2,241

The White Paper presented in British Parliament in July, 1954 considered the size of the Railways Regions in U.K. to be very large for management purposes. The White Paper observed that "for management purposes these regions are in themselves very large systems. The Commission have reached the conclusion that either the larger Regions must be broken up into smaller regions or there must be introduced a definite measure of management decentralisation between them; functional decentralisation is not sufficient". It is interesting to note the observations of the Minister of Transport regarding the future size and shape of the railway system. While moving the motion for approval of the proposals contained in

the White Paper on Reorganisation of Nationalised Transport Undertakings (1960), Mr. Marples (Minister of Transport) stated: "The present layout is not entirely suited to modern age. Neither does it give railwaymen and railway management the best chance of efficient operation. There must be a purposeful slimming of the railways to concentrate both effort and modernisation. This matter is at present being studied by my Ministry and the Commission". \*

Organisation  
and Decentra-  
lisation

4. The Transport Act, 1947 'did not lay down the form the railway organisation was to take beyond establishing a Railway Executive to assist the British Transport Commission in the discharge of their functions and requiring the executive, as agents of the Commission to exercise such functions as were for the time being delegated to them'. Initially, the system of departmental control and centralised management was found suitable following the nationalisation of railways. Later, it was realised that the Commission should delegate additional responsibility to the Regions and transfer departmental control to the Chiefs of the Regions. In 1953, the British Transport Commission introduced a scheme of reorganisation thereby abolishing the 'functional' system of supreme management.

5. The British Transport Commission introduced some measure of management decentralisation in view of the major upheaval which important alterations to the Regions involved. The creation of subordinate organs of management within the Regions had three principal benefits. According to the Government, "it would provide for railway users a more direct and rapid contact with the Railways of an authoritative nature; it would assist the staff by removing their feeling of remoteness from the management; and it would increase the efficiency of the departments by introducing more effective supervision and coordination on the spot and by encouraging initiative from below".

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\*Hansard - 30th January, 1961.

6. The British Transport Commission are thus primarily a policy making body. Having determined policy, they leave execution to Divisions, though they also do this through Area Boards in some respects. The Commission exercise supervision, effect coordination and ensure that their policy is working smoothly and being correctly executed. The Commission have retained control on general finances and general commercial policy, labour relations of a major character, higher appointments and research, policies and principles to be adopted in railway operations, allocation of rolling stock, the design, manufacture, procurement and standards of maintenance of rolling stock, permanent way, signalling etc. The Select Committee on Nationalised Industries has remarked that "recent changes have given the Regions much more control over purchasing and procurement than before and rather more is now done regionally than by Centre. While coaching stock must conform to standards laid down at the Centre, the interior design is left to the choice of the Regions".

7. The Area Boards were set up for the six regions under the 1954 Scheme. Each Board consists of a Chairman and not less than two nor more than six other members, all of whom are appointed by the Commission. At least one member of each Area Board must be a member of the Commission. At present all the Area Board Chairmen are members of the Commission. "The Area Boards are not corporate bodies but they act for and in the name of the Commission and are regarded as projections of the Commission". The Area Boards are intended to be organs of day to day management. The chain of responsibility is from British Transport Commission to the Area Board and from the latter to the Chief Regional Manager. The Area Boards have the function of ensuring that the policies of the Commission in relation to British Railways

are carried into effect. Subject to certain financial limitations placed on them by the Commission, the Area Boards are empowered to authorise expenditure on equipment and engineering projects, authorise property transactions and also appointments and salary advances. They are also required to submit budgets and forecasts of capital expenditure and are responsible for all expenditure within approved revenue budgets and on authorised equipment programmes and engineering projects. Within the framework of the functions delegated to them, the Area Boards exercise overall direction of management within their regions but leave day to day management to the Regional General Managers.

8. The General Manager who is the Chief Executive of the Region is responsible for the conduct of its affairs to the Area Board. Below each General Manager are two or three Assistant General Managers, one of whom is responsible for traffic. Each Regional organisation is based on the organisation of its Traffic Department, which comprises the three separate departments of the former railway companies; Commercial, Operating and Motive Power. Traffic is regarded as one of the chief functions of management. The Commission have not prescribed a pattern of traffic organisation common to regions because of the considerable differences between the Regions, both in size and in the type of work undertaken. The Commission require that there should be clearly defined chain of 'command' from the General Manager to subordinate managers "on the ground" and that the aim should be to bring those who have to sell transport in touch with their customers. They have further stipulated that their managers on the spot should be **given authority** and status to deal with their customers without constant reference to Regional Headquarters. The Area Boards have been allowed a good deal of freedom in fixing the fares they charge for concessional and excursion fares and also within limits, the general level of ordinary

fares. it is on the freight side that the Regional Managers have been given the greatest opportunities to quote individual prices for the carriage of goods in full wagon loads.

9. Decentralisation has enabled the General Manager who is the Chief Executive of the Region and responsible to the Area Board to spend more time on planning and exercising general oversight. Commercial policies are laid down by the General Manager. Beneath him, the key man who fills the new post of traffic manager is able to take prompt decisions without requiring the consideration of the General Manager himself; he is able both to provide and to sell services. Thus much of the management of the Railways in Regions had been delegated. At the same time there has been a tendency to rationalise the operations of train within each region.

10. All schemes concerning modernisation originate with the Regional Staff and go to the Area Boards for their approval. While the Boards examine the proposals, there are direct contacts between the regional management and the Commission's Central Staff on the technical details of the plan. If the Area Boards approve the plan, they can set it in motion at once, provided it does not cost more than £ 100,000. If, however, it costs more, then the plan has to be submitted to the Commission for their decision. The large schemes have to be sent to the Commission as they are better provided than Boards on technical side. The Commission take final decision on commercial grounds.

11. The British Government felt that the activities of the present British Transport Commission were so large and diverse that it was virtually impossible to run them effectively as a single undertaking. Recently, the Government have suggested the reorganisation of the Nationalised Transport Undertakings in order to "separate the tasks



and problems of operating the various nationalised transport undertakings, to define the responsibilities of management, and to provide management with clear objectives in set fields so that it can concentrate its efforts and energies". The Government, according to the White Paper on the 'Reorganisation of the Nationalised Transport Undertakings' (1960) have, therefore, decided to set up a British Railways Board with special statutory powers and duties. The British Railways Board will perform only those central functions which are essential to the running of the railways as a single entity; all other functions will be the responsibility of the Regional Railway Boards which will replace the present Area Boards. In particular, the British Railways Board will be responsible for such matters as national staff and wage negotiations, overall control over finance and investment, policies for safety, training and research, and the determination of the future size and shape of the Railway system. The assets of the Railways will be in the hands of the Railways Board and it will be responsible for operating them and securing the best financial results. "This will foster financial discipline and provide the set task and clear objectives for which the new structure is designed".

12. "Everything cannot be done at the Centre. The art of good management, given the right tools, is to get the best response at all levels. This means sensible and adequate devolution of authority. The man on the spot does not give of his best looking over his shoulder and having to wait upon decisions relating to his own job taken at levels remote from him\*. The Regional Railway Boards will, therefore, have a strong element of full time members unlike the present Area Boards. They will be fully responsible for the management and operation of their regional

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\*Hansard - Mr. Marple's (Minister of Transport) speech in the House of Commons on 30th January, 1961, while moving a resolution on the proposals for the Reorganisation of the Nationalised Transport Undertakings.

railway systems. "Their job will be to translate into regional practice and operation the national railway policy". Each will be autonomous in all matters which concern its region alone. In order to secure coordination between national railway policy and regional railway operation, the Government have suggested that one representative from each of the Regional Railway Boards will be a member of the British Railways Board. It is expected that the new set up will further the process of devolution of authority and decentralisation of management

Ministerial  
and Parlia-  
mentary  
Control

13. The Ministry of Transport is responsible for the functioning of the transport system in U.K. as a whole through the British Transport Commission set up under the Transport Act, 1947. The Minister's powers include the "appointment of members of the British Transport Commission, the right to approve of the general lines along which any major reorganisation is to take place, the power to issue general directions to the Commission on matters affecting the public interest, an extensive control over the Commission's finances, and the right to obtain full information from the Commission about any of their activities". The Minister has to work in very close contact with the Commission, as he has to answer so many parliamentary questions every year on the activities of the Commission.

14. The Ministry is concerned with the future of transport conditions in the country; although it is left to the Commission to make their own assessment, through market research, the likely traffics in the years ahead. The Ministry has to be sure that the public funds are being advanced on a reasonable basis. Under the Act, the Minister's approval is essential for Commission's general programme of reorganisation and development involving substantial capital outlay. Any long term plan has to be approved by the Chancellor of the Exchequer. The Treasury has to be consulted at the appropriate stage regarding the programme of capital investment which is proposed to be carried out by the

Commission in the next financial year. The Minister's consent and that of the Treasury has to be obtained before the Commission can undertake borrowing programmes.

15. There are prolonged and continuous discussions between the Ministry and the Commission on broad points of fares policy. Except for Ministerial intervention twice in the past, there has been no occasion when the Minister has intervened in the Commission's request for increase in fares. The Minister has to express an opinion on matters of public policy. When the public interest so requires, the Ministry can call for action from the British Transport Commission whether or not the statute specifically allows it. But the Ministry does not interfere with the actual process of management which is left to the Commission.

15. The British Government, according to the White Paper on 'Reorganisation of the Nationalised Transport Undertakings' (1960) have proposed that each of the main activities of the present Transport Commission should be managed by a separate Board holding its own assets and responsible for its own capital debt. Thus, there ~~will be a~~ British Railways Board responsible for running the railways. The Boards for Railways, London Transport, Transport Docks, Waterways will each be incorporated under statute with appropriate duties and powers. "In view of their importance and the special nature of their problems they will be responsible direct to the Minister of Transport who will appoint their members". The Minister of Transport will be responsible for the coordination of policy between the various new Boards proposed to be set up, including allocation of funds for new investment. This will provide for direct contact between the Minister and ~~the~~ main component parts of the nationalised transport industry. As in the case of other nationalised transport undertakings, the Minister's main charge will be for over-all coordination and for securing the general efficiency of the undertakings in accordance with the responsibility to Parliament for them. He will discharge these responsibilities through his powers of appointment and of general direction and his

control of development, investment and finance. The Minister will have the power to appoint the Chairman of the five major Boards. The members of each of these Boards will be appointed by the Minister of Transport after consultation with the Chairman. Certain other appointments will also be subject to the approval of the Minister.

17. Parliament plays quite an effective rôle as far as railways are concerned. The British Transport Commission was established by statute. "In enacting legislation of this kind Parliament exerts a permanent influence over the conduct and organisation of nationalised industries and services. It is, indeed, in the sphere of legislation that parliamentary debate and discussion are more effective". Members of Parliament raise large questions of policy, such as railway development plans and modernisation schemes, branch lines and services run at a loss, closure of a railway branch lines etc. However, the Minister do not answer questions relating to 'day to day administration' of the Railways. The Select Committee of the House of Commons (1951) in this connection observed "Under thier existing Constitution, the nationalised industries are not subject to any direct control by Minister in individual matters of detail. The Committee, therefore, feel that without altering the terms of the statutes under which the public corporations are constituted, which they are not empowered to recommend, questions on matters of detail in the nationalised industries are inappropriate". The Leader of the House of Commons on 25th February, 1960, in a statement said "We must adhere to the view that Minister can answer Questions only on matters for which they have a recognised responsibility. Otherwise, they would inevitably find themselves encroaching upon the managerial functions entrusted to the nationalised Boards".

The motion for the adjournment offers an opportunity for a brief debate. Similarly discussion takes place on the official motion

moved by the Government as in the case of 'Reorganisation Scheme of Railways'. Then there are debates on the Annual Report of the British Transport Commission. The Public Accounts Committee also scrutinises the accounts of British Transport Commission. There was general feeling that Parliament should have a more specialised system to enable the Members to have a closer and continuous touch with the working of nationalised industries. This led to the appointment of Select Committee of the House of Commons on Nationalised Industries which has recently submitted a Report on British Railways.

Regional  
Accounting:

18. Under the existing system the accounting returns for British Railways are compiled from regional returns of receipts and expenses. The gross receipts in these returns relate substantially to traffic originating in the Region, wherever carried, and the working expenses are those which the Region is responsible for incurring, in particular, on regional staff and on rolling stock and equipment based on stations and depots within the Region. The annual budgets of the Area Boards are also made on the same basis. It will thus be apparent that this system does not purport to represent the Regions' "net earnings" and that the returns do not correspond with what is normally called a profit and loss accounts. This is so because 35 per cent of passenger traffic and 45 per cent of all traffic cross a regional boundary and hence do not appear in that Region's account.

19. Prior to the nationalisation of railways, the Railway Companies produced profit and loss accounts. As so much of the traffic was constantly passing from the area of one company to that of another, the companies used to apportion among themselves the receipts that the traffic brought in, and the expenditure incurred in carrying it. Some of the receipts and costs were pooled and then distributed between companies according to an agreed formula. There also existed a Railway Clearing House, which kept track of the actual movement of rolling stock, and the costs involved. Thus, there was a good deal of pooling and approximation in the profit

and loss accounts produced by companies.

20. Since the nationalisation of Railways, there has been a tremendous physical unification of the railways and a great deal more cross movement and joint use of facilities. Under the new scheme, it was decided to give up pooling and working of Clearing House. The efficiency of the regions was judged on grounds other than profits they appeared to have made or the loss incurred. The present system of the maintenance of accounts did not enable to judge the efficiency or otherwise of the particular service which is essential in order to have better managerial control of an undertaking. The Transport Act, 1953 required that the 'scheme of reorganisation shall provide for the compilation and publication in respect of each of the areas of statements of Regional operating costs and statistics, as distinct from Regional Accounts. The White Paper on Reorganisation of Railways (1954) also considered this question in some detail. The British Transport Commission acknowledge the desirability of having some form of local accounting and as much information about the regional traffic as have the road hauliers who are competing against them. According to the evidence given by an Area Board Chairman before the Select Committee on Nationalised Industries:

"There is a need for something like regional accounting - not in order to encourage a sense of competition between Regions, but solely in order that the regional management should be better informed about their own problems".

21. The Area Boards now are trying to move individually towards the maintenance of fuller accounts which would help them in the management of the regions. The Southern Region, it is claimed, being self-contained, is already fairly close to having regional accounts. It will enable them to have a fair picture of profitability in their region. Similarly, in case of other regions, the initiative on their part will lead them to devise a form of accounts which will give them, as a unit, a true picture of their trading results.

22. Following the Prime Minister's statement of policy on 10th March, 1960, the British Transport Commission entrusted a firm of Chartered Accountants with the task of working out the method how the regional accounts could be drawn up. The Select Committee on Nationalised Industries have come to the conclusion that "without an improved costing system and improved methods of ascertaining the profitability of Regions and services, management has been deprived at all levels of the assistance of two of its main instruments - financial results and costs. As a result, Area Boards have not known how efficient and profitable have been their various activities, and the full affect of their capital proposals cannot have been properly estimated by them, the Commission, or the Ministry. This seems to have been a serious shortcoming in management, the full effect of which it is impossible to gauge". The firm of Chartered Accountants have in their report pointed out some of the limitations inherent in any form of Regional Accounts. They say "any separate Regional accounts cannot have the same meaning as the consolidated Accounts for British Railways; and that the Regional Accounts will not measure relative efficiency". They, however, comment on the value to management of the existing Regional accounting analyses and say that these should be preserved.

23. The recent White Paper on Reorganisation of Nationalised Transport Undertakings (1960) envisages that "each Regional Railway Board will maintain a regional trading account as a means of assisting it to secure the highest level of efficiency and economy of operation".

The British Transport Commission have now decided that "arrangements should be put in hand for producing Regional Accounts in general accordance with the Report from the Chartered Accountants. It is intended that the procedures adopted initially should be regarded as a foundation for

the future development of Regional Accounts, and it is hoped they can be improved with experience so as to be of increasing value to Management. The planning and installation of the detailed arrangements will inevitably take time".\*



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\*Special Report from the Select Committee on  
Nationalised Industries - British Railways  
(March, 1961)