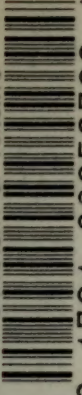


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A REVIEW

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OF THE

PRESENT MUTUAL RELATIONS

OF THE

British South African Colonies

TO WHICH IS APPENDED A MEMORANDUM ON

SOUTH AFRICAN RAILWAY UNIFICATION

AND ITS

EFFECT ON RAILWAY RATES.

PRINTED BY AUTHORITY.

[Johannesburg?, 1907]

UNIVERSITY OF TORONTO

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UNITED STATES

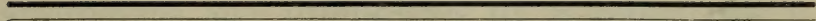
WILLIAM HENRY WISLIZEN

Author

January 1877

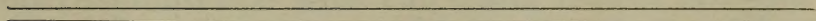
My Dear Sir,

I have the honor to acknowledge the receipt of your letter of the 10th inst. in relation to the proposed publication of a report on the fisheries of the United States, and in reply to inform you that the same has been forwarded to the proper authorities for their consideration.



PART I.

The first part of the report contains a general description of the fisheries of the United States, and is divided into three sections, the first of which is devoted to a description of the fisheries of the Atlantic coast.



The second part of the report contains a description of the fisheries of the Gulf of Mexico, and is divided into two sections, the first of which is devoted to a description of the fisheries of the Gulf of Mexico, and the second to a description of the fisheries of the Gulf of California.

WILLIAM HENRY WISLIZEN

Author

The Joint Committee

on the Commerce and Fisheries

of the United States

Washington

SOUTH AFRICA.

HIGH COMMISSIONER'S OFFICE,
JOHANNESBURG,

January 7th, 1907.

MY LORD,

I have the honour to forward for your *No. 469 A.*
information a copy of a despatch from the *29-11-06.*
Governor of Cape Colony enclosing a Minute
from his Ministers in which they invite me
as High Commissioner to review the general
situation in South Africa in such a manner
as may enable the people of this country to
appreciate the difficulties of administration
under the present system and to consider
whether (and if so by what means) it is
advisable to establish a central national
Government embracing all the British Colonies
and Protectorates.

2. I also forward a copy of my reply to *Jan. 7, 1907.*
the Governor of Cape Colony, enclosing my *6 encls.*
correspondence with the other South African
Governments on the subject together with a
Memorandum reviewing the situation in
accordance with the Cape Ministers' request.

3. Copies of my reply to the Governor of
Cape Colony and of the Memorandum have
been sent to the Governments of Natal, the
Transvaal, the Orange River Colony and
Southern Rhodesia.

I have, etc.,

SELBORNE,
High Commissioner.

The Right Honourable

The EARL of ELGIN and KINCARDINE,
K.G., G.C.S.I., &c., &c., &c.,
Colonial Office.

(Enclosure 1.)

CAPE—

No. 469 A.

GOVERNMENT HOUSE,

CAPE TOWN,

November 29th, 1906.

No. 1/816.
28-11-06.

MY LORD,

I transmit for Your Excellency's consideration a Minute which I have received from Ministers, in which they express their desire and hope that, in your capacity as High Commissioner for South Africa, Your Lordship will undertake to review the situation in South Africa, in such a manner that the public may be informed as to the general position of affairs throughout the country. Ministers state that their object in urging this course is that they consider it due to the people of South Africa that they should have a timely opportunity of expressing their voice upon the desirability, and if acknowledged, the best means of bringing about a central national Government embracing all the Colonies and Protectorates under British South African administration.

2. Ministers draw attention to the multiplicity of questions which arise for settlement, and cannot be settled except with the concurrence of one or more of the other South African Governments. The discussion of these points has, in almost every case, absorbed an undue proportion of the time and energy of the Administration, and it has proved impossible to arrive at any complete and lasting settlement of some of the more important questions. Ministers refer to the consequent retardation of the development of the country generally; the friction which has at times existed, and in their opinion must constantly occur, so long as the present conditions remain unaltered: its bad effect upon

the good relations of the various South African communities, and its tendency to excite a feeling of mutual distrust. They attribute this state of affairs to the inadequacy of the present system of administration to meet the increasingly complex conditions of the country, and point out that questions of this nature should be capable of settlement by some duly constituted South African authority, responsible to all parties in the country.

3. I venture to recommend the suggestions of Ministers to Your Excellency's earnest and favourable consideration.

I have, etc.,

WALTER HELY-HUTCHINSON.

The Right Honourable

The EARL OF SELBORNE, G.C.M.G.,
&c., &c., &c.

(Sub-Enclosure to Enclosure 1.)

No. 1/816—

MINUTE.

November 28th, 1906.

In view of the Conference on Railway matters to be held between the various Governments of South Africa within the next twelve months, Ministers have the honour to inform His Excellency the Governor that in their opinion any serious attempt on the part of the several British Colonies to accomplish a settlement of this question brings them to the border line of the larger question of Political Unification or Federation, a subject which has engaged the earnest consideration of this Government, and, they are happy to think, is receiving increasing attention on the part of the people of South Africa.

Speaking from the experience of the past three years, which covers a period unique in the history of South African Administration, owing to the extension of British authority to the two central Colonies, Ministers are impressed by the number of matters affecting the interests of the Colonies which could not be settled by them, except with the concurrence of one or more of the other South African Governments. The discussion of such points has, in almost every case, absorbed an undue proportion of the time and energy of the Administration, while it has proved impossible to arrive at any complete and lasting settlement of some of the more important questions. The absence of an authority competent to dispose of questions in which two or more Colonies are involved, and the time which the several Governments waste in attempting to negotiate settlements is, in their opinion, operating to retard the free development of the country generally. The state of friction which has at times existed, and in their opinion must constantly recur so long as the present conditions remain unaltered, impairs the good relations of the various South African communities and tends to excite a feeling of mutual distrust, which renders increasingly difficult the settlement of disputes between them. This state of affairs they attribute to the inadequacy of the present system of administration to meet the increasing complex conditions of the country, which should be capable of settlement by some duly constituted South African authority responsible to all parties in the country.

Ministers doubt whether any solution of the railway problems which may be suggested at the forthcoming Conference can be final or effective unless it is based on a re-consideration of the system of administration now existing in South Africa. They can only state the position as it appears from the point of view of

the people of Cape Colony. Other Governments are similarly limited to the point of view of the respective Colonies they represent. The fact that so many questions have to be settled by negotiations between the various Governments has in many cases rendered it impossible to make information on these matters public. For these reasons, Ministers feel that the present situation is such as to render it difficult for the people of the various communities to understand the present situation of affairs or to view problems common to all the States as a whole.

Ministers recommend therefore that the Governor be pleased to submit these representations to Lord Selborne, with an expression of their desire and hope that in his capacity as High Commissioner for South Africa he will undertake to review the situation in such a manner that the public may be informed as to the general position of affairs throughout the country. Their object in urging this course being that they consider it due to the people of South Africa that they should have a timely opportunity of expressing a voice upon the desirability, and if acknowledged, the best means of bringing about a central national Government embracing all the Colonies and Protectorates under British South African administration.

L. S. JAMESON.

(Enclosure 2.)

HIGH COMMISSIONER'S OFFICE,
JOHANNESBURG,

January 7th, 1907.

SIR,

On the receipt of your despatch No. 469A of the 29th November, I communicated it with the enclosed Minute from your Ministers to the Governments of the other British Colonies in South Africa. I enclose copies of my communication to the other Governments, and of the despatches received from them in reply.

To review the present situation in South Africa in such a manner that the public may be informed as to the general position of affairs throughout the country is a task which

I should never have undertaken had I not been requested to do so by those who have a right to demand my services—the Ministers

of the responsible governing Colonies of Cape Colony and Natal. It is my dearest conviction that no healthy movement towards Federation can emanate from any authority other than the people of South Africa themselves; but, when I am called upon by those occupying the most representative and responsible positions in the country to furnish such material as is in my possession, for the information of the people of South Africa, it is clearly my duty to comply with the request.

The people of Cape Colony are, in respect of the strictly internal affairs of Cape Colony, in the enjoyment of as complete self-government as any free people in the world. This is equally true of the people of Natal, and will presently be equally true of the people of the Transvaal and of the Orange River Colony, in each case in respect of the strictly internal

To Governor,
Natal, etc., 21
December, 1906

Governor,
Natal, 29
December.

Acting Lieut.-
Governor,
Transvaal, 27
December.

Lieut. - Gover-
nor, O.R.C.,
24th December.

Administration
Southern
Rhodesia, 29th
December.

affairs of their Colony. But in respect of the strictly internal affairs of South Africa, the people of South Africa are not self-governing. They are not self-governing in respect of South African affairs because they have no South African Government with which to govern.

In the nature of things, constant divergences of opinion and of interest arise between the Governments of the Cape Colony, of Natal, of the Orange River Colony, and of the Transvaal. How can those divergences of opinion and of interest be settled? At present they are settled through the High Commissioner, not, of course, by the High Commissioner. He simply represents the central organisation in which the divergences of opinion or of interest are focused and he acts as the servant of the different Colonies in endeavouring to facilitate arrangements and accommodations among themselves. The High Commissioner, however, is not an independent authority. His action is subject to the control of the Secretary of State for the Colonies in Westminster, who, in his turn, is a member of a Government subject to the control of the Imperial Parliament. As things therefore are at present, in extreme cases of divergence of opinion or interest between the British South African Colonies, even in respect of affairs which are strictly the internal affairs of South Africa, the ultimate authority is the Imperial Parliament at Westminster.

It is as a remedy to this system that the minds of men in South Africa are turning to some form of union between the British South African Colonies. True it is that there is another alternative; but it is one which has only to be cited to be rejected. Those Colonies might develop into States as independent of each other as the States of Europe, which in case of acute divergences of opinion or of interest, have but two methods of settlement open to them—arbitration or the sword.

Three choices therefore lie before the people of South Africa. The make-shift regime of the High Commissioner, the jarring separation of the States of South America, the noble union of the States of North America.

Of all the questions fruitful in divergence of opinion or of interest to the Colonies of South Africa, there is none so pregnant with danger as the railway question. It is not an exaggeration to say that a field more thickly sown with the seed of future quarrel and strife than the railway systems of South Africa does not exist. As long as the Governments of the five British Colonies in South Africa are wholly separated from, and independent of, each other, their railway interests are not only distinct but absolutely incompatible. There is a competitive struggle between the ports of Cape Colony and of Natal to snatch from each other every ton of goods which can be snatched. The Orange River Colony desires as many tons of goods as possible to be passed to the Transvaal through its territory, but it is to the interest of Cape Colony that no such tons of goods should pass into the Transvaal through the Orange River Colony. On every ton which, on its way to the Transvaal, passes into the Orange River Colony at Norvals Pont, the Cape Colony loses revenue compared with what she would receive if it passed into the Transvaal by the Kimberley-Fourteen Streams-Klerksdorp line. In the same way it is to the interest of Natal to pass the goods consigned to the Transvaal from Durban into the Transvaal at Volksrust, and not at Vereeniging through the Orange River Colony. Thus the interests of Cape Colony, of Natal, and of the Orange River Colony conflict the one with the other. But when it comes to considering the railway interests of the Transvaal, then it will be found that the interest of the Transvaal is diametrically opposed to the

interests of Cape Colony, of Natal, and of the Orange River Colony. The Transvaal loses revenue on every ton of goods which enters the Transvaal by any other route than that from Delagoa Bay. This has been so from the day when that line was opened to Pretoria. It was this fact which made President Kruger close the drifts in 1895. And the position to-day is exactly what the position was then. If the Transvaal were as indifferent to the welfare of the three sister Colonies as every State in Europe is to the welfare of every other State, the Transvaal would see that all the trade to the Transvaal came exclusively through Delagoa Bay. And what then would be the position of the railways and the finances of the three sister Colonies and of the ports of Cape Colony and of Natal?

This divergence, this conflict of railway interests, this cloud of future strife, would vanish like a foul mist before the sun of South African Federation, but no other force can dissipate it. There would no longer be a conflict of interests between the railway systems of Natal, of Cape Colony, and of the Orange River Colony. Nor would it any longer be to the interest of the Transvaal to lean exclusively towards Delagoa Bay. The wealth of the Transvaal would be used, not in enriching a foreign port and a foreign country, but in building up a great white population in the British Ports of British South Africa with interests identical with her own.

If the possibility of railway rates being made a weapon of international strife is a danger, what would be the danger of Customs war between the British South African Colonies? Imagine each of them with a separate tariff framed expressly with the object of fostering the trade of one Colony to the detriment of the trade of its neighbour! Imagine each Colony ringed round with a barrier of internal Customs-houses! The result would be the destruction of

commercial stability, the stagnation of industrial enterprise, the creation of a permanent depression. The sun of progress would go back ten degrees on the dial of South Africa. She would revert, and revert deliberately, to the helpless impotence for national advance to which the thirteen States of America were condemned before the Union, and the Kingdoms, Duchies and Principalities of Germany before the creation of the German Empire. What a prospect of mutual heartburning and bitterness does not the contemplation of such a catastrophe present! Yet the danger will be imminent unless the Colonies take another step forward towards Union. Can they stand still on the compromise embodied in the present Customs Convention? That Convention does not represent a South African Customs policy; it is a compromise between five Colonial Customs policies, almost universally disliked, tolerated only because men shrink aghast from the consequences of a disruption of the Convention. The only path of safety is a forward path to a South African tariff, based on the deliberate policy of the South African people, affording permanent free trade to all South Africans within South Africa, offering a stable basis of investment to industry and commerce.

There are five systems of law and five organisations for defence. The expense is at the maximum, the return is at the minimum. South Africans of every Colony are justly proud of their system of jurisprudence and the standard of the Magistracy and of the Bench is second to none in the Empire. But there is no South African Court of Appeal and so no harmonising co-ordination of all South African law. In default of such a Court of Appeal, the tendency must be towards discordance of legal interpretation with added obstacles and instability to industry and commerce. The Police, Militia, and Volunteers of South Africa are renowned for their efficiency. In the aggregate they

represent a formidable power, but, if a crisis were to arise, there is no machinery whatever for applying that power instantly and in overwhelming force at the point of danger.

The two great industries of South Africa are Agriculture and the Mines. In respect, of both alike, South Africa is unable to apply all her resources to their development. No race of farmers in the world have more natural difficulties to contend with than those of South Africa. Scab, Rinderpest, East African Coast Fever, Locusts, are each in their degree a constant menace to the farmer. These plagues of nature know no artificial boundaries between Colonies and are impartial in their visitations; the farmers however, in their warfare against these plagues, are heavily handicapped by the multiplicity of authorities. In respect of the diseases of animals, five Agricultural Departments formulate their own systems of prevention, and each co-operates with the corresponding Department of the other Colonies on the basis only of mutual good sense and feeling. Any misunderstanding, which resulted in want of co-operation might result in a new disease being let loose on a Colony. Imagine the despair of a farmer in the Transvaal, who has successfully destroyed each swarm of locusts that has hatched upon his farm, when he sees fresh swarms of locusts appearing from a neighbouring Colony where the same process of destruction has not been accomplished. Or is it wonderful that the farmers of the Transvaal, of the Orange River Colony, and of Cape Colony alike say "What is the use of our destroying all the swarms of locusts which are hatched upon our farms when countless myriads, which have been hatched in the Bechuanaland Protectorate, are sure to invade them?" If one South African authority, exercising undisputed powers from the Cape of Good Hope to the Zambesi, were to carry out one

consistent policy in support of the farmers, it is probable that, within a few years, not only would dread pests like the East African Coast Fever have disappeared, but Scab might become rare among South African sheep and the scourge of locusts might have passed into the record of a bad dream.

The prosperity of the mining industry, as of agriculture, depends on an adequate supply of competent labour. There is a large supply of labour in South Africa, though to what extent it is willing to work is not yet finally ascertained. What is certain is that in many cases the demand for labour is situated in one Colony and the supply, which might fulfil that demand, is situated in another. Any attempt to bring the supply and the demand together can only be made by private individuals who are hampered by the existence of different laws regulating labour questions in the Colony of the demand and the Colony of the supply. What proportion the real supply bears to the demand can never be known until there is one authority in South Africa charged with the task of regulating the labour supply as a whole.

But there are questions even more important than these, which, if not settled by the people of South Africa, can only drift to a future fraught with danger for their children. What is going to be the policy of South Africa in respect of the immigration of Asiatics? What is going to be the policy of South Africa towards the coloured people? What towards the natives? Those questions are not for me to answer. They can be answered only by the people of South Africa. But I can point out to the people of South Africa that at the present moment they are not answering those questions at all. In respect of each branch of these great human problems, the policy of each Colony differs from that of the other. These human beings

are not pawns, and, whatever their stage of civilisation, they will think and feel as human beings. How is it possible that either of those three great classes should be permanently contented with the institutions under which they live when those institutions are to them increasingly unintelligible? They know that each of the Colonies in which they live owns allegiance to one King; they know that the white men regard South Africa as one country; but yet, every time one of them passes the unseen boundaries which divide one Colony from another, he finds himself subjected to different treatment, he finds that he is expected to conform to a different set of rules. In his own mind he forms an opinion as to which conditions are most favourable to him and to his friends, and wherever he finds other conditions prevailing, there he becomes increasingly discontented. It cannot be wise that in one part of the common country Asiatics should be admitted into it on different terms and under different conditions from those which prevail in other parts. It cannot make for the permanent contentment of the Asiatic immigrant if, once he has been admitted, he finds himself subjected to these divergent and contradictory rules.

The coloured man is a son of the soil. In varying degrees he possesses white blood. He is permanently conscious of the fact that the infusion of that blood differentiates him completely from the natives who surround him. He feels that he has a right to a definite place in the social structure of South Africa, and he is embittered by finding that no such place is accorded to him. He has a definite place in each Colony, but, as has already been stated, he is subjected to different rules in the different Colonies. South Africa, as such, does not recognise him. And he, who ought to be a permanent support to the influence of white rule, is tempted to turn his face backwards to

a more sympathetic understanding with that native population from which he is, in so large a part, derived.

If this is the result on Asiatics with their old civilisation, and on coloured people, some of whom have achieved the complete civilisation of the white men, it must be equally true of the really educated natives, a very small body compared with the great mass of the South African natives, but a body which has every claim to intelligent consideration, and far more true must it be of that great mass of natives, not yet emerged, or only just emerging, from barbarism, or in every stage of intermediate development. There are many South Africans with a profound knowledge of the native character. As is natural, they contain among them men of many different opinions on the native question; but all agree in declaring that native policy to be successful must be consistent and continuous. Folly or injustice may or may not provoke disturbances; but doubt and change in respect of the conditions under which the native lives are almost certain to produce disturbances. All South Africans are agreed that the native question is at once the most important and the most profoundly difficult question which confronts themselves and their children; but, by the perpetuation of five or six totally different native administrations and policies, they are doing all that is in their power to make the question more grave and the problem more difficult.

What South Africa requires more than anything else is stability—stability in political conditions, stability in economic conditions, stability in industrial conditions. Stability alone will enable the farmer securely to reap where he has sown; stability alone will give security to the investment of the merchant and the producer; stability alone will improve credit; stability alone will tempt the investor

back to South Africa. But true stability will remain impossible so long as there are five separate governments in South Africa, each developing a different system in all branches of public life and each a potential antagonist of the other, but no one national government with authority to harmonise the whole.

It is the profound belief of every Cape Colonist that Cape Colony can only be wisely and successfully ruled by a Cape Colony Government chosen from the elected representatives of the people. What is true of the part is true of the whole—South Africa can only be wisely and successfully governed by a South African Government responsible to a South African Parliament elected by the South African people.

The past of South Africa has been the sport of circumstances because no human authority has existed with both the opportunity and the responsibility of moulding those circumstances to a national purpose. The future of South Africa will be what South Africans deserve.

In order to fulfil to the best of my ability in the limited time at my disposal the request conveyed to me through you by your Ministers I accepted the co-operation volunteered by some gentlemen, who have devoted much study to the investigation of the causes of the difficulties which beset the British South African Administrations, and the Memorandum, *Memo.* which I enclose with this despatch and which is arranged on the same general plan, embodies the result of their labours. To this Memorandum I would earnestly invite the attention of all those who feel the grave importance of this question and desire to master it in all its details.

To those who have helped me in this matter I herewith tender my grateful acknowledgments. I have personally edited their work and thrown it into the form of a

Memorandum of my own for which I accept the entire responsibility; the credit however for the thought and work which this Memorandum represents belongs to them.

I have the honour to be,
Sir,

Your obedient Servant,

SELBORNE,
High Commissioner.

(*Sul-Enclosure I to Enclosure II.*)

No. 45/21

HIGH COMMISSIONER'S OFFICE,
JOHANNESBURG,

December 21st, 1906.

SIR,

No. 469 A.
29-11-06.

I have the honour to transmit to you a copy of a despatch from the Governor of Cape Colony enclosing a Minute from his Ministers in which they call upon me as High Commissioner to review the general situation in South Africa, in such a manner as may enable the people of this country to appreciate the difficulties of administration under the present system and to consider whether, and if so by what means, it is advisable to establish a central national Government embracing all the British Colonies and Protectorates.

2. I shall be glad to receive an expression of the views of the Natal Government in regard to the representations made in the Cape Ministers' Minute.

I have, etc.,

SELBORNE,
High Commissioner.

His Excellency

Sir HENRY McCALLUM, G.C.M.G.,
&c., &c., &c.,
Governor of Natal.

Similar despatches addressed to the Lieutenant-Governors of the Transvaal and Orange River Colonies and the Administrator of Southern Rhodesia.

(Sub-Enclosure 2 to Enclosure II.)

GOVERNMENT HOUSE,
PIETERMARITZBURG,
NATAL,

December 29th, 1906.

MY LORD,

With reference to your despatch No. 45/21 of the 21st instant transmitting copy of correspondence with the Government of the Cape Colony regarding the desirability of political and administrative unification or federation of the British South African Colonies, I have the honour to inform you that my Ministers concur in the recommendation of Cape Ministers as contained in the last paragraph of Dr. Jameson's Minute of the 28th November.

I have, etc.,

HENRY McCALLUM.

His Excellency

The HIGH COMMISSIONER
for South Africa,
&c., &c., &c.

(Sub-Enclosure 3 to Enclosure II.)

LIEUTENANT-GOVERNOR'S OFFICE,

PRETORIA,

December 27th, 1906.

YOUR EXCELLENCY,

I have the honour to acknowledge the receipt of Your Excellency's despatch of the 21st December, No. 45/21, and to forward for your information the following resolution passed by the Executive Council, in regard to the representations made by the Government of the Cape of Good Hope.

“ Considered a Minute from the Governor of the Cape of Good Hope, transmitted through the High Commissioner, on the question of Inter-Colonial relations.

Resolved that a reply be sent to His Excellency The High Commissioner in the following terms :—

This Government willingly associates itself with the views expressed by the Government of the Cape of Good Hope in their Minute to the Governor, No. 1/816 of 28th November. The experience of past Conferences in regard to Railway questions and other matters affecting the Inter-Colonial relations has demonstrated beyond doubt that no permanent solution of these questions can be reached by such means, and indeed every such Conference leaves behind it an undiminished number of sources of disagreement and friction.

As regards other questions of South African interest, Council is aware that opinions have been expressed that the Transvaal should not enter into practical consideration of the question of union with other South African Colonies till some settlement of these questions has been reached inside its own borders. Council, however, while fully realising that on an issue of such importance they cannot pledge or even speak for the new Government which is about to be established in the Colony, think themselves entitled to express

the opinion which they have formed on their own experience of administering the affairs of the Colony, viz., that no permanent settlement can be reached by this Colony alone of questions (such as *e.g.* the question of native policy) which are in reality common to the whole of South Africa and that until some Constitutional machinery has been created by which the people of South Africa as a whole can deal with questions vitally affecting their common interests, it is useless for any one Colony to attempt to solve them inside its own borders.

A settlement of the railway difficulties referred to by the Cape Ministers is urgent and cannot be delayed. Other questions may cause less immediate and visible friction but delay in settling them on a South African basis is none the less dangerous. Council therefore desire to unite with the Cape Government in asking His Excellency the High Commissioner for an expression of his views in regard to the causes and consequences of the present position of the British South African Colonies in relation to each other, so that the people in whose hands any attempt to find a remedy must lie may have before them a statement of the case from the only authority in South Africa which can claim to stand impartially outside the different political members into which it is at present divided."

I have, etc.,

P. DUNCAN,
Acting Lieutenant-Governor.

(Sub-Enclosure 4 to Enclosure II.)

LIEUTENANT-GOVERNOR'S OFFICE,
BLOEMFONTEIN, O.R.C.,

December 24th, 1906.

MY LORD,

I have the honour to acknowledge the receipt of Your Excellency's despatch No. 45/21 of the 21st instant transmitting for the consideration of this Government copy of a despatch

from the Governor of Cape Colony covering a Minute from his Ministers suggesting that Your Lordship in your capacity of High Commissioner should undertake to review the situation in South Africa in such a manner that the public may be informed as to the general position of affairs throughout the country in order that they may have an opportunity of expressing their voice upon the desirability and means of establishing a central national Government embracing all the British South African Colonies and Protectorates.

2. The suggestion of the Cape Ministers has been considered by the members of this Government who, while entirely agreeing with them as to the existing unsatisfactory condition of Inter-Colonial relationship, and the gravity of situations often created thereby and as to the necessity of bringing those facts now prominently to the attention of the people of the various communities of South Africa, are of the opinion that Your Excellency, in deciding how far the suggestion of the Cape Ministers can be given effect to by yourself should principally be guided in the present circumstances by the views of those Colonies in possession of full responsible Government.

I have, etc.,

H. GOOLD-ADAMS,
Lieutenant-Governor.

His Excellency

The EARL OF SELBORNE, P.C., G.C.M.G.,

&c., &c., &c.

High Commissioner,

Johannesburg.

(*Sub-Enclosure 5 to Enclosure II.*)

ADMINISTRATOR'S OFFICE,
SALISBURY,

December 29th, 1906.

MY LORD,

I have the honour to acknowledge the receipt of Your Excellency's despatch No. 45/21 of the 21st instant, transmitting a copy of a despatch from the Governor of the Cape Colony, covering a Minute from the Cape Ministers advocating the adoption of measures to bring before the people of South Africa the question of the establishment of a central national Government embracing all the British Colonies and Protectorates in South Africa.

In reply I have the honour to inform Your Excellency that this Administration is unable at this stage to commit itself to any conclusive opinion upon the main question, which would involve issues of considerable intricacy. It desires, however, to express its full concurrence in the request of the Cape Government that Your Excellency should undertake the task of reviewing the situation generally, in order that the people of the country may be informed as to the general position in South Africa.

I have, etc.,

W. H. MILTON,

Administrator.

His Excellency The High Commissioner,

The Right Honourable

The EARL OF SELBORNE, G.C.M.G.,

&c., &c., &c.,

Johannesburg.

A REVIEW

OF THE

Present Mutual Relations

OF THE

British South African Colonies.

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Part I.

HISTORICAL CAUSE OF SOUTH AFRICAN DISUNION.

No one part of British South Africa is separated from the rest by any great physical barrier. The white population includes two principal races, but all South African States, even Natal and the Orange River Colony, contain a strong infusion of both. When these conditions are compared with those which exist in the United Kingdom and in Canada, it will be seen that too much stress can easily be laid on the division of race and language which separates the British and Dutch in South Africa. The fact that the Irish and French are concentrated in regions apart, the Irish on an island, the French Canadians in the Province of Quebec, checks in those countries that process of fusion which can only be artificially arrested in South Africa. Of the five principal partners in the confederacy of the British Empire, South Africa has in this respect an advantage over the United Kingdom and Canada, though not over Australia and New Zealand. Where two nationalities both Teutonic in origin are

so generally mixed together throughout the sub-continent, as are the British and the Dutch, in spite of a tendency on the part of the one race to settle in towns and on the part of the other to cling to the country, the fusion between them is merely a matter of time, as it was with the Saxons and Normans, who were related to one another in a similar degree of kinship. How it was that South Africa in the face of natural conditions all pointing to the growth of one nation, came to be parcelled out among five or six separate Governments is a question to which the division of race provides no answer.

To find an explanation it must be remembered that Europe is the centre from which commerce and colonisation have spread for the last four hundred years, and that America, India and Australia were from the first possessions to be desired in themselves, either for the sake of the wealth they contained or as homes for new European communities. By turning to the map of the British Empire* it will be seen that all these countries were the final destination of trade routes. Each of them was from the first moment of its connection with England an end and object in itself. South Africa, on the other hand was, for many years after its discovery, of interest to Europe merely as the half-way house on the great sea road between the western and eastern halves of the world. The first European race to establish a regular trade with the East was

* Appendix A1, bound at end of volume.

the Portuguese. The names "Algoa Bay" and "Delagoa Bay" record the fact that they occupied these ports not as possessions valuable in themselves, but as stepping-stones on the journey to and from Goa. This was in the 15th Century, and Portugal's interest in the East was soon overshadowed by that of the Dutch East India Company, which established itself at Cape Town in 1652. It is true that the Cape Peninsula was colonised at the instance of the Company by a few hundred Dutch families, to whom the Huguenots afterwards attached themselves, but the object sought by this measure was the production of such fresh provisions as were essential for a port of this nature at a time when ships spent long periods at sea without touching land, and also provision for the defence of the port of call. These families, however, soon took root in the soil, and it is to be noted that their first movement from the Cape Peninsula and the Hex River Valley inland as far as Swellendam and Graaff Reinet, was prompted by anxiety to escape from the jurisdiction of the Dutch East India Company.

In the meantime British interests were fast overshadowing the interests of the Netherlands in India, so that the possession of the Cape Peninsula became a matter of the utmost importance to the British fleet. In the wars which followed the French Revolution, Cape Town was taken by the British, ceded, and taken again, and by the peace of 1815, which

closed this period of storm, was formally purchased from Holland for £6,000,000. Hereagain the United Kingdom at the moment had no interest in the possession itself other than as a resting place for the fleets passing to and from India, Australia, and the whole East, whether in time of peace or war. The primary motive in colonising the Eastern Province in 1820 with settlers of British nationality was to establish a permanent outpost against the aggression of the native tribes.

The white inhabitants steadily increased and spread themselves far and wide. A European society had taken root in the soil of South Africa, regarding itself not as a stepping-stone to India, but as an end to be considered in itself, and expecting its over-sea rulers to regard it from that point of view. From that time onwards British statesmen regarded South Africa with a divided mind. To them she was first and foremost the key to the Eastern Empire ; but she was also a country with political problems of her own, which claimed their attention and involved the United Kingdom from time to time in serious outlay on military expeditions. Had it not been for these interests in the East, it is likely that some of them would have wished to abandon South Africa. As it was, the most ardent opponents of Imperial expansion never dared to suggest that course, and a succession of Secretaries of State persisted in conscientious endeavours

to hold the balance between the colonists and the natives to the satisfaction of both. A more invidious or difficult task can hardly be conceived. No doubt the difficulty was increased in some measure by the special circumstance that two white races had taken root in the country. But had there been no such difference, even if there had been no distinction in colour, had the people of South Africa been as purely British in descent as were the inhabitants of New England before the Rebellion, it would have been contrary to all experience gained elsewhere, if the Imperial Government, any more than the Dutch East India Company, could have governed South Africa in accordance with her best interests or to the general contentment of her people without allowing them to regulate their own domestic affairs.

It is a modern axiom of British policy that any attempt to manage the domestic affairs of a white population by a continuous exercise of the direct authority of the Imperial Parliament, in which the people concerned are not represented, is, save under very special circumstances, a certain path to failure. This, like all great truths, immanent as the law of gravitation in the very nature of things, took long to discover. During the period between 1814 and 1830 the loss of the American Colonies was as yet fresh in the memory of the British people and colonial independence was regarded with suspicion and disfavour. Their attitude

recalls the words of Brabantio to the daughter who had fled from his roof with Othello.

“I am glad at soul I have no other child :
For thy escape would teach me tyranny,
To hang clogs on them.”

Other children remained with the United Kingdom when the American Colonies left her. She did not tyrannise over them, but she clogged their privileges of self-government and denied them rights which the American Colonies before the Rebellion had evolved for themselves from the original charters of trade and colonisation granted to the companies who founded the settlements. It was due to such men as Edward Gibbon Wakefield, Sir William Molesworth, Lord Durham and Lord Elgin, and to their strenuous efforts that the danger of this course was realised in time to save the attachment of the Canadian Colonies to the Empire. No Government of a European Colony which does not derive its authority from representative institutions, however just and wise its policy may be, can assert without question that its acts commend themselves to a majority of the people concerned. Even if they do so in fact, they are not dictated by the decision of that majority. Every such act is to them a foundling rather than their child, and even where they accept and adopt it they cannot regard it with enthusiasm as their own. They are not responsible for it in the first degree, and it does little to mould their actions and thoughts for the

future. It lays no stone in the firm foundation of political creed which makes representative institutions, in so far as they are truly such, the most stable and continuous of all the forms of Government. On the other hand, persons dissatisfied with such acts are provoked to a hostility which seeks to change not merely the members or policy of the Government but its very form. Its decisions can hope for nothing more than cold acceptance at the hands of one party and bitter resentment in the hearts of the other. But apart from this they cannot be the outcome of a policy which remains continuous in matters fundamental to the national life. Laws and institutions, however fundamental, must of course be altered from time to time so as to agree with the slow but continuous change ever taking place in the inward thoughts and outward conditions of the race. "A froward retention of custom is a more turbulent thing than change itself." But a change in laws or conditions which are fundamental to a community must not be arbitrary or spasmodic. The laws of England relating to land, marriage, and even the liberty of the subject, are continually modified by Parliament, but no Englishman expects to wake up one morning and find the law of inheritance cancelled, marriage dissoluble at the option of either party, or the habeas corpus act repealed. The relations of the white man to the native, more especially in respect of the ownership of land, were fundamental to the

pioneers of South African colonisation. But a power, outside the country, and more especially a power located 6,000 miles away, in the days when sailing ships were the only vehicles of information, could not in the nature of things realise what matters were fundamental to the people of a land living under conditions which have neither precedent nor parallel in Europe itself. A change seeming in London to involve no more than the drafting of a letter or the recall of an agent meant, when applied at the Cape, a complete reversal for whole classes of people in the essential conditions of their lives.

So long as the Imperial Government remained the immediate source of authority over the domestic affairs of South Africa, changes of this kind were liable to happen in at least three ways. The views of the Government might change and often were changed by well-intentioned men who imagined the colonist to be only an invader and spoiler of the natural heritage of the native. Secondly, so long as the Governor was the actual as well as the formal agent of government in the colony, a change of person often meant a change of policy far more radical than that which the ordinary swing of the pendulum at a popular election can produce. Lastly, the Imperial Government itself might be changed by issues which seldom if ever referred to any questions at stake in the colony itself, such issues as brought Lord Glenelg to

office and undid the work of Sir Benjamin D'Urban.*

The Government of Cape Colony was affected by all these influences, and as a result its inhabitants were no more patient of Imperial control than their forefathers had been of the Dutch East India Company. The causes at the root of their discontent are not to be sought in any special failing on the part of either of these two very different authorities, but in the fact that both were endeavouring to carry out the same task under the same impossible conditions. Just as the first settlers withdrew to Swellendam and Graaff Reinet, beyond the existing frontier of the Dutch East India Company's territory, so did their descendants, in the first half of the 19th Century, indignantly retire behind the Orange River and even behind the Vaal and Tugela, anxious only to escape a Government whose sympathies were poles asunder from any notions of their own. Scorning its protection, they looked rather to distance and the danger of the wilderness to stand between them and conditions which they regarded as intolerable.

It can scarcely be doubted that if the inhabitants of Cape Colony had been consulted in the management of their own affairs, and invited to co-operate in the task

* See *Lord Durham's Report on Canada*, page 137. Hitherto the course of policy adopted by the English Government towards this Colony, has had reference to the state of parties in England, instead of the wants and circumstances of the province; neither party (in Canada) could calculate on a successful result to their struggles for any particular object, because though they might be able to estimate accurately enough their strength in the Colony, they could not tell how soon some hidden spring might be put in motion in the Colonial Office in England, which would defeat their best laid plans, and render utterly unavailing whole years of patient effort.

of abolishing slavery, a matter affecting not merely the British Empire, but the civilised world, this passion to escape from Government control would never have possessed them and there would be but one government and one South African nationality in British South Africa at the present time. Territories which are now separate States would have become no more than provinces with such administrations of their own as were required for local purposes; the footing of the British fleet would have been secured not less but more firmly than it is to-day, and from the Zambesi to the Cape of Good Hope all citizens of South Africa would have been ardent in their zeal for an Empire which would have secured their coasts from invasion and enabled them to establish and develop their own distinctive nationality free from interference from without.

Such a Government might not perhaps in the early days have been in all respects so enlightened or efficient as the administration appointed by the British Cabinet, but its native instincts would have more than made up for defects of education or knowledge. No amount of political experience and training could have made British rulers, whose eyes were riveted on Europe and the East view the internal and domestic interests of South Africa correctly. Statesmen whose lot was cast with the future of the country itself would have judged better by mere intuition and the people would have valued

their government as a thing native to the soil. As the settlers of the old Colony increased, the surplus population must still have migrated to the north. Such a movement was as natural as the swarming of bees from a hive, and Lord Glenelg by his action merely hastened an event which must have happened sooner or later. But like the pioneers who were moving at the same period inland from the United States and in Canada they would have set out with no sense of resentment towards the authority under which they had lived, with no deep and abiding suspicion of all authority whatever, but desiring to carry it with them as their inheritance wherever they went. The Inland States would have been established, not as separate sovereignties, but as Manitoba was established by the Canadian pioneers as a new province with representatives of its own in the parliament of the Canadian Dominion and under the sovereignty of the Queen, so would have been the spirit of their movement. In all likelihood the Orange and Vaal Rivers and the Drakensberg range would have been taken as convenient lines on the map for the boundaries of provinces. But it is scarcely conceivable that those lines would have been erected as the frontiers of independent sovereignties, within which separate States were to grow up, subject to no South African tribunal competent to decide their disputes and enforce amongst them a law common to all, recognised by all, and founded on the will of the whole

people of South Africa—States which were therefore destined to submit their disputes like hostile nations to the judgment of war.

The desire of the emigrants, or of a great part of them, to cut themselves off from the society they left behind them, was the first condition which made it possible for the Inland States to be separated politically from the Coast Colonies. That such a condition could exist at all was directly due to the practice of attempting to rule South Africa from London. This strange desire for separation from their own kindred was more unnatural than it would have been in the case of the United States or Canada, where the native races melted away before the approach of civilisation. In South Africa the settlers found themselves faced by a native population not so numerous as the native population of India, but still firmly established, and such as the whites might dominate by their higher intelligence, but could not hope to displace by superior numbers. Had the Imperial Government felt able to impose upon South Africa all the responsibilities together with all the privileges of self-government before the period of inland migration set in, the people of South Africa would have been held together by the necessities of their common defence.

In those days the whites were fewer in proportion to the natives than they are to-day and the idea of separation into independent groups would never have been allowed or even entertained, had they not been taught to rely

on British armies instead of upon themselves for protection. As it was, this responsibility was retained by the British Government, to whom South Africa was a part of the Indian question, and they viewed it in much the same light as they regarded the problems of the North Western Frontier. While they accepted to the full the responsibility for protecting life and property so far as territories already settled were concerned, they shrank from any step which might tend to increase the cost involved. The question ever before their mind was how to restrict their liabilities, and not how a nation was to be founded in South Africa, how the race was to be fitted to the country and how the country was to be fitted to the race. The fact which impressed itself most vividly on Colonial Secretaries in Whitehall was the pressure of the Treasury and of the War Office, and inevitably they inclined to the plan of leaving to pioneers the duty of their own protection so far as seemed compatible with the general peace of the country. Here was a second cause which led to the separation of the Inland States. Not only did the emigrants wish to escape the rule of the Cape Government but the Imperial power which controlled that Government wished to escape responsibility for their protection, and to establish them like Afghanistan as independent buffer states. This cause of separation, like the other, had its origin in the fact that the domestic affairs of South Africa were subject to external control.

A third cause was operating in the same direction. Influential statesmen in the latter part of the last century regarded the independence of the Colonies, inhabited by English settlers, from the British dominions as a catastrophe to be feared rather than as a step to be promoted as rapidly as the strength of each Colony allowed. To enable the Colonies to do, without bitterness, what the American Colonies had done as a result of hostility was the deliberate aim of the Manchester School which dominated British foreign policy for some fifty years. No one would have thought of abandoning the Cape itself, which was of great importance to the trade and Empire of the East, but to convert the northern Colonies into independent States was an obvious and direct development of the policy of the Manchester school of statesmen.* Here again was a cause at work which would never have operated, had the people of South Africa deliberately been given a controlling influence in the growth of their own country.

These reasons, then, all having their origin in one and the same cause, were operative to induce the Imperial Government to

to extend their effective authority hundreds of miles inland as far as the Orange River. The Orange River was in no sense a natural boundary ; it forms no serious obstacle to communication. But it was a line on the map and the Imperial Government thought that their responsibilities might be limited by it. They watched the northward migration of the voortrekkers almost impassively, and for ten years made no attempt to follow them into the wilderness. It was not, however, long before the essential unity of the Cape Colony refused to be ignored. Disorders between the natives and the voortrekkers soon began to menace the safety and peace of territories where the responsibility of the Imperial Government could not be denied and in 1846 the Imperial Government extended the frontier some hundreds of miles northward to the Vaal River, another line on the map which was more a true physical division than the Orange River. The new territory was incorporated into the Orange River Sovereignty under the authority of the Governor of the Cape Colony.

In the course of the next six years the Imperial Government persuaded itself

their life, and closely united in blood relationship to the inhabitants south of the Orange River. In the teeth of protests from a large proportion of this population, the territory between the two rivers was created as a separate unit of government in South Africa.

The same causes led to the same result in Natal, except that in this case the territory was never erected on a footing independent of British sovereignty. As Natal was accessible from the coast, a number of British settlers occupied the country, large enough to make it impossible even for the most ardent opponent of Colonial expansion to encourage the establishment of a sovereignty independent of the British Crown. At first the territory of Natal was annexed to Cape Colony, but in 1845 it was erected as a separate Government, within the British dominions.

In the meantime a number of settlers had established themselves in three or four different communities north of the Vaal River, and the Imperial Government, anxious to do anything rather than extend their South African responsibilities, adopted towards them the attitude which they had adopted towards the settlers north of the Orange River previous to the disturbances of 1848. In 1858 these various communities united under the name of the South African Republic, and a fourth unit of government was established in South Africa. Here again history repeated itself. In 1876 and 1877 the Republic, having engaged in an inconclusive war with Sekukuni, was reduced

to disorder and insolvency. It is not proposed to discuss the question of the motives which led politicians and others to urge the annexation of the Transvaal but whether it was the fear of native wars which might disturb the peace of all South Africa, whether it was the fear that the Transvaal trade might be diverted from the Coast Colonies by a railway to Delagoa Bay, whether it was Lord Carnarvon's anxiety to accomplish South African federation, or whether all these reasons operated together, the fact remains that the country was annexed to the British Crown in 1877. The annexation, however, was resented by a great number of the people, who ultimately rose against the new Government and maintained their independence by several military successes against the British troops. In the meantime political changes at home brought back to power a Government with a different policy, and the territory between the Vaal and the Limpopo was re-established in 1881 as a Republic with a very large measure of independence. The feature of this transaction which fundamentally affected South Africa was this, that a second State was created which could think, feel and act as though it were foreign to and independent of all the rest. Men born in Cape Colony who settled in that State, on arrival found that as regards political status and the rights of citizenship they were in the eyes of the law as much aliens as if they had been the subjects of Germany, Russia, or Portugal.

Meanwhile Sir George Grey, an Englishman, to whose memory every South African, to whatever race or party he may belong, looks back with affection and reverence, had seen long before what evil consequences this unnatural erection of separate governments beyond the Orange River boded to the future of South Africa. Writing in March, 1857, he advised Sir E. B. Lytton that "by a Federal Union alone, the South African Colonies can be made so strong and so united in policy and action that they can support themselves against the native tribes;" and on November 19th, 1858, he pointed out that the Dutch population in South Africa was of one stock, and there could be "no doubt that in any great public, popular or national question, or movement the mere fact of calling these people different nations would not make them so, nor would the fact of a mere fordable stream running between them sever their sympathies, or prevent them from acting in unison." When the circumstances are considered which led to the northward movement of the voortrekkers across the Orange River, the unhesitating confidence which the burghers of the Orange Free State reposed in the wisdom of this great man does equal honour to themselves and to him. In 1858 the following resolution, which speaks for itself, was passed by the Volksraad of the Orange Free State.

"That the Raad feels itself, in union with a large number of burghers who have already approached the Council by memorial, convinced that a union or alliance with the Cape Colony,

either on a plan of federation or otherwise, is desirable, and resolves that His Honour the President be requested to correspond with His Excellency the Governor on that subject, in order thus to ascertain whether the Cape Parliament will declare itself inclined for such a union, and whether the Colonial Government would receive a Commission from the State, if possible at one of the towns of the Eastern Province, who, together with that Government, or with a Commission to be appointed by it, shall draft the preliminary terms of such a union, to be submitted for the approval of both Governments."

This resolution was submitted to the Legislature of Cape Colony by Sir George Grey, but before any further steps could be taken the movement for union was crushed by Sir E. B. Lytton who informed Sir George Grey that

"Her Majesty's Government were not prepared to depart from the settled policy of their predecessors by advising the resumption of British sovereignty in any shape over the Orange Free State."

Here we see South Africa herself, on her own motion, or at any rate upon the motion of a British Governor whom she implicitly trusted, attempting to scotch the mischief of disunion, before the establishment of separate governments had made its full effects felt, and the Imperial Government refusing to sanction the union. Had that union been effected the Transvaal must rapidly have been drawn into it, and in the fullness of time Natal would have entered the federation. As it was, the four territories were left under separate governments with the inevitable result that different policies, different laws and different traditions, peculiar to each, sprang up, like

walls of a partition, where nature had built no such walls, to divide the one from the other. All the conditions of the country and the necessities of its people pointed to the building up of one nation, but the political arrangements forced upon her were such as to school South Africans to act, think and feel as though they were destined to be four.

A series of events elsewhere led to the next revival of the question of union in South Africa. Similar divisions between the Canadian provinces had reached the acute stage. They had for more than twenty years been severally endowed with responsible institutions, in accordance with the recommendation of Lord Durham's report, but it soon became clear that provincial autonomy was a different thing from national self-government. The Canadian colonies found themselves in perpetual conflict with one another. The questions most vital to the country were not internal to the various provinces, but affected the relation of one province to another, and the Colonies, though self-governing, found that in practice such questions had to be referred for settlement to the Secretary of State. They found that self-government, in the full sense, enabling them to deal with the most important matters, was in practice impossible, however anxious the Imperial Government might be to confer it upon them, until they themselves had established a Canadian Government for the settlement of Canadian questions. So unbearable did the situation grow that all parties and nationalities

agreed to sink their minor differences for the time being, and to unite their forces for the attainment of the one reform which must necessarily precede a settlement, and even the profitable discussion, of any of the lesser issues, which were at that time distracting the country. Within less than three years from the commencement of the movement Canada achieved a scheme of union which has proved so far to be one of the most successful, if not the most successful, federation which the world has ever seen. Lord Carnarvon presided over the deliberations of the conference which completed this great work. He saw that South Africa was suffering from the same evils as Canada, but he failed to carry the parallel far enough, or to apprehend that union must be achieved by South Africa on her own motion, as it had been achieved by Canada, and as South Africa herself would, in all probability, have achieved it, had she been left to the wise and beneficent guidance of Sir George Grey. In 1876 Lord Carnarvon attempted to force upon her the gift of Union which his predecessor in 1859 had withheld.

The matter was managed so as to fail to secure the support of popular opinion in Cape Colony; the Cape Ministry declined to take part in any conference on the subject, and finally in 1876 Lord Carnarvon induced the Imperial Parliament to pass an act enabling the various governments in South Africa to unite in one confederation whenever they saw fit to do so. The Act was closely

modelled on the previous Act providing for the union of Canada in one Dominion. This act cannot be said to be in all respects adapted to the conditions of the country to which it was intended to apply. It was certainly not such a measure as the States concerned would themselves have produced in conference. But apart from this, it was, as has been said before, put forward in such a way as might have rendered even a popular measure unacceptable to the people of this country, and no attempt was made on their part to avail themselves of its provisions. It expired in accordance with its own terms in 1882.

The purpose of this historical sketch will have been achieved if I succeed by it in inducing South Africans to believe that, if in the years to come they have not the same privilege of managing the strictly internal affairs of South Africa as Canadians and Australians have of managing the strictly internal affairs of Canada and Australia, they will have no one to thank or blame but themselves. By some form of South African union evolved and adopted by themselves they can secure the same independence in their internal affairs within the British Empire as the people of the United Kingdom, of Canada and of Australasia enjoy. In respect of the strictly internal affairs of Cape Colony, of Natal, of the Orange River Colony and of the Transvaal, the peoples of these Colonies enjoy this very independence, or will shortly enjoy it, by the possession of the right of self-government within the

boundaries of those Colonies. But independence in respect of the strictly internal affairs of each Colony does not carry with it independence in respect of the strictly internal affairs of South Africa, and in the long run South African affairs are of more real importance to all the people of each of the South African Colonies than the affairs of the particular Colony in which they happen to live. If the people of South Africa reject the policy of closer union, two alternatives, and two only, will confront them. They may aspire to a continued independent existence for each Colony and take the chance that in the years to come their sons may find that some dispute between the various Colonies can only be settled by the arbitrament of the sword. If they recoil with horror from the contemplation of the possibility of fratricidal strife, then they must be content as now to refer their disputes to the High Commissioner, who must be subject to the control of His Majesty's Government in London, who in their turn must be subject to the control of the Imperial Parliament. If in this sketch I have laid stress on the consequences to South Africa of the action of the Imperial Government and Parliament, I would not have it supposed that I mean the conclusion to be drawn that, whenever there has been a difference of opinion between public opinion in any part of South Africa and the Imperial Government and Parliament, the former has been always in the right and the latter always

in the wrong. Nothing, in my opinion, could be more historically untrue. Both parties have committed sufficiently grave blunders in the past to make the task of endeavouring to apportion blame a wholly unprofitable one. Politicians may have blundered, but the truth remains that the British people, by the side of and in the cause of the people of South Africa, have lavished blood and treasure in native war after native war from the Crocodile or the Zambesi to the Cape of Good Hope, and that ties thus formed are not lightly forgotten. I have had but a single purpose in view, to demonstrate to the people of South Africa from their own history how much they have to gain by accepting that full measure of internal independence which the British Empire offers as a birthright to all its sons.



Part II.

RESULTS OF DISUNION ON THE RAILWAY DEVELOPMENT OF SOUTH AFRICA.

South Africa has no such waterways as connect the interior of America with the sea, and her relative backwardness could not be overcome, so long as ox-waggon, travelling less than a hundred miles in a week, were the principal means of communication, as they were up to 1870. For thirty years, while the rest of the world was moving at the pace of steam, South Africa had been keeping step with the ox, and railways alone could enable her to recover the ground lost during that period. In 1873 the Cape had 63½ miles of railway, and any extension would have been slow indeed had it depended on nothing more than the growth of the farming industry.

About 1870 an entirely new factor was introduced by the discovery in Griqualand West of diamond mines, which proved to be the richest the world had ever known. On the map of South Africa attached to this memorandum* the point reached by the railway at various dates is shewn. The tremendous impetus given to railway construction in Cape Colony by the discovery of precious stones in its northern territories will be seen. The

* Appendix A2, bound at end of volume

63½ miles of railway existing in 1873 had become 1,498 miles in 1885. Great encouragement was given to the farming industry by the creation of a new market for its products, and until 1885, when the railway reached Kimberley, by the immense demand made upon the ox transport of the country. Both in Cape Colony and Natal the railways were constructed and managed by the State, but in 1886 the two systems had not as yet advanced so far as to feel themselves in competition with one another. The development of each was controlled by its own Government which was answerable to all the interests concerned, and responsible, therefore, for holding the balance between them. Various ports in the same colony might compete with one another, but one government could decide between them and determine what fresh works were needed to carry the traffic which passed through the country.

Events were now to happen which, owing to the dis-union of South Africa, brought the Governments into competition with each other, deprived them of power to gauge the future and proportion their enterprise to its needs, and exposed the whole country to many of the evils which State railways are supposed to prevent.

In 1886 goldfields were discovered in the Transvaal which, like the Kimberley diamond mines, soon proved the richest in the world. In an able and far-seeing report to the Transvaal Government, produced by Mr. Johann Rissik and Mr. Christiaan Johann Joubert immediately after the discovery of the

Witwatersrand in 1886, the opinion was expressed that the development of these goldfields was not a mere matter of pick and spade in the hands of diggers, but involved such construction of works and expenditure of capital as powerful companies alone could undertake. In the next fifteen years it was seen that the expenditure of money on these works was destined to run to a figure which far exceeded anything that the authors of this report had dared to suggest. During the previous decade the Kimberley mines had revolutionised the economic condition of Cape Colony. It was no longer a country of lonely farmers and isolated dorps connected with the outer world by two or three ports, where little had been done to improve natural facilities. It was a country in which thriving cities had sprung into existence, in one case, at any rate, in the wilderness itself. Its harbours began to be equipped with docks and wharves. South Africa ceased to be a place where few, if any, were rich, and all followed a simple and in most cases a primitive manner of life, and became the land of great individual fortunes. Above all, it ceased to be the country of the ox-waggon and became the country of the railway.

The change in transport conditions of one half of South Africa, wrought by the Kimberley diamonds, was effected even more rapidly in the other half by the power of the Witwatersrand gold. At first, as in the case of Kimberley, the merchandise required by the Rand

was brought by ox-waggon from the nearest terminus on the Natal or Cape railways, which each of these Governments was pushing forward with all possible speed. Day and night teams and waggons, in almost unbroken columns, moved from railhead along the Natal road. But Cape Colony was by no means prepared to see the whole profits of the landing and carrying industry fall into the hands of her smaller neighbour. In 1889 and 1891 she made arrangements with the Orange Free State, threw her railway across its territory, and by May 1892 was unloading at Viljoen's Drift, within thirty miles of Johannesburg, goods from trucks which the merchants of Cape Colony had loaded in their ports. The first railway rivalry set up was between her own ports, East London and Port Elizabeth, but she could hold the balance between the two so long as the entire route from them to the competitive area was under her control. Very soon however the two British Colonies and Delagoa Bay found themselves, like American railroad corporations, in active competition for commerce so valuable as to be capable of revolutionising their whole economic system. For a short period Cape Colony's Agreement with the Orange Free State had placed her in a position of virtual monopoly of the Witwatersrand trade. The primitive prejudice of the burghers of the South African Republic against railways was quickly overcome, a company was started in the Transvaal, closely associated with the Government, which

joined its line to that of the Cape at Viljoen's Drift. By September, 1892, Cape Town, Port Elizabeth and East London were linked to the Rand. Neither Portugal nor Natal however were far behind and arrangements were made in each case for linking their lines with the Netherlands Railway in the Transvaal, the one at Komati Poort, the other just north of Laings Nek. By December 1895 goods were being delivered from Delagoa Bay and the ports of Natal and Cape Colony from the truck in Johannesburg itself. From this time onward Delagoa Bay began to be the keynote of South African railway politics, and the fact that it has been so is the inevitable result and penalty of the unnatural disunion of the country, which, at this stage, I must describe as Anglo-Dutch South Africa.

Delagoa Bay is a natural harbour in Portuguese territory, some 40 miles nearer, as the crow flies, to Johannesburg than Durban, 210 miles nearer than East London, and 310 miles nearer than Port Elizabeth. In 1822 a British naval expedition explored this territory and obtained a cession of it from a native chief. In 1869 when the conclusion of a commercial treaty between Portugal and the South African Republic drew attention to the importance of the Transvaal trade the British and Portuguese Governments both laid claim to Delagoa Bay. In 1872 the dispute was submitted to the President of the French Republic for arbitration, and in 1875 the debated territory was awarded to Portugal, the British

Government obtaining a right of preference as against any other Power. Immediately after this, in December, 1875, the Government of Portugal and President Burgers concluded a treaty of amity and commerce between Portugal and the South African Republic which provided in a protocol for the construction of a line from Delagoa Bay to the Transvaal. It was found impossible, however, to raise sufficient funds and the scheme was abandoned on the annexation of the Transvaal in 1877. A supplementary treaty was arrived at in May, 1884, but the discovery of the Rand which followed and gave life to the scheme. The attention of the Government of the South African Republic for the construction of this line was directed to the power of control which the coast Colony at that time possessed over her commerce and they did not scruple to use to their own advantage, as will be seen when we review the history of the Customs Commission. Thus it happened that when the discovery of gold on the Rand, in 1886, gave rise to a large and rapid traffic, Delagoa Bay was in the hands of a foreign power, and the Cape Colony was under a Government which, as it

If goods were brought by railway from Delagoa Bay to the Rand, not only was the route actually shorter by 89 miles measured along the rails, than the inland route, but rates were payable to the Rand Company, in which the Government was interested, on goods from Delagoa Bay, a distance of 341 miles of railway, as opposed to 178 miles on goods from Durban, and 49 miles on goods from Cape ports.

It was in May, 1894, that trains first ran through from Delagoa Bay to Johannesburg. The full effect was not felt at once owing to the fact that, while the natural advantages of Delagoa Bay were great, very little had been done to overcome the minor difficulties, which are common in almost every natural harbour, of moving goods rapidly from the hold of a ship to the foreshore and into vehicles constructed to run on dry land, difficulties which in recent years have been overcome. Improvement in details was merely a question of time, and long the Transvaal had the commercial interests of all South Africa on their knees at her feet. In 1895 a conference was held at Cape Town, at which all the railway authorities of South

The conference began by the demand of the Cape Government that rates should be fixed on such a scale as would secure to their own ports two-fifths of the trade. Mr. Middelberg declined to discuss the assignment of anything beyond a quarter share to the Cape. That, and that only, he was "prepared to offer" with the consent of the Transvaal Government. The words "prepared to offer" are used advisedly, and the position in which the Governments of Cape Colony, the Orange Free State, Natal and Lourenço Marques now found themselves is worthy of remark. From the first page of the minutes of this conference to the last it is plain that the delegates of these States might claim what they pleased, but the share of the traffic to be allotted to each lay at the absolute discretion of the man who was at once the Manager of the Netherlands Railway and the Agent of the South African Republic. In his power it lay to decide what share of traffic should be carried by the trunk lines of either of the British Colonies, and the fate of the Orange Free State was involved in that decision. But Mr. Middelberg claimed more than the right to settle between one Government and another. He claimed to dictate the terms, over the heads of their own Government, upon which East London should compete with Port Elizabeth, and this in virtue of the fact that, out of 665 miles of railway from the one port to Johannesburg and 713 miles from the other, he controlled no more than 49. The length of the single line which

fell under the control of each State was of little importance. The mastery remained to the hand which held the ends of all three.

Against the right claimed by another Government, which was not even a Colonial Government under the British Crown, to settle on its own terms a domestic question as between two ports over 600 miles from Transvaal territory, Mr. Schreiner, on behalf of Cape Colony, protested in vain. The whole conference broke down. Cape Colony had still one card to play, and instead of delivering her traffic across the Vaal Bridge to the Netherlands Railway, she ran a siding down to the old waggon drift, entered into arrangements with numerous transport riders to deliver the goods on waggons, and booked them through to the Rand at rates which enabled her lines to compete with those from Delagoa Bay and Durban.

The Transvaal Government replied by closing the drifts, and for the moment the country was on the brink of war. Mr. Schreiner undertook, on behalf of Cape Colony, to guarantee half the cost of the war if Great Britain would force the drifts at the point of the bayonet, and, had it not been for the Imperial power behind Cape Colony, with which the Government of the South African Republic was not prepared at that date to match itself, had Cape Colony in a word been in the position of the South African Republic, war would almost certainly have resulted between the two either then or at a later date. If it were not for the power beyond the sea equally

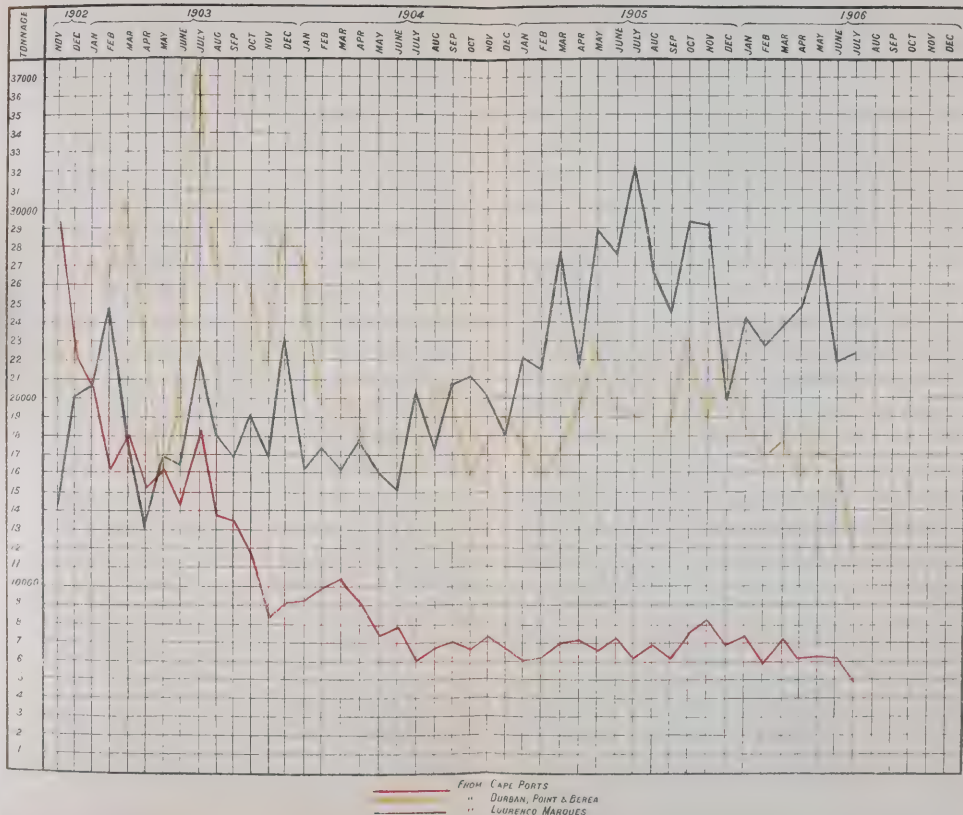
friendly to all the British Colonies, and if all the South African States were independent republics outside the community of the British Empire, the issue of the present situation would be national union, or failing that a war in which men born in the same household would find themselves fighting in opposite ranks.

For the moment Cape Colony gained her point, but how the facts worked out to their inevitable conclusion will be seen from the diagrams attached to this memorandum which shew the division of traffic which has passed across the various lines in successive years. The movement of traffic since the war is shewn in detail. It will be seen that in November, 1902, over 29,000 tons of merchandise for the Transvaal entered by the Cape ports, over 22,000 by Durban and only a little over 14,000 by Delagoa Bay. The variations can be followed by the eye from month to month until August 1906. In that month the Cape ports have fallen from over 29,000 tons to under 5,000 tons; Natal has fallen from over 22,000 to under 12,000 tons. The foreign port on the other hand has jumped up from a little over 14,000 tons to a little over 21,000 tons. Delagoa Bay is thus getting more than all the British ports put together. The same thing is shewn in another way by a second table where the proportion of trade falling to each is traced. In November, 1902, 79 per cent. of the trade

DIAGRAM

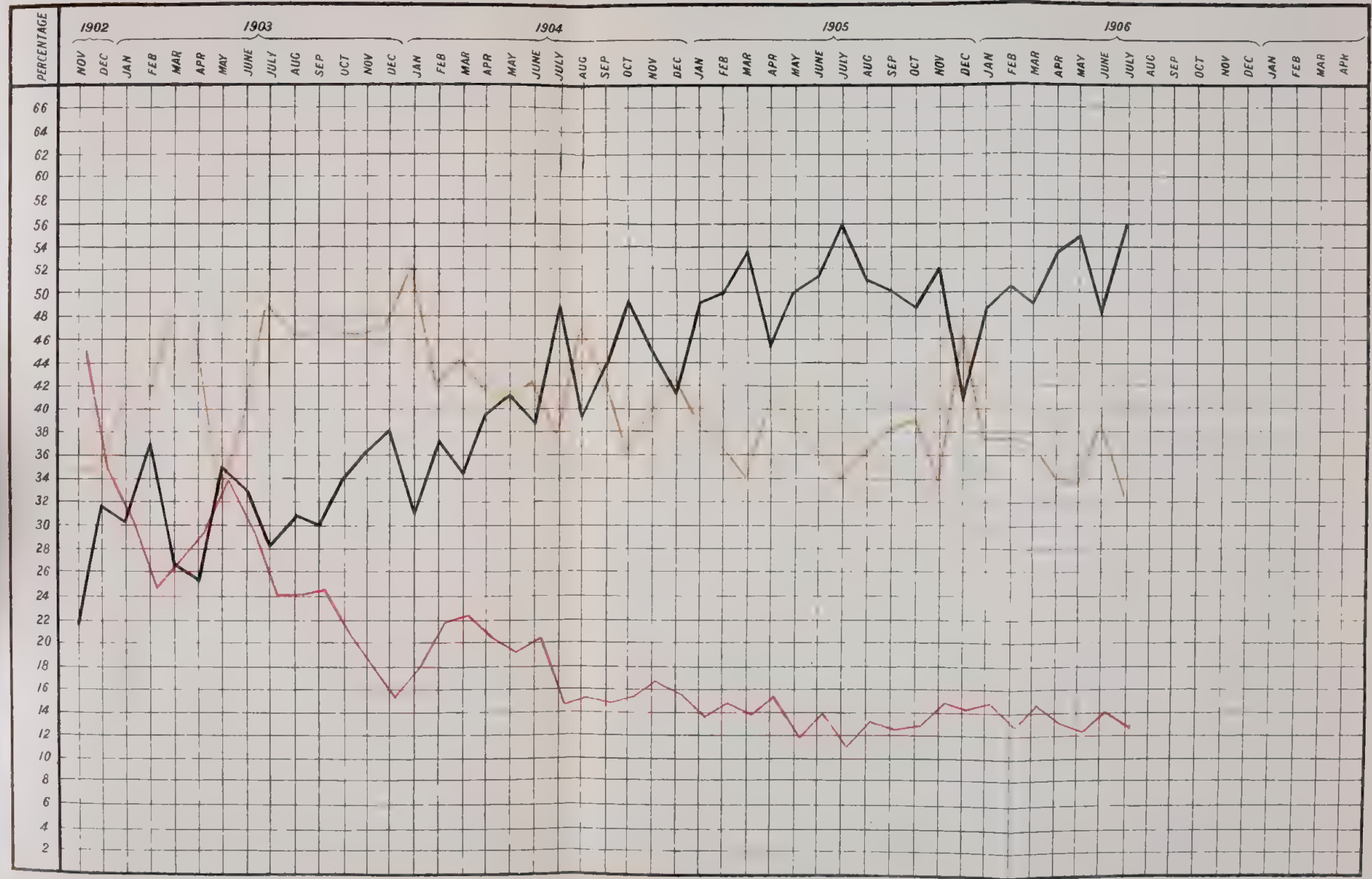
Appendix B.

SHOWING TONNAGE OF GOODS TRAFFIC, EXCLUDING RAILWAY STORES AND CONSTRUCTION MATERIAL, FROM THE DIFFERENT SOUTH AFRICAN PORTS TO ALL STATIONS WITHIN THE COMPETITIVE ZONE, i.e., TO ALL STATIONS BETWEEN PRETORIA, SPRINGS, KLERKSDORP AND VAAL RIVER, 1902, TO JULY, 1906.



DIAGRAM

SHOWING PERCENTAGE OF GOODS TRAFFIC. EXCLUDING RAILWAY STORES AND CONSTRUCTION MATERIAL, FROM THE DIFFERENT SOUTH AFRICAN PORTS TO ALL STATIONS WITHIN THE COMPETITIVE ZONE, *ie.*, TO ALL STATIONS BETWEEN PRETORIA, SPRINGS, KLERKSDORP AND VAAL RIVER. PERIOD NOVEMBER, 1902, TO JULY, 1906.



— FROM CAPE PORTS.
 — " DURBAN, POINT & BEREA
 — " LOURENCO MARQUES

DIAGRAM

SHOWING PERCENTAGE OF TRAFFIC TO TRANSVAAL FROM COAST PORTS, INCLUDING CIVIL, MILITARY,
GOVERNMENT AND RAILWAY TRAFFIC. 1896-JUNE 30, 1906.



FROM CAPE PORTS

" DURBAN POINT & BEREA

" LOURENCO MARQUES

* FIGURES FOR THESE YEARS
NOT AVAILABLE—WAR PERIOD.

is going to British ports, 21 per cent. to the foreign port. Four years have passed under the British Flag and 44 per cent. is going to British ports and 56 per cent. to the foreign port. Mr. Middelberg's offer of one quarter of the traffic to the Transvaal was refused by the Cape Government in 1895. In the course of 1905 the share carried by the Cape railways amounted to 11 per cent. of the whole.

In 1897, shortly after this incident, the Government of the Orange Free State, under their agreement with Cape Colony, took over and proceeded to work the lines within their own territory. Obviously the interests of the Orange Free State were bound up with those of the Cape Ports in matters of trade, for all goods landed at a Cape port had then to traverse the whole length of its territory to reach Johannesburg. On the other hand, the Free State had entered into an offensive and defensive alliance with the Transvaal. The pecuniary interests of the Transvaal lay with Delagoa Bay and Durban and the claims of the Free State upon its generosity were supported not merely by sentimental ties but by cogent political reasons.

From what followed it will be seen how hard it is for one community to make continuous financial sacrifices on behalf of another on grounds of sentiment or even for reasons of policy.

The new lines from Durban and Delagoa Bay were fast getting into their stride, and the

results on the railway revenues of the Free State may be gathered from the following figures :—

1896—Gross revenue	-	£1,043,835.
1897 ,, ,,	-	£847,238.
1898 ,, ,,	-	£738,864.
1899—Estimated Revenue		£660,000.

What the Burghers of the Orange Free State must have felt on the matter may be inferred from the following letters addressed to his Government by the Director General of the O.F.S. Railways.

The first letter is dated 28th May, 1897, and in it Mr. Bronger says :—

“ I have the honour to draw the serious attention of the Government to the fact that the through goods traffic between the Cape ports and the South African Republic—a traffic on which the prosperity of our railways, and indeed of the State itself, largely depends—is falling off to an alarming extent. This will be apparent when I tell you that the gross receipts from the whole traffic over the Free State Railways in December, 1895, amounted to £104,618, and in December, 1896, to £79,189, while in February last (the latest date up to which the receipts from through traffic have been divided) they fell to £74,131.

“ Again, during the month of January last the goods passing over the Free State lines into the South African Republic amounted to about 18,000 tons, or at the rate of 216,000 tons annually, while for the last month they have averaged only about 12,000 tons, or at the rate of 144,000 tons annually, being a falling off of $33\frac{1}{3}$ per cent. in four months, while during the same period the goods traffic on the Delagoa Bay route has increased by 30 per cent., the total for April being higher than on either the Free State or Natal routes.

“The reason for this is apparent after a perusal of the figures given below, which shew the through rate from the several South African ports to Johannesburg.

From	Normal Goods.	Inter-mediate.	Rough.
Port Elizabeth ...	{ 9 6 0 8 1 8	7 3 4	5 5 0
East London ...	{ 8 16 8 7 13 4	6 15 0	4 18 4
Durban ...	7 13 4	6 15 0	4 18 4
Delagoa Bay ...	7 0 0	§4 18 4	4 3 4

“The Railway Commission of the Chamber of Mines, at Johannesburg, in their report, dated April 1st 1897, give the following figures shewing the share received by the Netherlands Railway Company over the three routes to Johannesburg, viz. :—

Route.	Share per ton per mile in pence.		
	Normal Goods.	Intermediate.	Rough.
Free State ...	*7·7d.	7·7d.	7·7d.
Natal ...	5·06	3·82	3·26
Delagoa Bay ...	4·27	3·69	2·54

while the shares received by the Cape, Free State, Natal and Portuguese administrations are as shewn below :—

Administration.	Share per ton per mile in pence.		
	Normal Goods.	Intermediate.	Rough.
Cape... ...	{ 2·78d. 2·33d.	2d.	1·3d.
Free State ...	{ 2·78 2·33	2	1·3
Natal ...	3·04	3·04	1·94
Delagoa Bay ...	4 07	3·53	2·44

* The Netherlands Railway Company imposed a very high rate of 7·7d. per ton per mile on traffic over the forty-nine miles from Viljoen's Drift to Johannesburg, in order to keep traffic from coming that way and force it on to the more paying routes from Delagoa Bay and Durban.

§ This figure is apparently a mistake. In 1897 the Intermediate rate from Delagoa Bay to Johannesburg was £6 per ton.

“It is obviously in the interests of the Netherlands Railway Company, as a purely commercial undertaking, that this state of things should not be interfered with, as the effect of such an arrangement is not only to divert the through traffic from the shortest route between the boundary of the South African Republic and Johannesburg to the longest route, *i.e.*, from the Cape—Free State route to the Portuguese route—but also to bring handsome profits into the pockets of the shareholders whether those shareholders be the Transvaal Government (which receives eighty-five per cent of the net profits) or private individuals.

“It would appear therefore that the only course open to this Government, which would afford any prospect of success, would be to approach the Government of the South African Republic—which, to a certain extent, controls the action of the Netherlands Railway Company—with a view to the re-adjustment of tariffs which at present operate so detrimentally towards a friendly and neighbouring State.”

To this letter the State Secretary, Mr. P. J. Blignaut, replied on May 31st, as follows :—

“I have the honour to acknowledge receipt of your letter dated 28th instant, No. T. 16/545, relative to the fall of receipts for through traffic, and to inform you that the matter will remain in abeyance for the closer treatment of the Honourable the Executive Council.”

As things were going from bad to worse Mr. Brounger wrote again to the State Secretary on July 10th, as follows :—

“With further reference to my letter No. T. 16/545, of the 28th May last, I have the honour to enclose herewith copy of a letter addressed to me by Mr. John Dougall on the 25th ultimo, from Pretoria, together with copy of a statement accompanying that letter. I have the figures of the latter verified, and find them practically correct.

“This matter is of such vital importance to the welfare of the revenue of the State that I do not hesitate to bring it again to your notice, in the hope that the Government may decide to take, at an early

date, some steps with a view to arresting the rapid decrease which is at present taking place in our through traffic.

“The returns last received of the weekly tonnage of goods passing from the Free State into the South African Republic shew the minimum yet experienced since the Free State took over its lines, and it is considerably less than half the maximum, which occurred in January, during the same period.

“Part IV of the concession granted to the Netherlands Company by the Government of the South African Republic refers to tariffs, and Article 17 of that part, provides the maximum charges to be made for the conveyance of passengers, goods, livestock, etc., *which on the section Vereeniging-Pretoria, are at the present moment considerably exceeded**. While Article 19 of the same part provides that the concessionaire shall be bound to convey for everyone without distinction or favour presumably at the tariffs mentioned in Article 17.

“The preferential rates for through traffic, which the Netherlands Company is now charging, over the Natal and Delagoa Bay routes, and which are set forth in detail in the statements accompanying Mr. Dougall’s letter enclosed, would appear to be a distinct infringement of the last named Article.”

In plain words the Government of the South African Republic was allowing the Netherlands Company to charge rates in excess of the maximum provided in their concession, over the line which united their system with that of the allied Republic, with the express purpose of diverting traffic from that line. It suited the South African Republic better to see the traffic running over the lines which united the Transvaal with a foreign territory than over lines which ran through the territory of their ally.

Stranger still is the fact that the loss to the Orange Free State was largely due to the

*The italics are mine, not the writer’s.

amount of traffic diverted to the British Colony of Natal. The tables quoted by Mr. Brounger shew that the rates fixed by the Netherland's Railway Company were intended to discourage traffic through the Orange River Colony in favour of Natal as well as in favour of Delagoa Bay.

The lesson of all this is plain, namely, that a people will seldom endure visible, continuous and substantial pecuniary loss for the sake of another people under a separate government, however close the sentimental ties between them may be. The history of the country itself, however, furnishes another example, shewing that the mere union of two or more States, by merging their interests in one, may prevent such a question ever arising at all. It was not many years since the Transvaal itself was divided into several Republics. One was centred at Potchefstroom, another at Lydenburg. Had the separation been perpetuated until 1890, the Dutch inhabitants of the Potchefstroom republic would have strenuously opposed any attempt to alienate one particle of the Witwatersrand revenues for the benefit of Lydenburg. As it was the two units were merged into one before the Rand was discovered and no such question ever arose. Had it not been for the outbreak of war in 1899 one of two things must have happened. Either the Free State would have been obliged to amalgamate its railways with the Transvaal system, or it would have been forced to reunite its railway interest to that of Cape Colony.

and to have joined in a repetition of such a rate war as culminated in the closing of the drifts. In either event a war of rates must have followed sooner or later and who can say that it would have involved no danger of an eventual appeal to arms ?

Everywhere the like conditions have yielded similar results. For seven years the thirteen American colonies fought side by side until 1783 when their independence was acknowledged, and then, within two years, they almost fought with one another. Pennsylvania was at odds with Delaware, Connecticut with Rhode Island and New York, New Jersey with New York and Pennsylvania, North Carolina with South Carolina and Virginia. Vermont, New Hampshire and New York were actually on the brink of war among themselves.

From such a calamity America was only saved by the establishment of the Union in 1788, which was in fact the erection of a Government competent to decide inter-state questions. In this instance customs questions were the occasion of strife, but how much more difficult and dangerous the matters in dispute would have been had each Government controlled a railway of its own, will be readily understood by those who have handled contentious and complicated questions of railway rates. In that case, as in South Africa, one State would have held by the throat the entire trade of another. Under such conditions the only alternatives to union are war or the submission of domestic affairs.

to the strong control of some impartial power outside the country, or in plain words a surrender of some of the most cherished principles and privileges of self-government.

In the meantime, another set of interests, not properly connected with the railway problem, was fast beginning to draw the Transvaal from the company of her natural kindred into the arms of her foreign neighbour. Since 1886 the mining operations on the Rand had grown at a pace so rapid as to shew signs of having outrun the available supply of rough labour. The conditions of the industry were such as tended to allow this difficulty to become acute before its reality was recognised. As had been pointed out by Mr. Rissik in the report to which reference has already been made, works must be carried out and equipment erected on a large and costly scale before the low-grade reefs of the Rand can be mined at a profit. At this stage skilled labour plays a principal part in sinking shafts and constructing machinery. As soon however as the shaft is sunk and the equipment complete, when in fact nothing remains but to break the rock and work the machinery, the proportion of unskilled labour required is much greater. In those days there was no difficulty in obtaining any amount of capital for the development of the Witwatersrand mines, although, in many cases, the works to be undertaken before any ore could be crushed could not be completed for some years. As soon however as a number of mines had

reached the working stage they began to make heavy drafts simultaneously on the supply of native labour throughout South Africa. The effect made itself felt in the remotest parts of the country so that the mining companies were soon driven far afield and began to rely for a great portion of their supply on the numerous but poverty-stricken tribes of Portuguese East Africa. The Province of Moçambique thus came to hold the Transvaal with both hands. On the one hand it had an arrangement with the Netherlands Railway Company by which the railway rates on goods from Delagoa Bay to Johannesburg were less by from 13s. 4d. to 15s. per ton than those on goods from Durban (the nearest British port) to Johannesburg, and it had all the interests of the Netherlands railways and the Government of the South African Republic behind it in maintaining this arrangement. On the other hand the mining companies entered into arrangements with the Portuguese authorities for recruiting labour in their territory; a source of supply which was absolutely necessary to them if works and equipment on the mines, representing millions of pounds of capital, were not to lie unused for want of hands to break the rock from the mines.

In October, 1899, the war broke out, and the whole of the stamps of the Rand stood idle for nearly two years. In 1899 these stamps were yielding gold at the rate of upwards of £17,000,000 a year. In 1901 to re-start the

industry was the imperative need of the moment. The stoppage for two years involved a loss for the time being of from £35,000,000 to £40,000,000, and no one who reflects what this means will suggest that the urgency of the case depended upon the interests of the shareholders. When it is remembered that the vast bulk of that great missing fund represented not the profits of mineowners or shareholders, but the daily bread of half the population of the Transvaal, it will be seen how imperative this need was. Almost the whole of South Africa was still the theatre of civil war, a war which was absorbing an immense quantity of rough labour by its operations. Men who lived in Johannesburg at the time relate that, though the central streets in Johannesburg were a danger to ordinary traffic, it was found impossible to undertake their reconstruction, and that the utmost difficulty was experienced in procuring labour sufficient to provide for the barest necessities of public life. The Moçambique provinces were not merely one of the sources of labour, but the only possible source from which labour could at that period be brought.

A further circumstance of that time must be borne in mind. In 1901 the question was less how to find traffic to support the ports and railways than how to find a port and a railway to carry traffic to the Transvaal. Every truck which could be made available at a port for carrying goods to the

Transvaal was an object of the keenest competition.

It is a matter of common knowledge that during the war the lines from British ports were worked to their full capacity, and only such traffic as was absolutely necessary was left to Delagoa Bay. The military share of the traffic was out of all proportion to the civil, and necessarily the Imperial war material was introduced through British harbours. Not unnaturally, the Portuguese authorities feared that the existence of Delagoa Bay as a South African port was in jeopardy. As soon, however, as the need of re-opening the mines began to be felt in the Transvaal it was seen what a powerful lever they held in their hand.

The various treaties of amity and commerce between the Portuguese Government and the South African Republic were, of course, abrogated by the annexation of that territory to the British dominions, together with the subsidiary arrangements which had been made with the Netherlands Railway Company and the mining authorities. All these agreements together had secured to the Mozambique provinces such treatment as exactly suited their interests and position; but the fact must be kept in mind that the treaties with the Republican Government were of less moment to Portuguese interests than the agreement as to railway preference with the Netherlands Company and the agreement as to labour with the mine

managements. Some verbal understanding on all these matters no doubt existed between the two Governments; but that does not alter the fact that before the war the arrangements of Portugal in respect of commerce were made with the Government of the South African Republic, while those relating to railways and labour were entered into with private corporations.

The war had resulted, however, not only in the establishment of a new Government in the Transvaal, but in the nationalisation of its railways, so that henceforward questions of railway rates became as professedly a matter of public policy as questions of customs. At the same time the war, by interrupting the labour supply and so cutting off the livelihood of a great population, had made that question something more than a mere industrial interest to be handled by the Chamber of Mines, and had rendered it for the moment the first and most pressing problem which the Government itself had to face. Time and the conditions of that period were all in favour of the Moçambique province. The loss of wealth brought by native labourers from the goldfields to their territory was no doubt a matter of serious concern to its Government, but nothing like so grave as the problem, which faced the Transvaal Government, of securing the livelihood of a great white population. The Portuguese Government could afford to wait indefinitely while starvation and ruin were staring a whole section of

British South Africa in the face, so that the re-opening of the labour supply clearly depended upon the renewal of the old railway understanding, which had existed before the war.

The *modus vivendi*,* which as its name denotes, was intended to be a temporary arrangement, was framed to enable the industry, upon which the population of the Rand depended, to be re-opened, and to postpone the vexed questions involved in the old treaties and agreements for settlement at a more convenient season. In those days the number of trucks which each port could obtain for forwarding to the Transvaal was a matter of paramount interest. The Military Department in control of the railways, the civil government, the municipalities and all private interests thought and spoke in terms of "trucks." The undertaking contained in the *modus vivendi* that so many trucks a week should be accorded to Delagoa Bay and other references to the warlike conditions of the time shew how incidental this agreement was to the exigencies under which it was framed. It merely purported to revive for the time being the old treaties and agreements, with the exception of such provisions as allowed the free importation of spirits from the Moçambique provinces. But, in fact, it created an entirely new situation by uniting in one diplomatic agreement between the two governments stipulations relating to labour and railway

* For text, see Appendix A.

rates as well as to customs and commerce. It was, in effect, a compact made by the Imperial Government on behalf of one Colony, the effects of which were to be felt by the whole of British South Africa, which having no parliament or administration of its own, was unable to make its voice heard in the matter.

The main provisions of this document were as follows:—The mining companies were collectively authorised, subject to regulations framed by the Portuguese Government, to recruit natives in their territory for periods not exceeding 12 months. The engagement might then be renewed at the option of the native. For each labourer so recruited a fee of 13s. was to be paid in the first instance to the Portuguese Government, and if the native re-engaged in the Transvaal for a further period an additional fee of 6d. for each month of such period. In consideration of this privilege goods were to be carried from Delagoa Bay to Johannesburg by rail at rates which preserved the same relation to the rates charged on goods from the British ports as existed prior to the war. The following table shews the preference given to Delagoa Bay:—

Rate.	Durban and East London.	Port Elizabeth.
	Preference enjoyed by Delagoa Bay.	Preference enjoyed by Delagoa Bay.
Normal ...	13/4	21/8
Intermediate ...	15/-	23/4
Intermediate " B " ...	13/4	20/-
Rough Goods ...	13/4	20/-
Imported Produce ...	10/-	15/-

The provisions of the Treaty of 1875 between the Transvaal and Portugal were to be renewed with the exception that spirituous liquors produced in the Moçambique provinces were not to be allowed to enter the Transvaal duty-free as before. Customs duties were to be no higher than those charged on goods entering by British ports. If notice to terminate the agreement were given by either party, all its provisions were still to operate for a year with this most important exception,—that the right of the mining companies to recruit natives in Moçambique territory was to cease forthwith.

The effect of this last provision will be seen at a glance. Portugal would continue to enjoy the railway privileges a year after the agreement was denounced, while the indentures of some of the native labourers would begin to expire at once, unless they could be persuaded to renew their contracts. Only such labourers as happened to be recruited at the moment when the agreement was denounced would be available to the mines while the provisions of the agreement in respect of rates would stand good to the Portuguese railway for twelve months.

Certain questions however as to the interpretation of Article IV of the *modus vivendi* have recently been referred to the highest legal authority and as the advice received has a most important bearing on the situation and on the position of the Transvaal Government it is advisable to summarise as clearly as possible the legal opinion received.

It is advised—

(1) That the terms of the *modus vivendi* as to rates apply only to stations between Johannesburg and Lourenco Marques on the line referred to in Article IV (*i.e.*, the Lourenco Marques-Ressano-Garcia Johannesburg line) and not to stations on any other line.

(2) That the preference conferred on the Portuguese administration by the *modus vivendi* must remain at the figures shewn in the table on the previous page only so long as the rates remain unaltered. If the rates are reduced from the ports the preference in favour of the Portuguese can be reduced proportionately; that is to say, if a reduction is made in the through rates from the other ports the Central South African Railways are obliged to make only such a reduction in the Delagoa Bay through rate as will result in this new reduced rate bearing the same relative proportion to the old rate, as the reduced rates from the other ports bear to the old rates from those ports.

An example will illustrate the point. Suppose the intermediate rate from East London to Johannesburg were £5 15s. and from Delagoa Bay to Johannesburg were £5 0s. 0d., giving the latter port a preference of 15s. Suppose then that the Intermediate rate from East London were reduced from £5 15s. 0d. to £5 0s. 0d. The new rate from Delagoa Bay would then be found as follows :—
As £5 15s. 0d. is to £5 0s. 0d., so is £5 0s. 0d. to the new rate from Delagoa Bay, *i.e.*, £4 6s. 11d. The Delagoa Bay preference would

thus have been reduced from 15s. to 13s. 1d. but would still bear the same proportional relation to the East London rate. Sea freight remaining constant, such a reduction in preference is a matter of considerable importance.

(3) It is further advised that the *modus vivendi* only applies to lines which were in existence when it was made, and that therefore the obligation of maintaining the preference in favour of Delagoa Bay, which attaches to the through lines existing before the war, does not attach to the new through connections to the Transvaal from the Cape Ports *viâ* Fourteen Streams and Klerksdorp, from Durban *viâ* Van Reenen and Kroonstad and from Delagoa Bay *viâ* Witbank and Brakpan.

This last point is in my opinion of very great importance. For were the *modus vivendi* to be denounced and native recruiting to be stopped, South Africa could at once reply by so reducing the rates from the Cape and Natal ports by the new through routes as to divert the whole of the traffic from Delagoa Bay and so deprive that port at once of the advantages accruing to it from the *modus vivendi* instead of its retaining them for one year. But, while I do not wish to deny the importance of such a weapon of defence as is afforded by the legal opinion I have quoted above, the pith of the whole situation lies in this. Ninety per cent. of the natives employed underground on the Rand are obtained under the terms of the *modus vivendi*, and this

supply begins to dwindle the moment the agreement is denounced by either party. The Coast Colonies will readily see that if the whole of the Delagoa Bay traffic were transferred to their lines, it would profit them little, if at the same time half the stamps on the Rand were standing idle for lack of underground labour.

One further point, however, must be noticed. It is often assumed that the preference shewn in the above table represents the relative cheapness of the Delagoa Bay route as compared with routes from the British ports. There is indeed no means of discovering the relative total costs of transportation by the various lines, but if sea-freight is taken into account, as it should be, it is not absolutely beyond a doubt whether under unified railway management the Delagoa Bay line need be either the cheapest line for the consumer, even in the Transvaal, or the most profitable for the Government; for certain classes of goods it is clear that that would not be the case. The preferences in favour of Delagoa Bay were originally fixed by the Netherlands Railway Company to divert traffic to the line, which being the longest in their own system, gave them the largest share of the freights. A glance at the map will shew what an interest they had in diverting traffic to this route. Every ton of imported goods has to be carried to the Rand over at least two railway systems, and the division of the rates between the Administrations though not

strictly a mileage division is governed by the relative length of the Cape and Natal systems. The following table shews the number of miles over which consignments of goods from the various ports to Johannesburg would pay rates to the Netherlands Company, as compared with the number of miles over which rates would be payable to other systems :—

From.	No. of Miles on Z.A.S.M.	Balance of Miles on other systems.	Proportion of Mileage on Z.A.S.M.
Port Elizabeth ...	49	666	6·8 per cent.
East London ...	49	618	7·3 „
Durban ...	178	307	36·4 „
Delagoa Bay ...	341	55	82·5 „

During the war the railways of the Transvaal and of the Orange River Colony were in the hands of the military authorities. As soon as peace was declared and the railways were handed over to the civil government, Lord Milner saw what the inevitable effect would be if the Transvaal railways were retained under a separate administration from those of the Orange River Colony, and indeed from the other railways of South Africa. He occupied a triple position, first as High Commissioner, secondly as Governor of the Transvaal, and thirdly as Governor of the Orange River

Colony. *The powers vested in the High Commissioner by virtue of his Commission are limited to the Colonies of which he is Governor, to Rhodesia and to the Native Protectorates. Owing, however, to the fact that the natural unity of South Africa is not represented in the political institutions of the country, he acts as the Adviser of the Imperial Government on South African questions. As High Commissioner, Lord Milner was interested to secure a fair share of traffic for the Cape lines and the Natal lines as well as those of the Orange River Colony and the Transvaal. As Governor of the Orange River Colony he was interested in obtaining such a proportion of traffic over the Orange River Colony lines as would secure for that colony an adequate share of the railway revenue. As Governor of the Transvaal it was his duty to see that the Transvaal railways were run to the fullest advantage of the people of the Transvaal; and a glance at the map will shew that the Transvaal revenues were best served by carrying goods over the Delagoa Bay line as opposed to Natal, and by carrying goods over the Natal line as opposed to the Cape and Orange River Colony lines. In other words, his duty as Governor of the Transvaal was in direct conflict with his duty as Governor of the Orange River Colony, and with the responsibilities which as the High Commissioner, he felt towards the interests of all British South Africa.

* See Minutes of Inter-Colonial Railway Conference of February 1905 p. 73:—"The President stated that as High Commissioner he could not help taking account of the interests of all South African Colonies. He wished to be absolutely impartial.

It was not in Lord Milner's power to unite all the railway interests, the only step which could have reconciled all these conflicting responsibilities, but he did all that in the circumstances it was possible to do by amalgamating the Transvaal and Orange River Colony railways. It will be seen at once that, unless the railways of the inland Colonies had been united under the Inter-Colonial Council, the Orange River Colony and Cape Colony would have found themselves face to face with the situation which led to the closing of the drifts in 1895. To have asked the separate Transvaal railway administration, on sentimental grounds, to encourage traffic to come in by a route which gave them a haulage of 49 miles, instead of by routes which, while being shorter in themselves, gave the Transvaal railways a haulage of 178 and 341 miles respectively, was out of the question.

The union of these two railway systems was a bold attempt to minimise to the people of South Africa the results of their division into separate colonies. So long as the railway system of the Transvaal stood alone its interests were as diametrically opposed to those of the Orange River Colony and Cape Colony as those of the Netherlands railway had been. This monstrous state of affairs was the direct result of frontiers arbitrarily ruled across the map of South Africa between sections of one community, which corresponded to no real political or physical lines of division. By uniting the railways of the two inland Colonies

Lord Milner wiped out one of those lines of division so far as transport was concerned and created a new system, the traffic interests of which were somewhat less difficult to reconcile with those of the Cape Colony and less inseparably bound up with those of the foreign port. The new system provided a route to Johannesburg from the Cape Ports in which the C.S.A.R. was interested to the extent of 55 per cent. of the mileage as contrasted with the 7 per cent. of the mileage in which the Netherlands Railway Co. had been interested. It is of the utmost importance to realize at this moment, when the whole question of the union of these two systems is about to be opened for reconsideration, that their severance must inevitably place the various States of South Africa once more in that position which almost led to war in 1895. Whether the railways of the Orange River Colony are run as a separate system or reunited to those of Cape Colony, a situation will be reproduced in which the railway interests of the Transvaal will be turned in the direction of Durban and Delagoa Bay. A direct governmental interest will be added to the commercial and industrial interests which are concerned to divert traffic from the lines of Cape Colony and the Orange River Colony.

By wiping out the one inter-colonial boundary under his control, Lord Milner did no more than diminish the evil. Even when the two systems were united, it still paid them better to pass traffic through the foreign than

through the British ports. This may be illustrated as follows. If in the calendar year 1905 the whole of the traffic, which reached Johannesburg and Germiston through British ports, had been imported through Delagoa Bay, the gross receipts of the C.S.A.R. would have been swelled by some £200,000. It is not suggested that their net profits would have been increased by a similar sum. In such a hypothetical case the effect in working costs cannot be worked out with any accuracy. But without doubt the net profits would have been increased by a very large sum. And further the tonnage to Johannesburg and Germiston is not nearly the whole of the tonnage to the Transvaal, so that the above sum by no means represents the total amount of gross receipts lost to the C.S.A.R. by the use of the British as opposed to the foreign port in that year. It need scarcely be pointed out that it is only because the railway administrations are disunited that the C.S.A.R. has so great an interest in exploiting Delagoa Bay. Under federation the gross receipts, on whatever line they were earned, would go into a common pocket, and the Transvaal and O.R.C. would have an equal interest with the other Colonies in traffic coming through British ports. Similarly of course, as far as revenue is concerned, the other Colonies would have an equal interest in the receipts earned on the Delagoa Bay line.

In other words no final remedy is possible so long as the through lines in British territory are managed in separate sections cut

up by political accidents of the past in a manner utterly at variance with the natural conditions of railway administration. To reconcile the interests of British South Africa with one another it will be necessary to wipe out not one but all the boundaries, and to run the railways as one transport system for the service of the whole country.

In no case however could the device of the Inter-Colonial Council avail to neutralise the inevitable consequences of the *modus vivendi*. The harbour authorities at Delagoa Bay at once set to work to improve the defective landing facilities which prevented their reaping the full advantage of the preference accorded them under the agreement. To avoid lengthy statements, diagrams are attached shewing the proportions of trade which have fallen, year by year, to the Cape, Natal and Portuguese ports respectively since the year 1895.

After the war the real nature of the position forced itself so rapidly upon the attention of the Coast Colonies that, at the end of 1903, the Natal Government asked for a conference with a view to discussing the question of the amalgamation of all the railways of South Africa. Lengthy correspondence ensued, and the original proposals of Natal fell through; but it was ultimately arranged that a conference should meet to discuss some arrangement of rates calculated to arrest the rapid diversion of trade to Delagoa Bay, which was taking place. The Conference met in

February, 1905, but it was a conference with power to settle nothing. It was convened simply for the preparation of some new arrangement which could afterwards be recommended for acceptance, not merely to the various Governments of British South Africa, but for the approval of the Government of Portugal itself which was essential to the carrying out of any proposals.

The records of the discussions which took place at that Conference shew that any modifications of the existing arrangements calculated to give relief to the Cape Ports involved a sacrifice of the reventual interests of the Transvaal. It is astonishing that, in the circumstances, any arrangement was arrived at at all. The Conference, indeed, resolved that the sacrifice of public revenue involved by the proposed reduction of rates from the more distant ports instead of to the nearer port, should be distributed *pro rata* over the various systems; but all the Transvaal delegates refused to record their assent to this proposal. That the principle of a reduction in the existing preference accorded to Delagoa Bay was agreed to at all was due to Lord Milner, who threw his whole influence into the scale on behalf of better treatment for the British Coast Colonies. As it was, a minority of the Transvaal delegates voted against the scale of reduction which was adopted.

But these resolutions were not binding on any of the Colonial Governments, still less were

they binding on the Portuguese Government ; and the next step was necessarily to induce the Portuguese Government to consent to the modification of the *modus vivendi*, so far as to accept the principles embodied in the resolutions of this Conference. The duty of making a new arrangement between the four British Colonies and the Portuguese Government at Lisbon was remitted to the Foreign Office through the Secretary of State for the Colonies, and since that time the negotiations have continued with the Portuguese Government and also with the Governments of all the British Colonies concerned.

It is impossible to carry further any detailed account of the subsequent history of the negotiations, without referring to facts and documents which are not as yet public property. The gist of the whole situation, however, lies in this. Any one who has had experience of such negotiations is aware that it is not practicable for one party to take a cut and dried scheme, formulated in its own interest, and expect a foreign power to accept it without suggesting modifications. The records of the Conference itself shew that its resolutions embodied nothing but a compromise on the part of the British Colonies themselves, which could only be arrived at by considerable concessions on the part of each party to the Conference at the close of its proceedings, as compared with the original position adopted by it at the outset. This compromise is then taken by the British Minister to

the Portuguese Government, and must, in the nature of things, become the subject of further compromise. On the other hand, if the Portuguese Government suggest, as they are entitled to suggest, any modification in the new arrangement formulated by the Conference, that proposed modification has to be referred to three different administrations, who are at once thrown into antagonism with one another, and much of the work of the Conference of February, 1905, has all to be done over again. But even if Portugal did express her willingness to accept the original terms, she would still have to be told that they were not binding on the South African Colonies until they had been specifically accepted by their various Governments. Any one of the three administrations might render nugatory all the negotiations which have taken place, first of all at the Conference, afterwards between the High Commissioner and the Governor General of the Moçambique Provinces, between the British and Portuguese Foreign Offices, and again, between all the different South African Governments with regard to the modifications suggested by the Foreign Office. Under circumstances like these it will be a great marvel if the results aimed at by the Conference of February, 1905, are in any measure attained.

The *modus vivendi* is only one of the many difficulties arising from the division of the Railways which has set the people of South Africa by the ears. The programme of New

Construction carried out by the Inland Colonies has produced a crop of disputes between the various administrations, and the time wasted and the bitterness provoked have been out of all proportion to the importance of the issues at stake. This programme has to a large extent consisted in the completion of links joining various through routes one with the other. Before the war the only connection between the lines of Natal and the Orange Free State was through the Transvaal and the system of the Netherlands Railway. Or again, to reach Kimberley from the Transvaal by rail the traveller was obliged to travel round three sides of a rectangular figure, instead of across one. The Delagoa Bay line climbed over difficult gradients and then fell to Pretoria a thousand feet below the ridge of the Rand, over which it must climb again, before it could reach the mining district to which the greater portion of the goods entering through this port are consigned. The remedy for this second defect was a line uniting Witbank with Brakpan. An improvement could be made in respect of the first as well as of the second defect by carrying the line which now joins Springs to Breyten and Swaziland to meet the line which the Portuguese are carrying to the Swaziland border. This railway would be practically as short in distance, and the gradients would be easier than those of the existing line.*

* It is a moot point however, whether the improvement would justify the sacrifice of the capital invested in the existing line from Delagoa Bay to Witbank which would be rendered obsolete and useless so far as the great bulk of the traffic is concerned.

The greater part of this new construction has now been carried out. Durban is in direct communication with Kroonstad and Bloemfontein *viâ* Ladysmith, Van Reenen's Pass, and Bethlehem; Johannesburg has been linked to Kimberley *viâ* Klerksdorp and Fourteen Streams; and Witbank is directly connected to the Rand by Brakpan. The completion of these links has, in every case, produced results which have brought the Governments of South Africa into controversy and has provoked no little bitterness between the communities they represent. / The agreement with the Government of Cape Colony relating to the Klerksdorp-Fourteen Streams connection was such as to transfer to Port Elizabeth a quantity of trade which had previously entered the Western Transvaal through Durban and Delagoa Bay. On the other hand, the effect of the opening of the Bethlehem-Kroonstad line was to restore to Durban a portion of the Orange River Colony trade, which, since the opening of the main Free State line, had fallen to Port Elizabeth and East London. In the latter case the Cape Government endeavoured to neutralise the diversion of trade to Natal by cutting down the rates on their own section of the lines, as far as Norvals Pont and Bethulie, to such a figure that the merchants of Port Elizabeth and East London would find themselves on a footing of equality with those of Durban as far north as Kroonstad. Both the Coast Colonies gave notice of their intention to cut rates. Natal threatened

a corresponding attack on the Klerksdorp-Fourteen Streams agreement, and the result would have been seen in a rate war between two British Colonies, which must have proved disastrous to South Africa and might have produced further results which it had been impossible to foresee. / The rates from Delagoa Bay over the new Witbank-Brakpan line have been the occasion of a third controversy. The completion of these links in the general railway system of South Africa made itself felt with far greater effect hundreds of miles away in the two Coast Colonies than in the two Inland Colonies, within whose territories the whole of the lines in question have been built, with the exception, in the case of the Klerksdorp-Fourteen Streams connection, of two miles beyond the western border. Railways resemble nerves in the human system, and may, if disturbed in one part, produce paroxysm, or even paralysis, in a different part of the body, so that an operation on another organ may have unforeseen effects on the hands and the feet.

It will thus be seen that the railway system of South Africa although owned by States and subject to the drawbacks of State management, is subject to many of the defects which arise from internecine competition between competing railway companies. The various sections into which it is split up are owned not by shareholders scattered over the whole world, but by the citizens of local communities who are kept thereby in a condition of chronic hostility towards each other. From the

national point of view the result has been calamitous for it has developed a port outside British South Africa at the expense of her own ports and introduced the foreign complications of continental Europe into the domestic affairs of this country, as shewn by the fact that matters which involve the relation of one South African Colony to another have now to be dealt with by the Foreign Office of the Imperial Government.

Above all men who have founded nations, fame has set George Washington in a place by himself, for the history of the American people stands in perpetual witness of his surpassing patience, foresight and resolution. As noticed above, the relations of the American States immediately after the war of independence had many points of resemblance to those which now exist between the Colonies of British South Africa. The following account will shew how close in some respects the resemblance was :—

* “ In the early spring of 1785 a modest but memorable meeting took place at Washington’s country seat of Mount Vernon, between representatives from the States of Maryland and Virginia. The occasion was a conference in regard to water ways between the eastern settlements and the western unpeopled land lying in the valley of the Ohio and to the north-west. The greater portion of these vast territories had been ceded to the Federal Government by the various States who claimed them under their charters or by virtue of a nominal occupation. To the south North Carolina stretched out in a wide strip to the banks of the Mississippi. Her western population being something more than nominal, had refused to be included in the cession and after an unsuccessful effort to form themselves into a separate

State under the name of Frankland, had been compelled to return to their old allegiance.

“Development of the Western country was one of the great dreams of Washington’s life. He foresaw the importance of these possessions at a time when few men were willing to give them much thought. They were the fruits of the great policy of the elder Pitt, in which as a youthful soldier, Washington had borne a distinguished part. What the Treaty of Paris in 1763 had secured to Britain, another Treaty of Paris in 1783, had divided between Britain and the victorious Colonies. This rich inheritance it was his fixed determination to weld into the Confederacy. By speech and correspondence he had pressed the matter upon his fellow-citizens even before peace had actually been signed; and throughout the whole of the turbulent period which ensued he continued to urge the need for development and for the firm attachment of this estate to the rest of the Union. When these means proved inadequate, being a practical man, he founded a joint-stock company to open up communications.

“Even the peculiar advantages of this territory appeared to Washington to contain some not inconsiderable dangers. The splendid waterways of the Mississippi and its tributary streams were not an unmixed advantage, seeing that the mouth and the lower reaches were in the hands of Spain, who also extended a shadowy claim to the whole western bank and to the unknown region beyond. The easiest course for the new settlers was to drift their produce down the broad current to New Orleans, and the dread of Washington was lest this tendency might induce “a habit of trade” with a foreign power; an intimacy and a mutual interest which in the end might lead to a detachment from the Union. Consequently, at a time when the chief matter of political anxiety with regard to the western lands was the menace of Spain against the free navigation of the Mississippi, he was more concerned to develop the natural trade routes from east to west by clearing the waterways of the James, the Potomac, and the Ohio, and by the construction of a system of supplementary canals.

“It was for the adjustment of certain differences, and to procure the co-operation of the two States, whose sympathies had already been enlisted in

this enterprise, that the meeting took place at Mount Vernon in March 1785. As the delegates had come together in a businesslike and peaceful spirit, other matters of mutual interest were brought tactfully under discussion—the advantages of a uniform currency and system of duties; the need for a general cohesion and mutual support among the confederated States. Under the spell of a great character prejudice was for the moment forgotten, and invitations were issued to Pennsylvania and Delaware to join in the discussion. But good feeling expanded even further—once started on the course of reason it was easy to urge it forward—and it was ultimately decided to propose to all the thirteen States that in the autumn of the following year (1786) they should meet at Annapolis to discuss the whole commercial situation.”

If the father of the American people rose from the dead he could not tell us more clearly than this what his attitude of mind would have been in facing the present position in South Africa. Rather than use American trade to develop a Spanish port on his frontier this man was prepared to change the course of nature itself and to convey the traffic of the Mississippi by canals to the sea through American ports at the mouth of the Potomac. Such sacrifice he thought that it became America to make for the sake of her future safety and union. More remarkable still is the fact that this project led to the union of the States under one National Government, which was able to overcome the difficulty without cutting the canals. Such is the imagination, the force of will and the capacity for sacrifice needed to make a nation, and if South Africans propose that end for themselves they must pursue these difficult questions with a like purpose and the same indomitable courage.

It is instructive to compare the policy of Washington with that which has been adopted in South Africa. The people of South Africa are in fact largely using their resources to develop a foreign country instead of their own. True it is that that foreign country is one towards which all South Africans entertain feelings of cordial respect, friendship and alliance. Still the first duty of patriotism is towards one's own country. A government of united British South Africa could safeguard the legitimate interests of its own ports, without depriving the allied port of its legitimate share of trade or its own inland markets of cheap transport.

In discussing the relations of the Transvaal and the Orange Free State in railway matters previous to the war, the remark was made that one State cannot go on making a visible and continuous pecuniary sacrifice for another State merely on grounds of amity and friendship. On the other hand, history has shewn that separate States when combined in one union are capable of sustaining a policy involving heavy and protracted sacrifice for the sake of a national idea common to the whole. The Canadian Provinces are a case in point.

*“Owing to geographical conditions the fiscal policy of Canada was affected by political considerations earlier than that of Australia or New Zealand. The withdrawal of the preference long enjoyed by the Colonies in the British market was compensated, for Canada, by the treaty of reciprocity with the United States

(1854). But when this treaty was terminated by the Americans, in 1866, a staggering blow was dealt to Canadian trade, which by that time had adapted itself thoroughly to the American market. In the prevailing opinion the whole question of the Canadian future was involved. It was notorious that free access to American markets might be secured at any time by the transformation of the Canadas into States of the American Union. To the greater part of the agricultural and commercial community "annexation" seemed then, and for long afterwards, to be the only means of securing the market facilities in default of which no development of Canadian resources could take place. The fact that an alternative policy was discovered and adopted was due, not to any Canadian national sentiment, which then hardly existed, but to the faith and energy of the old Loyalist instinct, which had been cherished by descendants from the exiles of the American revolution. The counter move to the demand for "annexation" was the movement towards the confederation of the provinces; and, when at length that was accomplished (1869), the inauguration of a protectionist system significantly called the "National Policy." It was the hope of Sir John MacDonal'd's party that these two measures in conjunction eventually would make the industry and trade of the Canadian people, like that of their American neighbours, largely independent of foreign markets: by creating manufacturing centres to supply the needs of the rural population, and in turn affording the farmers urban markets within their own territory.

"In a new and sparsely populated country protection of manufactures inevitably entails hardships in the form of high prices for a considerable period, until the home market becomes large enough to warrant the organisation and equipment of manufacturing industries upon the modern scale, which is essential to cheap production. Accordingly it devolved upon the Canadian federalists to reconcile the people to the new system by emphasising the idea that the National Policy was one to be judged by its aims and tendency, rather than by its immediate effect; and that the attainment of a self-supporting national existence was a worthier

ideal than the betrayal of the strenuous past to the American annexationists. Nevertheless, from a commercial point of view the National policy was a palpable and doubtful speculation, involving present hardship without any assured prospect of ultimate success: whereas commercial union with the United States connoted the certainty of immediate and lasting prosperity. Under such circumstances the decision of the Canadian statesmen, and the acceptance of the National Policy by the Canadian people, deserves to rank high amongst the examples, increasingly rare in modern history, of material wealth being rejected deliberately for the sake of a patriotic ideal."

It is commonly said that the Transvaal must develop on natural lines, meaning that the bulk of its trade must be brought through Delagoa Bay. Assertions that commerce naturally flows in this channel or that are to be accepted with caution: nor must the fact be left out of account that even conditions of trade which are seemingly natural may be mastered and moulded by the will of a people.

*"The defeat, in 1891, of commercial union with the United States had been the signal for a redoubled effort to develop the British market as a permanent substitute for the American market; and this policy, begun by the conservatives, was continued energetically by the liberals. By improved steamship communications, including especially the provision of cold storage and a careful study of the market, a great increase was effected in the volume of Canadian exports to Britain. Within ten years the United States had definitely given place to the mother country as the chief customer of Canada. Nationalists, seeking to establish an economic basis for independence, urged that Mr. Goldwin Smith and other commercial-unionists were wrong when they maintained that the 'natural' direction of Canadian trade was north and south. Nature herself, it seemed had provided for the political situation, when she made one great waterway of the

continent run from north to south, uniting the States, and the other from east to west into the Atlantic, drawing Canada towards Britain. In fact the natural direction was the same as that of the St. Lawrence parallel to the direction of the American export trade. The products of the Continent were similar on each side of the international boundary, and, so far from being complementary to each other, were competitors for the British market. Hence the latter was the market which it concerned Canada to develop.

These instances are quoted in order to shew what sacrifices have been proposed and made in the North American continent for the attainment of National Unity. In this country no such sacrifices are demanded. As will be seen in discussing the economic aspects of the question the union of the railways in one system means that the railways must cease to be used as an instrument of taxation or local protection, and be run as a whole at cost price on their merits. Hence the union of the railways, apart from the economies which could be effected in working, means in fact a reduction of rates to the Transvaal. For these reasons I do not believe that that national union of the railways involves any real loss to the northern Colony ; but even if a sacrifice was required, I cannot doubt, looking at the past, that the people of the Transvaal would face it, for the sake of ending, once for all the exceptional evils which disunion has inflicted on South Africa.

It has ever been the deliberate policy of the mining industry to establish a community on the Rand by placing with local merchants

every order that could be so placed, instead of buying direct through agencies in Europe and America. It was not contended that this was done solely on the ground of cheapness, but because the establishment of a strong commercial interest in the country was seen to be the wise and patriotic policy. The observance of this practice in the past is greatly to the credit of the men who have controlled the mining industry. But it must not be forgotten that this trade affects the ports of British South Africa just as directly as the commercial community of the Rand itself. The general well-being of Cape Colony and Natal is affected by the prosperity of these ports in just the same way as the Transvaal itself is affected by the prosperity of the commercial interests of the Rand. The mischief of the situation lies in the fact that no one parliament assembles where members of the Transvaal can meet face to face with members from the Coast, hear what the diversion of trade to Delagoa Bay means to the British South African ports, and tell them what it would mean to the mining industry and what to the trade that industry creates if 90 per cent. of the natives employed underground were withdrawn, so that some plan to meet the difficulties of both could be devised.

I have not hesitated to set forth the magnitude of the difficulties which have to be overcome in any attempt to unite the

railway systems of South Africa, although I have not been commissioned by the people of South Africa to suggest to them how these difficulties may be overcome.



Part III.

RESULTS OF DISUNION ON THE FISCAL POLICY OF SOUTH AFRICA.

In one respect the British Colonies of South Africa have succeeded in effecting union of a kind, namely, in the matter of their fiscal policy. It is instructive to trace the gradual process by which this union has come into existence. When the Orange River Sovereignty was cut off from Cape Colony and established as an independent republic its imported supplies were drawn through the Cape ports. Had the Sovereignty remained united with the Cape territory, whether as one State or under some form of Federal Union, the Customs duties leviable at the ports would have been expended on the administration of the whole country south of the Vaal river. When however the territory between the Vaal and Orange rivers was erected into a separate and independent State the whole of those revenues were retained by the Cape Colony and spent for the benefit of her own territory south of the Orange River. Natal adopted exactly the same attitude when goods began to reach the Inland States through her territory, and retained for her own benefit the whole of the Customs collected on the imports. Bearing

these facts in mind we need not wonder that the Transvaal hailed the decision of Marshal MacMahon which secured the Portuguese in the possession of Delagoa Bay as a promise of deliverance from what she considered to be unjustifiable exactions levied upon her.

Here again the consequences of violating the natural unity of South Africa began to assert themselves. The political divisions did not correspond to the facts; with the inevitable result that one section of the population taxed another without the consent of the section which was taxed. The first problem therefore, which the Transvaal had to solve was to obtain supplies free from the toll levied by the Coast Colonies; and hence it was that the Republic cast such wistful eyes towards Delagoa Bay. The project of building a railway to Delagoa Bay was first brought within sight by President Burgers, himself born a citizen of the Cape Colony. As soon as Delagoa Bay was secured to Portugal by the MacMahon arbitration, he made a treaty with Portugal, surveyed the railway line, and raised a certain amount of capital for the purpose of constructing it. For the time, however, the project miscarried, the country was plunged into bankruptcy and annexation followed in 1877.

In 1882 the Cape Government recognised in principle the injustice of retaining the Customs duties on goods which were merely passed through their own territory by undertaking to make good out of Customs revenue

to a certain amount any shortfall between revenue and expenditure in the administration of Basutoland which was then first undertaken by the Imperial Government. In 1884, owing to competition from Natal, the Cape Government rebated to consumers on goods going through to the Inland States the difference between the Cape Colony and Natal duties. The consumer, therefore, derived some relief. The finances of the Inland Governments however obtained no direct relief whatever. In 1886 Natal also adopted the rebate system owing to the increasing pressure of competition with Delagoa Bay.

In 1888 an abortive Customs Conference took place in Cape Town between representatives of Cape Colony, Natal and the Orange Free State, the Transvaal declining to take part. In 1889 another Conference was held at Bloemfontein which, owing to the efforts of Sir Gordon Sprigg and President Reitz, resulted in the establishment of a Customs Union between Cape Colony and the Orange Free State. Under this arrangement the Cape retained a transit or collecting charge of twenty-five per cent. Basutoland was admitted to the Union in 1891, and the Bechuanaland Protectorate in 1893. In 1896 this convention was amended and renewed between the same parties as before, Natal having withdrawn after the preliminary discussion. In 1898 a new convention was made, to the terms of which the delegates from Natal agreed, and the collecting charge was

reduced to 15 per cent. The Cape Legislature, however, failed to ratify the convention until the second session to which it was submitted, and it did not come into force therefore until January, 1899. The position at that date may be briefly summarised as follows :—Cape Colony, the Orange Free State, Natal, Basutoland and the Bechuanaland Protectorate had entered into a Customs Union. Southern Rhodesia had entered into an agreement of the nature of a Customs Union with Cape Colony. Goods to the Transvaal were allowed to pass through the territories of the Coast Colonies subject to a transit rate. These arrangements were, of course, dislocated by the war ; but in 1903 a Customs Union was established, including the Transvaal and Southern Rhodesia. The transit rates were abolished, and the charge for the collection of duties at the coast was reduced to five per cent.

By 1905 the effects of financial depression were felt in almost every department of South African society. Permanent alterations of fiscal policy were necessary to enable Cape Colony and Natal to meet the deficits which they had been facing since the war. Notice to terminate the agreement was given by Natal, and a Conference to consider the whole matter was fixed for March, 1906. In the meantime each Government proceeded, after consultation with local interests, to formulate a programme to put forward at this Conference, looking of course to the interests of its own particular section of South Africa. The

first obligation of each was to its own constituents; to consider what policy would tend to the advancement of all South Africa was the special duty of none. I must however, state that as soon as the Conference met, the interests of the country as a whole were uppermost in the minds of the delegates, as they would be in the minds of a South African Parliament. This disposition, however, was checked and crippled by the sense that they had each and all to return to communities which would view the decisions of the Conference in the light of local interests, and might cancel and repudiate all they had done.

The Conference was composed of twenty-five delegates from the South African Colonies, the British Consul-General at Lourenco-Marques, three delegates from the Portuguese Government, with myself as president. Added to these were some ten technical advisers and the secretaries and other officials of the Conference. Thus for three weeks many of the busiest and most responsible persons in the country laboured incessantly, not to harmonise the programmes of the different States, for that was impossible, but to arrive at such a mixture of the various ingredients of the conflicting programmes as each and all would consent to swallow.

The proceedings of the Conference were private and when it was closed the strictest secrecy as to the nature of the results produced had still to be observed by some forty persons.

for several months. The new convention had then to be carried through five different Legislatures, and each of these public assemblies were told that they might discuss the details, but they could not be allowed to alter one of them*. The convention was cut and dried, and they must each and all take or leave it as a whole.

Compare this procedure with the process by which a Customs tariff would be framed in the United Kingdom, if the Government had decided to embark on a new fiscal policy. To begin with, it is probable that either the Government would appoint a Royal Commission or Parliament itself would appoint a Select Committee to investigate the question, and the whole proceedings of that body would be open to the public ; the evidence placed before it would be the subject of public discussion. When the actual proposals were framed, they would be framed by the Government itself, and the greatest attention would of course be paid to the claims of each business and industry and also to the views put forward by the various interests and parts of the country. The business community of London would have one point of view ; the manufacturing communities of Lancashire and the agricultural interests of the rural districts would probably have another ; but in the last resort the Government would pronounce between them and, assuming that it had a working majority in the House of Commons, the Legislature would support the Government.

* See Appendix E.

If not, a new Government would be called to office competent to decide finally between the contending parties.

At a South African Customs Conference there is no such power. The Conference is only held together by dread of the consequences of failure to effect a convention at all. But at any moment a deadlock may be produced by the refusal of one of the parties to the Conference to acquiesce in the will of the majority. The withdrawal of certain members from the Conference might practically ruin the efforts of the whole.

A Customs tariff framed by His Majesty's Government at Westminster would represent a deliberate policy, a policy of the majority of the people of the country; and it would be conceived as a whole in the best interests of the whole country, so far as the Government was able to perceive and understand them. A certain element of compromise, as between one interest and another, would of course enter into the composition of such a tariff, but that element would only be a secondary consideration.

In a South African Customs Conference the paramount consideration is to get one tariff for the country and no more than one, and to attain this object there must be compromise from beginning to end. The result is a mixture of opposing principles, and indeed, as I have said in discussing the subject above, a mixture of different tariffs framed by different Governments on wholly different lines. The

result is that it is based on no intelligible policy and is governed by no general principles.

A customs tariff framed as a treaty between independent States must not only be a compromise, but is likely to be one which its authors know to be in some respects bad in itself. Cases occur in which the representatives of one State are convinced by those of another that some change in their programme would be to the general advantage. They know, however, that the public in the State they represent, not having before them the new reasons which have led to a change of opinion in their own minds, will repudiate such a concession if made. They cannot, however, break up the Conference, go home and place the matter in a new light before the interest concerned, and they are forced therefore to insist on some provision which, as they now believe, is likely to be mischievous in its effects.

So far the conditions under which the details of a customs tariff would be framed by the Government of a democratic country have been compared with those under which it is framed by way of treaty between independent Colonies in South Africa. The proceedings of both must be secret until the measure is introduced to the Legislature or Legislatures as the case may be. Up to this point secrecy is essential in both cases, because publicity while the duties on the items were still unfixed, would lead to speculation. But in the case of an ordinary Government the items of the scheme submitted to the Legislature are each

and severally genuine proposals for their consideration. The Government is in fact prepared to accept amendments and modify the details of their scheme, in view of considerations urged upon them in debate, so that the measure is in fact settled, not merely as a whole, but in all its details by the direct representatives of the people. The debate therefore becomes a vigorous reality, and is a real means of public instruction.

In South Africa on the other hand the Legislatures are precluded by the conditions of the case from touching the details. If the Conference succeeds in producing a unanimous result the scheme is taken as a whole and submitted to the various Legislatures of the country, simply for acceptance or for rejection. Whatever may be the constitutional law on the subject, the elected representatives of the people have in practice no power to modify the details because the alteration of one item by one State would, unless agreed to by all the others, render the whole scheme unworkable and be tantamount to rejection by that State. The members of the legislatures know that the scheme must be taken or left as a whole.* The debates therefore, so far as details are concerned, lose their vitality and do little to enlighten public opinion.

So long as South Africa is partitioned into independent Colonies, and unless those Colonies dissolve their present commercial relations and relapse into an attitude which, in practice, would

* The request of the Transvaal Government, made at the instance of the Legislature, that the other Colonies would consent to a reduction of the wheat and flour duties, led to no result.

be one of mutual hostility, the fiscal policy of her people must be conducted, not on the legislative lines, which are proper to such business, but as a matter of diplomacy. The details upon which the whole depends and which ought to be settled and which could be settled by the representatives of the people themselves are taken out of their hands. It is difficult to imagine a less democratic, or indeed a more dangerously undemocratic, method of dealing with one of the most important departments of public business.

The evil, to prevent which methods like this are endured, can be understood by any one who will picture to himself the condition of affairs which would exist in South Africa as it is to-day if the Customs Union were suddenly dissolved. At present railway rates and other principal sources of friction between the States are handled by the executive governments. These disputes are conducted behind the scenes. Great reticence is observed, and in the interests of the general peace the public servants of this country are striving to damp down latent hostilities. But the moment that each separate Parliament began to frame its own Customs tariff it would look to none but the interests of its own people. In some respect or other those interests would conflict with those of their neighbours, publicity would render compromise impossible and fan smouldering animosities into a flame. Very quickly South Africa would be plunged into a Customs war which would necessarily be accompanied by a rates

war. Business would be reduced to a mere gamble, and States as well as merchants might quickly be forced into liquidation. It is only a sense of the catastrophe which might wait on the failure of a Customs Conference that drives responsible men in each Colony to struggle for union of some kind, and to submit to a procedure involving an infinite waste of labour and, what is worse, unnecessary sacrifice of genuine conviction. Any self-respecting man, whether a protectionist or free trader, would far sooner be voted down in a national parliament than be obliged to compromise his convictions away to avoid a general catastrophe.

Later on there will be occasion to notice the mischief caused to the business interests of the country by fluctuations of fiscal policy. The best security, for any country which has a tariff, against constant alteration of its items is to be found in the control which an informed and educated public opinion exercises over the Legislature, and in the fact that the items of the Customs tariff, as well as the tariff as a whole, are, in the first instance, dictated by such an opinion. In countries like the United Kingdom, Canada or the United States of America, the fact that the details of tariffs have to be justified before, and accepted by, the representatives of the people, after public discussion in the national assemblies, is the best possible means of educating the public mind and of ensuring that there shall exist in the country an informed and intelligent public opinion on the subject. It

ensures, indeed, that there shall be a real public opinion, and that, if that opinion changes, it will change gradually and on continuous lines, and not oscillate and alter by fits and starts. But even if each separate community in South Africa were enlightened by a searching discussion of the measure in detail, this would, under existing conditions, do little to foster sound public opinion because the discussion would not be common to the whole country. Each community attends only to the debates of its own Legislature which is necessarily local and one-sided in its point of view. It is incapable of appreciating the benefits which other Colonies obtain from the convention. Its mind is so concentrated on the disadvantages of the measure to itself that any of its advantages either to itself or others are lost to sight in a passion of ignorance and suspicion. The consequence is that when the fiscal union is attained it meets with general dissatisfaction, dissatisfaction so great that, if the Customs tariff is adopted at all by the separate Legislatures, it is generally only because a small majority of the members dare not incur the responsibility of the consequences which rejection might involve to the credit and solvency of the country. At the same time the public dissatisfaction is active and continuous and constantly operates to create the impression that the Customs Convention cannot last, and, indeed I am convinced that no Customs Convention can be of long duration, either in its details or as a whole, unless and

until it is understood and approved by an educated and intelligent public opinion.

The argument has been directed to shewing that the fiscal policy of South Africa must be subject to serious defects so long as it is framed by the vicious procedure of a Conference between independent States. If, however, the facts are closely examined it will be found in practice to be impossible to devise an equitable measure so long as the revenue from Customs is paid, not into a common budget, but into the pockets of the various Colonial Governments. The division of revenue among the Colonies means, in many cases, that one Colony reaps most of the gain and another suffers most of the loss which accrues from the imposition of a particular duty. The Transvaal and Orange River Colony, for instance, produce no sugar and have, therefore, nothing to gain from a protective duty on the cultivation of cane. Natal produces sugar but not enough to supply the South African market; she further protects her own products by a system of preferential rates, and in this way discharges her own sugar on the Inland Colonies and largely lives herself on imported sugar. Most of the high duty paid on this sugar goes into the Natal Treasury, so that while the tax on imported sugar raises the price to the Inland Colonies, little of its proceeds reaches their treasuries.

Again if South Africa were united, the Customs revenue would all be gathered into her

common purse. As it is an elaborate machinery involving a positive waste of public funds must be maintained in order to secure that the duty is received by the Colony where the goods are actually consumed. Such inconveniences are by no means limited to the Customs revenue. Natives are constantly moving across the Transvaal border because native taxes there are heavier than in the neighbouring territory. Similarly the various taxes on general dealers levied in different parts of the country have produced serious inequalities in matters of trade. Commercial travellers must pay licences of varying amounts in each Colony, and a patentee to protect himself throughout South Africa must register his patent and pay fees not once but at least five times. The duties paid on the establishment of a company accrue to the Colony in which it chooses to register itself, without regard to the part of South Africa in which its actual operations are carried on.

Under a Federated Government these anomalies would of course cease to exist. So long as the states remain separate it passes the wit of man to frame a fiscal policy for them all which will not yield results like this, or to produce the benefits of union where the principle of division is maintained in fact. The clumsy methods of public business devised to get round these difficulties while serving to cloak the unnatural disunion of South Africa are miserable makeshifts when compared to the strong and simple institutions of a nation united as one people.

Part IV.

DISUNION AS AFFECTING THE NATIVE AND LABOUR QUESTIONS.

The white people of this country must never forget that they are now committed to such a path as few nations have trod before them and scarcely one has trod with success. The task imposed on them is the establishment of a self-contained and self-governing society on the basis of a race utterly removed from themselves in descent, habits and civilisation. Australia, New Zealand, Canada and United States of America, with the partial exception of the Southern States, had no such problem to face. The colonists of South Africa have indeed embarked on the most difficult experiment that any young nation could be asked to make. Their task is to lead upwards in christian civilisation the natives of South Africa, who are in many different stages of development. There is the educated native, whose aspirations must be regarded with wise sympathy, and there are tribes still in the stage of barbarism. Between these extremes there are many grades of development both tribal and individual. In addition there is that great coloured population, which is not native in the above sense, which has its strong infusion of white blood, which contains in its ranks many educated and valuable citizens in whom the

work of civilisation is already accomplished, with many others in a more backward state, but to all of whom the whites must manifest the desire to render friendly aid in their upward path. A more difficult or complex problem was never presented to a people, and it is ever shadowed by the responsibility of keeping order in the land and of the defence of civilisation against any turbulent or unruly element in the uncivilised masses. From the moment when the Hottentots drove the Portuguese from Table Bay and slew their famous leader Almeida, this is a question which has presented itself to the colonists of South Africa at every turn. How to secure their own personal safety is the first crude form in which that question always appears, and whenever an attempt has been made to extend the limits of settlement and civilisation the problem was bound to recur in that particular shape. The maxim that native problems lie at the root of all South African questions, contains a large element of truth.

The Imperial Government retained and recognised as their own the ultimate responsibility for repressing disorders in part of Anglo-Dutch South Africa, but declined to extend it to the whole. The primary function of the Imperial Power is to protect from foreign invasion the frontiers of all the countries united under the British flag. The duty of raising, equipping and controlling the fleets and forces necessary for the purpose to supplement and support the local military resources of each part of the

Empire rests indeed with the Government of the United Kingdom ; but this merely points to the fact that the institutions of the Empire are still imperfect. The power of control over foreign policy is necessarily attached to the obligation of defence. The creation of political machinery which will enable the Colonies to assume their due share in the control of foreign policy by undertaking their due share of the obligation of defence, is the ideal which more than one Imperial statesman has set as the problem for future solution. But neither now nor at any future time can it be the function of the Imperial authority to maintain order within the boundaries of any community that claims such full privileges of self-government as those which Canada, Australia, or New Zealand enjoy. South Africa has never assumed self-government in the full sense of the word because she has never undertaken, frankly and without reserve, the duty of policing her own territory, and indeed, as Sir George Grey pointed out, she could not do so, so long as she remained disunited.

While the power of South Africa as a whole to maintain order among her population is well assured, the ability of those Colonies whose white populations are smallest under all circumstances to control unaided all the particular tribes located in each is open to question. The organisation of a South African force which can be raised suddenly and moved swiftly to any part of the country implies in itself a federal union of some sort, but unless it

is to be as ineffective as allied forces usually are, any defensive organisation common to South Africa means that it must be subject to some common authority answerable to South Africa as a whole.

Such an organisation can be formed without addition to the constabulary or volunteers at present maintained by the various Colonies; indeed it is probable that the constabulary forces might be reduced when so combined as to render easy their rapid concentration at a point of danger. An efficient body of mounted police, backed by an efficient force of militia or volunteers, a vigorous cadet movement, and a people ready to take up arms in times of grave emergency, is enough for all the needs of South Africa.

But the question of defence is a secondary problem, a mere adjunct and consequence of the primary problem of native policy. It would indeed be a hideous error to suppose that the white people of this country are discharged of responsibility by perfecting an arrangement for enforcing order among the native population. The mission they have undertaken is of a far higher and more difficult nature than that, and one which calls for the inspiration of the statesman rather than the science of the soldier. If South Africans are minded to beget a race that will stand on equal terms beside those which inhabit Europe, North America and Australia, they will need all the strength which unity among themselves alone can give. They must be one people with

one purpose guided now and in after times by the foresight of the wisest leaders they can produce. The best faculties of the whole people must be used to direct all their resources in a continuous effort to attain a single and most delicate end.

No one who realises the magnitude of the task imposed on this country will doubt that its separation into independent parts is fatal to success from the outset. Such separation means division of national strength in all its forms. It means, what is even more dangerous than this, division of purpose and plan. It means different policies, yielding different results, which, sooner or later, must come into contact and conflict with one another. In this, at any rate, South Africans, who differ fundamentally in their views as to native policy, agree, that two or more native policies, inconsistent with each other, cannot end otherwise than in confusion and miscarriage, and cannot therefore accomplish the results foreseen or intended by the exponents of either course.

No opinion is offered as to the respective merits of the different policies adopted in dealing with the natives by the various Governments. But the fact that there are at any rate five or six different native administrations in South Africa, all of them independent of any one South African authority, is indisputable. All experience goes to shew that those administrations will each of them differ, the one from the other and that different policies applied at the same time in different parts of the same country, to the same races, the members

of which are in constant communication with one another, must together defeat the object at which each severally aims. The general result is sure to be something utterly unlike what anyone of them was intended to produce, and proceeding from policies which are inconsistent and causes which are uncontrolled will be accidental if not disastrous in its effects.

The problem as it presents itself in South Africa is indeed momentous so far as her own future is concerned. The best hope for her success in the exceptional task she has undertaken rests in the positive and unmistakable form in which this problem is presented. The situation is startling, because it is without precedent. No reasoning man can live in this country and doubt that the existence here of a white community must, from first to last, depend upon their success or failure in finding a right solution of the coloured and native questions, or, in other words, upon the wisdom they can shew in determining the relative places which the white, coloured, and native populations are to fill. History will record no nobler triumph than that of the people of South Africa if they extend the hand of sympathy to the coloured people, who are differentiated from the natives by their infusion of white blood, and to the educated native, and if they succeed in peacefully leading on the upward path of Christianity and of civilization the vast tribes who are beginning to emerge from barbarism.

One solution South Africa left with the undivided responsibility of dealing with native affairs, will never attempt, and that is the introduction of slavery in any shape or form, and for the simple reason that the people of South Africa recognise no less than those of Europe or America the obligations imposed upon them by the ideals of Christianity and of civilisation. Beyond this unhesitating expression of opinion as to where the solution of the problem cannot lie, and will not be sought, it is unnecessary to venture. It is sufficient to say that only when full responsibility is assumed by the people of this country as a whole will the wisdom to foresee, the courage to begin, and the endurance to persevere to the end, without which no native policy is worth calling a policy at all, be summoned into action.

Closely interwoven with the native question is the labour question. As things stand at the moment, the business of the whole country, of agriculture, mining, manufactures and industries of all kinds depends on the number of natives that can be procured and set to work. The scope of these industries in no way coincides with the five or six administrations amongst which the control of the labour supply, indigenous to the country, is split up. Her local resources of labour cannot be turned by South Africa to the fullest use, until she is able to exercise some measure of general

control over all parts of the country. Till then they must remain, as at present, in great part unavailable and ineffective. On every side may be seen the same absence of control over national resources, crippling her development and revealing itself like some radical disease in symptoms so various that it is often difficult to trace them to their common source. As I have said, the labour question affects industries which ramify all over the country. If the mines absorb the available supply, agriculture is arrested. If the development of the mining industry is starved for want of labour, the farmers of Malmesbury lose their markets, the merchants of Natal and the Eastern Provinces their business, and the value of property everywhere declines. But the labour question is handled by administrations which have little or no relation to the scope of these industries. The question is dealt with piecemeal in different parts of the country, with this unfortunate result, that so long as each aspect of the question is dealt with apart it cannot in practice be dealt with on its merits. It is as though the labour question, which affects the whole trade of the United Kingdom, could not be dealt with in the Imperial Parliament, but could only be handled by County Councils.

In South Africa, far-reaching questions of national importance come up for discussion in one of several local Parliaments. If the particular quarter of the country where they arise happens, for the moment, to be the

storm-centre of the country, all South Africa concentrates its attention upon the place where the question is under discussion. A just sense in the minds of the other communities that they are powerless to make their opinion felt and that one section is able to prejudice the future of all inflames them to a fever. Bereft of power to act and responsibility for action, political parties throughout the country lose the faculty of deliberate and sober reflection. To whichever side of the dispute men's opinion inclines, prejudice usurps the place of judgment and so distorts their vision and stops their ears, that they become blind to facts and deaf to reason. All this reacts on the community immediately concerned, and there too the question ceases to be handled by either side on its merits. An atmosphere of contradictory alarm is created, in which public opinion becomes demoralised, impotent, and therefore negative. It rebels in turn against every solution proposed. Feeling instinctively how powerless it is to control its own affairs, it appeals to public opinion in the United Kingdom, and from that moment onwards a matter closely affecting all South Africa, which in Canada or Australia would be dealt with at once by the Parliament of the Dominion or Commonwealth, becomes a question for the Imperial Government and perhaps an issue at the elections of the United Kingdom.

On the other hand, a question which affects all South Africa in the most vital

manner may be raised in one part of the country, which, for reasons that have nothing to do with the matter in hand, is for the moment somewhat withdrawn from the public eye, and then things are done without criticism which may end by changing the whole complexion of South African society. A question of immense importance may be settled for the whole country for all time, without its knowledge and contrary to its will.

An example of the first tendency is the Transvaal labour question which has now convulsed the country for the last three years. It is much more than a sordid struggle between avarice on the one side and prejudice on the other. Its intensity is due to the presence of men on either side who feel intuitively that the results of the issue will be felt in every part of South Africa. The one party sees the dangers which may follow a serious collapse of business, the shrinkage of white population, failure to justify the investment of vast sums in the country, damage to the credit of all South Africa. The other side, knowing that a false step in a matter of principle or in the question of population is a mistake that a country can never correct, is in dread lest imported labour for the mining industry may lead to a relaxation of standard or to its extension to agriculture, or even end in the settlement of a vast Asiatic population on the soil of South Africa. Both parties are looking at the

question from the South African point of view, and both are animated by the sense of responsibility for the future, which in any case is the most valuable faculty its people possess. If either party supposed that the effects of whatever action the Transvaal was able to take could be limited to the Transvaal in South Africa, the problem though very great, would yet be of relative importance. But every one knows in fact that in so far as the Transvaal can do anything in the question at all, its decision will affect the whole of South Africa, and may affect the structure of society throughout the whole country. No one who has carefully studied it would suggest that the importance attached to this question was exaggerated. On the contrary, it deserves all the attention that people in this country can bestow on it, although, as indicated above, the political conditions of South Africa are at present such as to make the consideration of the question by South Africa as a whole on any large scale impossible.

When all this is admitted, one can only fail to remark how inadequate the amount of attention paid to a similar experiment carried out not many years before in another part of South Africa, on lines which made it possible for the question to be

social system of South Africa. In Transvaal the coolies are limited by unskilled labour. At the end of their term the Natal coolies are free to engage in occupations of all kinds. But there are two other differences of even greater importance than these. The Rand industry is not a permanent one. Compared with the whole future of the country its life will be as an incident in history. But in Natal the most permanent and fundamental industry of the future is being established on the basis of Asiatic labour. No natural termination of the experiment is in sight, and the further it is carried, the more serious would be the disaster and ruin which would result from any attempt to remove the basis upon which it rests. At any moment the Transvaal is free to raise the question of imported labour for the future in the light of experience. Every year that passes commits Natal more deeply to Asiatic labour. Indeed so far has the matter gone that the national government could now do little to alter the system or would ever attempt to do more than arrest its indefinite extension in the future. Lastly, gold

agriculture, manufactures, and other competitive industries, with such success that she begins to produce more cheaply than other parts of South Africa, in sheer self-defence they also may be forced to adopt the same expedient. It is hard indeed for the farmers North of Laings Nek to see their neighbours across an invisible line obtaining labour at half the wages which they themselves are obliged to pay, or for manufacturers in Cape Colony to find themselves undersold in the markets of South Africa by the products of factories where cheap labour, which their own law forbids them to hire, is employed.

I am not arguing either in favour of or against the employment of Asiatics on the mines or on agriculture or in the industries of Natal. I am merely concerned here to point to the fact that both are questions in which the future and prosperity of all South Africa, and not merely of one part of it, are involved. I do not myself believe that the labour question as a whole can ever be settled with any finality until it is settled by the country as a whole in a Parliament where all interests and all sections of South African society are represented. Those representatives will quickly apprehend that the consequences of whatever is done are felt in time as acutely 600 miles away as in Natal or as in Johannesburg itself. The decision of such a parliament would carry with it some sense of finality. For the interests which ask for imported

labour a decision in their favour is of little value except in so far as it can be regarded as final. It is not enough for an investor to feel that a supply of labour is available now. He must also have some measure of assurance that it will continue to be available until his money is repaid him with interest. On the other hand, if the decision is to be against them, it is far better for them as well as for the whole country to know it at once and once for all. If all South Africa was united under one Parliament it is clear that, where no principle of Imperial law or policy was involved, questions affecting the whole country would be settled there out of hand, as they are settled in Canada and Australia. Such a Parliament would beget, what cannot exist without it, an informed public opinion on South African affairs. It would bring into existence a class of men throughout the country accustomed to reflect on questions as they affected it in every part. Above all it would beget a sense of stability and certainty in respect of all the conditions of industry and of business.



Part V.

DISUNION AS AFFECTING THE ECONOMIC POSITION.

From the commercial point of view implies freedom of trade between the interests and parts of one country within the limits of its national frontiers. This unity has not been realised so long as the business of one section of the nation is artificially protected as against the business of another section of the same people. Each member of the nation, and each community inside that nation, must be free to develop the natural wealth of the place in which it lives, and to reap from it such fruits as others as their own skill and energy can bring its resources to produce. The union of England and Scotland meant freedom of commerce, in law and in fact, between the two. In America in 1785 there was not even the existence of a continental congress, and the separate States were represented in the confederation as if they had been formed as the expression of

of every other. The constitution which America was united in 1788, a real union and established American nationality, because, while ample local government were secured to the States, freedom of trade between States and within the limits of the union, was established by that compact.

South Africa while attempting to accomplish unity of commercial and industrial development by the establishment of a Customs Union, has not in fact done so. A restricted measure of free trade was established between Cape Colony and Orange Free State in 1889, and Natal was included in 1898. Meanwhile, a new factor in the economic situation has come into play in the shape of colonial railway systems. In America commercial union was achieved merely by the inclusion of all the States in a Customs Union, ways were not then invented, and what goods introduced were controlled, not by the States, but by private companies for profit. Had the Government undertaken the building

rates were determined to a great extent by such competition, just as they are fixed by competition between the various companies in England. The fixing of such rates was in no way a matter of state policy except in so far as Government interfered by legislation to prevent discrimination as between individuals.

In South Africa before the recent war the railways were owned by the States except in the Transvaal, and even there they were very closely identified with government policy. Each government therefore controlled the railway rates on its own system, and held in its hands means no less powerful, and in many instances more powerful, than customs tariffs for the protection of its own industries as against those of foreign countries or even of the neighbouring States. Between customs tariffs and railway rates as an instrument of protection there is a difference which is all-important. A customs tariff once framed is comparatively simple of application. It consists of certain fixed duties leviable on certain classes of articles at the ports of entrance, and these duties by reason of their comparative simplicity of application can be laid down in the form of a law by the Legislature of the State. Railway rates on the other hand are of the nature of payment for services rendered. They require constant adaptation to changing circumstances. Even the simplest railway tariff involves a minuteness of detail and a flexibility in adjustment quite incompatible with the nature of a Legislative enactment. The fixing of railway

rates is therefore, at any rate within wide limits, in practice left to the executive government, and as a consequence it lies within the power of the executive, by an adjustment of railway rates, to protect its own interests as against those of other members of the Customs Union. A Government which administers its own railways is always exposed to an accusation by one section of the community that it is endeavouring to give an unfair advantage to another section, and the tendency is accordingly to adopt a rigid uniformity in regard to rates which detracts very seriously from the efficiency of the services rendered by the railways to the commerce and industries of the country. To avoid this evil and the opposite one of constant manipulation of rates for political purposes it is necessary to interpose some strong permanent executive body between the Minister directly responsible to the people and the railway management. When however, as is the case here, adjacent Colonies each owning its separate railway system are competing fiercely for the carrying trade to the interior, questions of railway rates are too keenly contested to allow of their being removed from the political arena. The consequence is that the power of fixing rates is used not only in the interests of the rival ports but also as an instrument of protection for the products of each individual Colony.

A Customs Union therefore while it may exist in the letter as between the various South African Colonies may be completely frustrated for all practical purposes. For

example, since 1903 the policy of the C.S.A.R. has been that over its system (*i.e.* on the railways of the Transvaal and Orange River Colony) no differentiation should be made in the rates on particular articles, whether they are produced locally or imported from over-sea. The measure of protection now accorded to the local product is that set out in the Customs Tariff and nothing more. In the Cape Colony and Natal however the opposite policy has for long prevailed. At the Customs Conference of 1906 a determined effort was made by the inland Colonies to obtain uniform railway rates throughout South Africa without differentiation in favour of local products, and this was to a large extent successful. It is still true however in the case of certain articles (as it previously was of many others) that the protection given in the Custom Union Tariff is largely increased by the effect of preferential railway rates and it follows also that instead of there being one policy in South Africa as to protection of local products, as might be inferred from the existence of a Customs Union, that policy varies in the different Colonies just as much as it might if there was no Customs Union at all. Owing to the complication of the subject, assertions that protection is being given to local products through the medium of reduced rates, are equally difficult to prove or disprove, and any system which tends to make each community in South Africa regards the others with suspicions that can neither be justified nor removed, is a great mischief.

So long as the railways are in the hands of competing companies, rates will in the end be determined by the ordinary forces of supply and demand under competitive conditions subject to such statutory restrictions as may exist to prevent undue preference in favour of individual interests. Where however the State controls the railways the fixing of rates is inevitably affected by certain considerations of public policy. It is clear that such considerations should be laid down only after they have been fully discussed and accepted by the people as a whole in the general interests of the country and that subject to such considerations the railway tariffs should be left as far as possible without interference to adapt themselves to the natural requirements of the commerce and industries of the country.

The present position in South Africa however is such as to invite the maximum amount of interference with the natural adaptation of railway tariffs to the commercial and industrial requirements of the country and to prevent the possibility of agreement on any general principles of State policy within which an Executive Government could be left to frame what may be called a natural system of rates. The result is that rates are fixed upon no scientific or permanent basis. They are subject to political influence of all kinds, which prevent them from adjusting themselves to the natural conditions of commerce and industry. So long as rates are determined rather by political

exigencies than business principles they will add to the uncertainty of the conditions upon which the trade and industry of the country depend, and hinder their development on natural and healthy lines.

The effect of these observations may be summarised as follows. The management of the South African Railways in separate sections, each controlled by a different Government, has produced a system of rates which does not respond to the natural demands of trade, is highly unstable, and defeats the intention of the Customs Union. The general result is great uncertainty in the conditions of business so far as they are affected by rates and custom.

But the markets themselves are in the highest degree unstable because they depend to a large extent on the mining industry, the development of which is checked for want of labour and of capital. This uncertainty as to the future of the mining industry is making itself felt in every business throughout the country, and not least if the truth were known in the agricultural industry itself.

But to what is the scarcity of capital due? The gold and diamonds are in the ground; the quantities in which they are present can be predicted in most cases with unusual accuracy; the mechanical cost of extracting them is measured with greater exactness every year. The mines may even in special cases have sufficient labour in their compounds and yet the money necessary to

recover this almost visible wealth is not forthcoming. One party asserts that this difficulty in obtaining money is due to an uncertainty as to how long the present supply of labour will remain available. Another party declares that money is scarce because it is frightened away by the speculative habits of business which have grown up in connection with the industries of this country. But in this all agree that reluctance to stake money on mining enterprise is due to uncertainty of some kind in the human as opposed to the physical conditions of South African business. The instability is political and moral rather than natural, it is not in the soil but in society itself.

Every business man knows how fatal to the growth of enterprise, uncertainty as to customs, railway rates and the market must be. Whenever he thinks of establishing a factory or a business of any kind he sits down first of all to calculate what return may be expected from the capital he proposes to invest. The question whether the existing market for his products will be maintained and what customs duties and railway rates, not only he, but his competitors in other countries or parts of this country will have to pay are three of the most important elements in his forecast. The value of that market and the exact amount of the customs duties and railway rates at the moment are not nearly so important as the question whether they are to be equally advantageous in the future. If a biscuit maker in

Johannesburg finds that the state market, the amount of railway customs duties are such that he cannot compete with imported goods he will not invest his money in the business his capital is not lost and he can send it in some other business, perhaps in another country, perhaps in another where the return may not be so great, but the total loss is far smaller. If, however, conditions are such as to encourage him to invest that capital in a factory and mine and then, in two years, they are so changed as to render further competition impossible his capital is lost, and grievous harm is caused, not only to himself, but to the lives of workmen who have settled in the country on the strength of the employment which is no longer able to give. Uncertainties of this kind damage the working class even more than investors.

Exactly the same consideration applies to a merchant at Port Elizabeth. A business man, sits down to consider the natural conveniences of the various ports of Africa, and calculates that the advantages of Port Elizabeth are such as to ensu-

Elizabeth merchant knows nothing, force of which he cannot understand an arrangement which deprives them of the advantages which it previously afforded. His capital is no longer in a liquid form which can be carried to any part of the world and be converted into wealth of any amount; it is fixed and located in one particular spot in the form of bricks, mortar, and masonry. Nevertheless, by a stroke of the pen 600 miles away, he has lost the whole or at least a part of its value. It is not beyond the bounds of possibility that, in the future, some new political manœuvre may alter these conditions as against the Cape Colony and Natal. If, for instance, the Government of Portugal were to enter into an understanding with the Government of the Cape Colony and Natal, the whole position would be reversed once more, and the conditions which existed when the Coast Colonies levied what duties they pleased upon the Inland States would be revived. A new arrangement might then be made in the elements and conditions of business, upon which the industries of the Inland Colonies have

first of all on the value of its resources, a factor which nature has fixed and man cannot alter ; but it depends no less on the political conditions under which those natural resources have to be exploited, and those conditions are determined not by nature, but in a self-governing community, by the people of the country themselves. In no business in the world are the conditions absolutely certain ; as all human affairs are mutable, it is always a question of degree. Capital can nowhere find absolute stability, not even in the consolidated funds of the United Kingdom, and as the supply available in the world at any time is limited, it will tend to gravitate to that part of the world, where, other things being equal, the greatest measure of certainty in political conditions has been attained, or in other words where industrial and commercial conditions are assured, so far as it is within human power to assure them. Before any community can hope to prosper, its political institutions must be such as to afford each citizen a certain measure of security that he will reap where he has sown ; and the better the security they give the greater will be the prosperity of the country in the end.

All this will be readily admitted, but can any South African who reflects on the institutions of his country flatter himself that they are calculated to secure the utmost measure of stability in business conditions ? So long as railways are divided between a number of jealous administrations, rates will continue to be the sport of political exigence ; they will be

fixed more in obedience to local agitations than to suit the natural demands of trade. The Customs Convention rests on no foundation of enlightened public opinion, and business men dare not trust to the maintenance of its provisions. The instability produced by the uncertainty of the labour supply has been already mentioned. It follows that everything is felt in practice to be unstable and want of confidence affects every business and industry in the country. Despair of developing its natural riches by labour, forethought and calculation teaches men to treat business as a gamble and to look for fortunes to the variations of the market rather than to hard-earned dividends. The minds of the men and the habits of society have conformed themselves to the defects of the system under which they live. The instability of political institutions has reproduced itself in methods of business, until South Africa has come to be regarded more as a place for speculation than the home of serious enterprise.

All these defects in its system have been at once concealed and aggravated by the great rapidity with which certain sources of wealth were discovered. In the last thirty years repeated discoveries of precious stones and metals have lifted the economic conditions of the country up many steps in the ladder which other countries have taken far longer periods to climb. That process, by reason of its rapidity, produced in the meantime conditions which were abnormal and therefore

misleading. From 1886 onwards the presence of enormous quantities of precious minerals in the ground was ascertained in a comparatively short space of time, and the recovery of this buried wealth in future years was to a great extent anticipated in the shape of enormous prices paid for the mining ground. As reported to Mr. Chamberlain the estimated worth in the eyes of the public in December, 1902, of the right to recover in future years the gold contained in the Witwatersrand was no less than £173,126,414. Some of this value, of course, went to enrich investors in Europe, but there is no doubt that a great portion of it was represented by wealth which, in one form or another, remained in the country. South Africa, in fact, inherited such a series of unlooked for legacies that she mistook and still mistakes them, as well as the expenditure on equipping the mines, for normal and continuous revenue. It is sufficiently obvious that the discovery of these huge values was bound to produce for the time being an amazing prosperity. Fortunes were made as they have never been made in South Africa before or since. Men rapidly learned to regard these conditions as the natural order of things, and to expect that, even after a devastating war which had dislocated the whole fabric of society, fortunes would again be made as rapidly and wealth would again be as plentiful as in the days when the potentialities of the Rand were yet in the course of discovery.

The fact is that the wealth was discovered and became suddenly available on such a scale as must for the time being have overcome defects, however great, in the organisation and government of any country. In the worst governed countries such defects would have been veiled for a time. Similarly fresh discoveries on the same scale would again yield a period of brilliant prosperity and would most certainly be followed by a corresponding period of chaos and depression, even without the extraneous circumstance of a war, as soon as the public throughout the world had lost its fever for speculation and the actual recovery of the gold was recognised as a problem which depended on the finding of the necessary labour, and the other common-place conditions which everywhere govern the development of industries. So long as the burst of prosperity lasted, all subsidiary industries and undertakings, even the great industry of agriculture itself, would find that capital was obtainable in plenty. One effect would certainly be seen in an increased disposition to look to speculation for the acquisition of wealth, instead of depending on industry, forethought, and patience for the conquest of natural obstacles. The more rapidly fortunes were made, the wilder would speculation become and the deeper and more lasting would be the period of depression which would soon follow. Once again men would find that capital their first necessity,

if the looked-for development of industry were to be realised, would avoid the country because the labour required to realise the value of the new treasures which had been found and sold was not forthcoming, and because the calculations of business men were constantly falsified by political changes in fiscal and industrial conditions.

It cannot be urged too strongly that the people of this country, collectively and individually, should cease to depend for their prosperity on the discovery and sale of new mineral assets. Wealth, the presence of which has already been ascertained, exists in such abundance as will afford employment for generations and may become the source of extensive developments on a great scale, if only the people of this country have the fortitude to secure that the conditions of the society in which they live shall be brought within their own control. At the present moment they are, in many important respects, under no effective control at all.

The consequences of disunion on the law have also to be considered. Law is what defines and enforces the relations of each individual in a society to all the rest. It therefore prescribes the rules in accordance with which business and commerce must be carried on. Business in great part depends upon a knowledge of those rules and on seeing that what is done complies with them, and if the rules are multifarious and subject to constant change, the difficulties of business are

increased accordingly. The present system of South African Government means that there are at least five different sets of rules made by as many different legislatures and that therefore they are several times more liable to be changed than if there were only one. A South African company for instance may be formed and regulated under many different laws, and it is open to promoters to register under whatever law allows the freest scope to unscrupulous dealing. To take another and a simpler instance, the law of weights and measures varies in all parts of the country. A foot and a ton may mean one thing in one place and another thing in another place. The Government of the Transvaal after obtaining information and advice from all parts of the commercial world prepared a law of weights and measures which was sent in draft to all the Governments and commercial bodies of South Africa. The bill was pronounced to have been admirably conceived and framed, but from many neighbouring Colonies it was urged that it should not become law in the Transvaal, unless all the legislatures of South Africa could adopt it simultaneously. Now if this were possible at all, it could only be done by such a process as in the case of the Customs Convention involves an intolerable waste of labour. Meantime it is open to all the different legislatures to vary the law inside their own jurisdiction, and within the last four years the law has to a great extent been so varied in the Transvaal.

But there is another and even more important class of law, the common law which is developed by the interpretation of judges in the Courts. Until South Africa has a common Court of Appeal a different and inconsistent common law will tend to develop in each of the separate States. Appeals to the Privy Council in England are expensive and slow and therefore too seldom made to secure that South Africa shall speedily develop one system of common law which operates equally throughout the country. That task can only be performed with effect by the establishment of a South African Court of Appeal as one of the necessary institutions of a South African Government.

A confused legal system is a drag on enterprise, and its paralysing effects are all the more dangerous because they so seldom meet the eye. Perhaps it is more noticeable to a new comer than to one who has grown up under these conditions and has come to accept them as the established order of things.

In these pages I have pointed out that the division of South Africa produces in many different respects a liability to change and an air of uncertainty which tends to discourage the investment of capital. The examples I have used point to another of its evil effects, in crippling the power of Government to remove obstacles from the path of enterprise. The improvement of the agricultural industry is among the first objects

which public policy has in view. We are beginning to see that South Africa is still a very new country, and that the methods by which stock can be raised and crops grown to the best profit have yet to be developed by experiment and research. The knowledge so gained to be of any use must be applied in two ways. One part of it must be taught to the farmers themselves; they must be trained by such a system of public education as exists in America to become experts in the art of agriculture as applied to this country. But the discoveries of science which relate to pests of all kinds whether locusts, or the diseases of plants and stock, can for the most part be applied only by the agency of Government itself. As things are, inaction on the part of one Government may go far to defeat measures taken at great expense by the others. Every practical farmer will see that effective attempts to eradicate pests must be carried out from one end of South Africa to the other. At this moment the swarms of locusts which threaten the farmer with disaster are a reminder that boundaries, which divide the strength and the sympathies of the people, set no limits to the progress of the plagues of nature. Vigorous steps taken in the remoter parts of this country during the last two months under the direction of a strong central authority would have cost but a tithe of the value of crops now doomed to destruction. From the public press it is evident that practical farmers are realising what a

direct effect on the development of their own industry the divisions of the country are having.*

The shipping combine is another illustration of the want of control over business conditions due to disunion. It is not assumed that the Conference which controls that combine does in fact, as a great number of importers in this country believe, abuse the power it holds over shipping freights. Even if it is assumed that it does not, is there not at any rate a danger that a great monopoly, exempt from the effective control whether of competition or law, should come in time to use its position for the exclusive interest of its shareholders and to the prejudice of its customers? If South Africa can trust her commerce permanently to the unfettered control of any shipping ring the case against trade monopolies falls to the ground. So long as the companies are united and she remains divided, a combination can always break up a temporary alliance between the several Governments by making concessions to any one of them. As soon as one Government controlling the railways and harbours can speak for all British South Africa it will at least be within her power to arrange with the Shipping Conference the conditions of her sea-borne traffic on a footing of equality, and to discuss as a question of business what otherwise she must ask as a matter of favour. At present the whole sea-borne trade of South Africa is controlled by one private corporation which of

* See letter of M. C. G. Lee in "Ons Land," September 27th, 1906.

course has no responsibility to the people of the country, and the mercantile community must recognise that unless an unforeseen competition is conjured out of the deep the power of that corporation must remain absolute so long as no single control can be exercised over the ports. It has been shewn how powerless disunion has made South Africa when dealing with a single foreign country. The same considerations apply to all her relations with any carefully organised union of private interests. She can only deal with them on equal terms by applying the lesson which they themselves have learned from the conditions of their business.

If anyone doubts the mischievous effects of political disunion on business, let him ask an American whether he thinks that the enterprise of his country could have advanced to its present stage, unless there had been some law or administration common throughout them all. Or let him take the case of Great Britain and suppose that not only Scotland and Wales, but also the Northern, the Southern, the Eastern, the Western and the Midland Counties of England had grown up as separate and independent units of Government, and then picture to himself what the effect on its commerce and industry would have been. If he will go on to reflect that in South Africa a people little more than a million in number are attempting to administer the country and to make laws in six or seven different districts all independent of each other, he will wonder

not that enterprise is brought to a standstill, but rather that it ever advances at all. Not until she has enjoyed twenty years of united government will it be possible even to guess how far her prosperity may develop.

Material progress is by no means proposed as the purpose of national life. To be strong, free, and self-controlled is the end to be diligently sought, and where this is attained prosperity will be added. Lack of self-control is the essential evil, not the misfortunes which weakness brings in its train. If the people of South Africa will seek as the one thing needful the faculty of political mastery over themselves ; if in a word they can rise to the idea that the nationality itself must rule and not be ruled by the elements of which it is made up, prosperity will follow as it must wherever chaos gives place to order. Increase of wealth is not the object, but merely one result of national well-being, and to seek it as the first purpose of public policy is to miss that and all else that is worth having as well.



Part VI.

NATIONAL EXPANSION.

Reference has been made to the deep concern which Washington felt for the vast and vacant lands behind the thirteen states of the Atlantic Coast when first united by the foundation of the American Nation. Beyond all comparison the most important result of that union was seen in the control which the United States were able to exercise from the first over the development of the back-countries. New states sprung into existence in the wilderness, but the form which they took was determined by the people as a whole, and they grew up not as new units with conflicting interests, but inside the community of the nation as parts of the whole and subject for national purposes to the authority of the whole. This also was the case with Canada, whose vast hinterland was controlled by the Hudson Bay Company. Not until the provinces were united under the Dominion was Canada able to limit the Company to its proper sphere, the trade in furs, and open up the North West Territories to the occupation of her own increasing people.

The space on the surface of the globe is limited, and any portion of it assigned to a nation is given them by way of trust rather than in absolute ownership. Their tenure

must in the end depend upon whether they are able to bring it under effective occupation, and history shews that, unless this is accomplished, it is generally taken from them and given to another.

South Africans remembering this should look north to the Zambesi and ask themselves who is to control the settlement of Southern Rhodesia, a great country, at present supporting no proportionate population. As the world becomes more crowded every day the occupation of a country like this becomes a matter of pressing importance. Its development may be delayed but it cannot be prevented and if there is one warning to be read more plainly than another between the lines of South African history it is that which points to the unwisdom of allowing the political organisation of the northern countries to take place in utter independence of the community already established to the South.

Is this history of mistake to repeat itself once more? The answer lies with South Africa herself.

A country great in area still remains to be settled; but neither Cape Colony, Natal, the Orange River Colony, nor the Transvaal can now take any share in the task of its development, nor are the 12,000 white persons thinly scattered about its surface strong enough to bear that burden alone.

The shareholders of the British South Africa Company have stepped into the breach and shouldered the burden, but

can or ought the Administration of the Chartered Company permanently to endure? The alternative is that which was adopted by the United States and Canada. An alternative which, translated into the terms of South Africa, means the control of the development of the Northern territories by the united peoples of Cape Colony, Natal, the Orange River Colony, the Transvaal, and of Southern Rhodesia herself. The people of Southern Rhodesia can take the same share in that development as the emigrants who left the United States and the old provinces of Canada and settled in the vast territories which either of those Governments controlled. So soon as an area of sufficient size was occupied by an adequate population, it was constituted as a new state or province by the act of the Federal Government, and incorporated on an equal footing with the older states of the Confederacy. But even before that step was possible the white inhabitants of these territories had their own representatives to speak for them in the national parliament. From the very outset each individual stood on a footing of political equality as a member of one great nation.

The importance of the Canadian precedent will be better understood from the following account:—

* We have already dealt with the affairs of the Hudson's Bay Company down to the end of the fifties and seen that, at this time, a final settlement seemed as far off as ever. The political

* A Short History of British Colonial Policy, by H. E. Egerton, p. 372.

circumstances, however, of Canada precipitated a decision of the question. When once confederation came within the sphere of practical politics, the further question naturally arose, should not British Columbia form part of such a confederation, but if so was it to be tolerated that it should be severed from Canada by a tract belonging to an independent Company, which at one time talked of selling its rights to Anglo-American capitalists; and so, among the subjects on which Canadian representatives conferred with the Home Government in 1864, was the settlement of the North-West and the claims of the Hudson's Bay Company. The Company had been reconstructed in 1863 amidst loud promises of a new policy, but in fact nothing was done and in 1866 the shareholders condemned and rejected the policy of colonisation absolutely and definitely. The union of British Columbia and Vancouver Island was effected in 1866 by an Imperial Statute. The original intention was that the Hudson's Bay Company should come to terms with the Canadian Government under a section of the British North America Act, but it was afterwards held that, as the claims of the Company were based on a Crown Charter an Imperial Statute was necessary. An Act was therefore passed enabling the Crown to accept the surrender, upon terms, of the rights of the Hudson's Bay Company. It is unnecessary to enter here into the lengthy negotiations with regard to the price to be paid to the Company for the surrender of their territorial rights. The Company was a powerful Corporation with men such as Lord Kimberley or Sir Stafford Northcote for Governors, served by very able officers and, doubtless, could protect its own interests. The North West Territories were finally purchased in 1869 for £300,000, and the new province of Manitoba was carved out of them. To us the important point is that henceforth the way was clear for a confederate dominion to stretch from ocean to ocean. "A new nation," "a fresh power" had been called into existence and the dream of Lord Elgin had been fulfilled, that it was by creating such a country as might fill the imagination and satisfy the aspirations of its sons that the danger of absorption with its great neighbour might be forever set at rest.

The position of the Hudson Bay Company in the North-West territories of Canada closely resembles the position of the Chartered Company in the Northern Territories of South Africa. A more exact analogy would be difficult to find. To underrate the value of the work done by chartered companies is a very common mistake. As a matter of fact the foundation of nearly every new country, except the Antipodes, has been effected through their agency. Such rapid action and bold enterprise as is needed for this work in its initial stages comes more easily to a semi-private corporation than to a government. Whatever criticism may be made of the chartered company it must never be forgotten that it saved the hinterland to South Africa. For any European flag other than that of Great Britain to have waved over the countries between the Limpopo and Lake Tanganyka would have been regarded as a calamity of the first order by every one who regards himself as a citizen of South Africa. The development there of a foreign community must have arrested the growth of South Africa herself and plunged her for ever into the whirlpool of European politics. The British South Africa Company has performed a service of the first magnitude to South Africa and to the British Empire. But a company is one thing and a government is another and when once the foundations of the new society are laid the conflict between the duty of the company to its shareholders and its duty to the settlers begins, and eventually becomes

irreconcilable. The function of government must then be separated entirely from the function of trade. In Southern Rhodesia the two are so closely involved together that as in Nigeria, the acquisition of the Company's rights by the state may prove the wisest policy. The longer this problem is postponed the more difficult and the more expensive will its solution become, and if South Africa desires to emulate the destiny of the United States and Canada she cannot place herself in a position to grapple with this question too soon.

British territory stretches beyond the Zambesi, far away north to Lake Tanganyka. In whatever degree this great region is a country where white men can work and thrive and multiply, by so much will the opportunity of expansion inherited by South Africans through the British Empire be increased.



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Part VII.

THE FUNCTION OF NATIONAL INSTITUTIONS.

It will now be seen that the disunion of South Africa means an absence of control in every part of her common affairs. One section of the people can dominate the rest by means of their railway policy, and dislocate their interests by a stroke of the pen without reference or responsibility to those affected. Railway rates are used for the protection of local industries and cannot be fixed in accordance with the general demands of trade. The Customs Convention is a compromise framed in accordance with no clear principles in such fashion that public opinion never willingly accepts its provisions. A continuous supply of labour required to maintain the principal sources of wealth depends on questions which cannot be settled piece-meal and cannot therefore be settled at all. As a consequence business rests on shifting foundations and inclines to speculation rather than to enterprise, a tendency which is further increased by a complex, variable and discordant law. Native policies so different as to defeat each other's intention, complicate the problem as a whole and paralyze any movement towards its solution. The various Governments endeavouring

to deal with the questions between them by negotiation, waste their strength and often fail; while the weightier matters left unsettled drift to worse disorder. As friction increases, voluntary co-ordination between the various communities becomes more difficult to secure. In the last resort the Imperial Government, or its representative in this country, is forced to step in and endeavour somehow or other to assist South Africa to settle what she cannot unaided settle for herself. Such interference from without in the domestic affairs of a Colony is the negation of the principle of self-government which is supposed to be established in the different parts of the country. It is fraught with the same danger to the Empire and Colony which attended this practice seventy years ago, and though necessary to prevent disaster operates to increase the uncertainty of conditions in this country and its reputation for unsteadiness. The upshot of the whole defective system is seen in friction, miscarriage, waste of strength and general arrest of progress, in a country of marvellous resources peopled by a hardy and vigorous race.

I have shewn how difficult it is for the various Governments to arrive at an agreement on the many matters which affect them in common. But even where, as in the case of the Customs Convention, such an agreement is attained, it fails to produce a condition of stable equilibrium. It is accepted grudgingly as the only refuge for the moment from a worse evil,

but the people are unconvinced and distrust what they do not understand. Beyond securing union it represents no policy thought out and adopted by them. It is bound up with all sorts of other questions in respect of which there is no general knowledge. The local legislatures have this effect, that they present particular sides and parts of great South African questions to each section of the people as if they were the whole question. There is no machinery to secure that the people as a whole shall know and consider their affairs as a whole. There is nothing which enables the public in each locality to realize the different troubles, all due perhaps to the same common cause, which are pressing on other communities in distant parts of the country. The truth is that neither cabinets nor parliaments are the guiding and steady principle in public affairs, but the public opinion by virtue of which they act. What impresses thoughtful observers of British politics is not their vacillation, but their marvellous continuity in the matters which are fundamental. The changes which take place in such matters resemble the growth of an organ rather than the violent operation inflicted by the surgeon's knife. And yet, unlike the American Congress, Parliament is omnipotent, and by a stroke of the pen can change the Constitution itself ; but it seldom if ever does so, because Parliament is the expression of a public opinion which is stable because it has been educated to a knowledge of the national affairs visibly transacted in that great assembly, before the eyes of the

people themselves. South Africa as such has no national opinion to prescribe the permanent foundations upon which the whole structure of her society shall rest, because she has no national assembly by means of which such opinion can be formed.

The greatest difficulty that popular government has to face is that of communicating to masses of people, with whom the power to govern rests, such a general knowledge of affairs as will enable them to use that power with advantage and not with injury to themselves. A parliament with open doors, where men accredited from all parts of the country meet and speak together, and having spoken, decide, is a common market of information. It is beyond comparison the most effective means devised for the exchange of practical knowledge. But it is more than this, for it is also a mill where the facts are sifted, blended, ground and distributed in the form of opinion to all parts of the country.

The press is no more than the handmaid of such an institution, and without it cannot fulfil its function. This country is well supplied with newspapers, all local journals reflecting the view of the locality or section for which they are printed ; but when they try to take South African views, they conflict with the instincts of the public they address. The press is not the parent of public opinion any more than it is the parent of national institutions. It is only their offspring. It may educate public opinion and modify the national institutions.

just as a child may have an effect on the parents from whom its own life and character are derived. Public opinion is the soul of a nation, but just as a soul cannot exist on earth without a body to inhabit, so there can be no national public opinion without national institutions. When South Africa has national institutions of her own she will also conceive a public opinion to inform and guide them and a press to reflect that public opinion. Until that time her people will remain provincial in their political outlook and in the scope of information upon which they act. South African interests will exist none the less and those interests will continue to miscarry because there is neither a South African public opinion, press, parliament nor administration to consider and direct their course. Government is not or should not be a matter of accident. Its forms to be otherwise than mischievous must tally with the facts. As the various departments of South African affairs are each considered the mind ever returns to the same conclusion that her institutions are utterly at variance with the natural unity of the country. Hence it is that the public in each several Colony through its legislature and press continues to discuss the fiscal, native, labour, and railway questions as though each were a separate and distinct problem and to propose expedients for dealing with one without asking what effect it will have on another. Port Elizabeth, East London and Durban see their trade deserting them for a

foreign port and cry out for the cancellation of the *modus vivendi*. They have nothing to remind them that even the temporary dislocation of the Transvaal labour supply would destroy the very traffic they are seeking to secure. The labour question is not immediately before them and they do not apply themselves to its solution. The people of the Rand persuade themselves on no sufficient data that Delagoa Bay is the cheapest route for goods from Europe, and the ruin which results to British Ports is not present before their eyes. The result is that, even if the local governments arrive at an agreement on this matter or that, they have no adequate majority throughout the country or even in its several parts to support and maintain their action. There is no force of opinion, competent to grasp the problem as a whole, nor can be till the system of government is so revised as to conform to the natural quality of the country and people to which it is applied. Co-operation between governments, of which we hear so much, is an attempt to secure the rewards of national union without submitting to the discipline it requires, and like all expedients which evade the facts, cannot produce substantial results.

The first difficulty to be overcome is the idea that piece-meal measures can avail to remove evils which are the direct offspring of piece-meal institutions. One party deprecates the consideration of union until a general prosperity is restored.

Another, more strangely still, argues that union cannot be thought of until the various Colonies have brought their native policies into harmony with one another. This is because neither has traced these evils to their true source nor realised that so long as the country is dis-united, no wholesome level of prosperity can long be maintained, and that all its discordant policies whether in native affairs or anything else must continue to diverge from one another. They have come to look on union as a vague ideal, a convenient heading for political programmes, a suitable close for a public speech, and not as what it really is, the one practical path to a sounder condition of affairs. No adventitious props can avail to give stability to the fabric of South African affairs. The only course is to reconstruct them on a broad and deep foundation of their own. Not pious exhortation, but only the strong will of a united people can avail to bring discordant policies together, whether in railway, fiscal or native affairs. Union is not the end to which reforms like these are a possible approach, but is itself the only road by which any approach to those reforms can be made.

A year ago as the result of a Conference between representatives of the various South African Governments I published a Circular Despatch pointing out that no satisfactory solution of the railway problems was possible until all the systems were united under one authority. I suggested that the various Governments should consult together with a view to

the establishment of such a body as could exercise this control. Throughout the entire course of the six months which I had then spent in this country I was confronted with a crisis in railway affairs which appeared to be as interminable as it was acute. I saw that this tension was the cause of so much bitterness between the various Colonies that unless some such step was taken they would drift apart into an attitude of permanent estrangement, which might even lead to the financial ruin of those less fortunately placed. The railway problem suggested to me that the relations of the South African Colonies to one another were approximating rapidly to those which exist between the disunited republics of South America, instead of approaching the ordered and regulated relations of the North American States. At the time I was so absorbed by this railway problem that I thought it might be dealt with apart. Since that time I have travelled throughout the country and have endeavoured to understand its problems as a whole and I now perceive that the same cause which I first saw yielding such pernicious results in railway matters is affecting all departments of South African life. Disunion lies at the root of most of the special evils which for the last thirty years have rendered South Africa conspicuous for her troubles throughout the British Empire. The difficulties of South Africa must be faced as a whole and faced thoroughly by rooting out the evil which is the universal cause of these troubles in all their ramifications. Railways are but one of the interests common to all

the people of South Africa or rather I should say they are but a part of its one interest. The labour question, the native question, the economic question and all the other questions which I have dealt with in this memorandum are but parts of the fundamental South African question, and cannot be considered except in their relations to one another. The people of South Africa cannot control one of these questions and leave all the others with which it is bound up to be prejudiced at the will and caprice of any local section of the whole. If they purpose to hand down to their successors a country and people deserving to fill the status of a nation, they must assume the control of its whole destiny, and this they cannot do unless they learn how to act and how to exercise that control as one. The cure for South African evils lies not in the establishment of a South African Railway Council but in the creation of such a national Government as controls the destinies of Canada, New Zealand, and Australia.

The appointment of a Joint Railway Council (which was the only machinery open to me to suggest at a moment when neither the Transvaal nor Orange River Colony was on the eve of responsible government, just as the Inter-Colonial Council was the only machinery which it was possible to create, at the time it was created, for the purpose of discharging functions common both to the Orange River Colony and to the Transvaal), by the various administrations of South Africa would not alone furnish a complete solution even of the railway difficulty. Joint Councils

are bodies created by secondary election, and are therefore subject to certain radical defects, such as I have noticed in the case of the Customs Convention. In practice the various members have too little power of using their own judgment and small scope for initiative. They are prone to think even in questions of detail, not what is the wisest thing to be done or the best thing in each specific instance, but rather what the Government they represent will allow them to do. They are simply the mouthpieces of the Governments or Legislatures which appoint them, and such bodies when entrusted with highly contentious matters are therefore indifferent administrative bodies. What is known as the European Concert is proverbially cumbersome and inefficient in its operations. When undertaking such a task as the pacification of Crete or the enforcement of civilised rule in Macedonia, it has done less than any one member of that Concert could have done in half the time given a free hand. A Joint Council for the management of railways would be, in fact, a South African Concert and would suffer from similar defects, which would be felt, as the want of essential union makes itself felt at present, in a variety of different ways. I do not think, for example, that such a Joint Council could long conduct its business without obtaining legislation applicable to the railways throughout the whole country. It would, however, be an extraordinary thing if such a Joint Council

were given power to make laws over the heads of the separate legislatures throughout South Africa. Such procedure would ignore the fundamental principle of popular government that the laws should be framed by assemblies elected by the people themselves and directly answerable to no one but them. If on the other hand such universal laws governing railway matters could only be made by asking four or five different legislatures to pass them in identical forms, South Africa would again be face to face with one of those impossible positions which are the ever recurring results of disunion.

The railways are intimately bound up with the whole economic system of the country, and affect so deeply the interests of all its inhabitants that I do not think that it would be wise or right for the whole system to be brought under the control of an authority which was not directly answerable to the people themselves, now that for the first time in recent years the establishment of such an authority is passing within the region of practical politics.

The union of the railways under a South African government would necessarily involve the consolidation of the debts which those assets represent, and the next step could be the consolidation of all the public debts of the British South African Colonies. From the financial point of view this is eminently desirable. The consolidation of South African debts would mean such an improvement in the general

credit of South Africa as would make itself felt to the advantage even of those whose debts were relatively lightest.

I do not therefore now repeat the suggestion which under different circumstances I made a year ago in favour of the constitution of a joint Railway Council, nor is it within the sphere of my duty to put forward for the acceptance of the people of South Africa any scheme of national union. If after a careful review of the facts of the present situation they are of opinion that some form of national union is necessary, it is for them, and for them alone, to frame a scheme for it.



Part VIII.

THE IMMEDIATE FUTURE.

While the removal of the peculiar evils to which the people of South Africa are subject is a work which they themselves and no one else can undertake, the evil is of such a nature as to obscure either from themselves or their representatives any general view of their own situation. The only person with access to all the facts and so placed as to view them as a whole, without a special effort to do so, is the High Commissioner, who represents the Imperial authority and not the people of South Africa. With a request such as I have before me from the Governments of the British South African Colonies I cannot do otherwise than state without reserve the facts as they present themselves to me for the information of those with whom alone the power to apply the remedy lies.

Having traced the causes of disunion and shewn how calamitous its effects now are in every department of their affairs, I must now acquaint them with the position that must be faced in the course of the next few months.

Under the system of Crown Colony Government the ultimate responsibility to His

Majesty's Secretary of State for the administration of the Transvaal and Orange River Colonies and the one railway system with which they are united, rests with the Governor, who happens also to be High Commissioner. In the second part of this memorandum some of the matters have been noted which have long been at issue between the several railway administrations. Many of those points can not be permanently settled without prejudice to questions of principle which ought to be decided by the representatives of the people themselves, and the efforts of the Central South African Railways Administration have therefore been directed towards bringing about a working agreement for the time being, so as to prevent the Central South African Railways from being handed over to the successors of the present Governments in a state of active hostility with the other railway administrations of South Africa. A temporary arrangement for twelve months has been arrived at on all outstanding disputes including those which have arisen from the completion of the Klerksdorp-Fourteen Streams Line, the Bethlehem-Kroonstad line and the line between Brakpan and Witbank. The fact that in two Colonies administrations directed by the Crown were about to give place to Governments immediately responsible to the people embarrassed the situation, but the ready appreciation of these difficulties shewn by the Governments of the Cape Colony and

Natal has gone far to smooth the way to a settlement. I welcome this opportunity of recording my gratitude for the moderation used under conditions which have been trying in the extreme, and if within twelve months the four Governments can meet, relieved from the tension which would exist had immediate and pressing questions remained in dispute, that result will be in great measure due to the ministries of the Cape Colony and Natal, who abstained from pressing matters to an issue at a moment when the conditions necessary for the completion of a settlement had not arrived. The new Governments might have entered on office to find themselves faced with a crisis. As it is a breathing space has been secured in which they can consider the momentous issue which lies before the Governments of South Africa. So far they have tried to follow a middle path leading direct neither to union nor separation, from which they thought they might turn either to the one or the other whenever they chose. When, however, the various courses open to the parties at the approaching railway conference are considered it will be seen that the time is at hand when a definite decision can no longer be postponed.

It must indeed be realised, that within a year the political position of the country as a whole must become the subject of deliberate discussion between all the Governments of British South Africa. From the diagrams on which the distribution of traffic between the various Coast States is traced, it is plain that

the preference provided by the *modus vivendi* as against the British Ports is threatening them with ruin, and if left to take its course cannot do otherwise than seriously affect the stability of the budgets of the Coast Colonies. It is that position together with all the minor subjects in dispute which must within twelve months become the subject of a Conference, and the South African Colonies will then find themselves at the parting of the ways.

The earlier parts of this memorandum have been devoted for the most part to pointing out principles and suggesting what the national ideal should be, and what probably the ideals of a united South African nation would have been in the past. Had the whole railway system of South Africa for the last twenty years grown up under the control of a national government, sooner or later a line would have been built to Delagoa Bay, but a government which was responsible for all the ports and railways of British South Africa could not possibly have afforded to have developed Delagoa Bay to the sacrifice of its own invested capital. It would never have diverted so much of the inland traffic from its own ports to build up a foreign community beyond its frontiers. Unfortunately the railways of South Africa did not grow up under a national government, but were constructed not merely in competition with, but almost in the spirit of hostility against, one another. South African trade has in consequence gone to foster Delagoa Bay and has built

up valuable interests there, so that it is now impossible to leave these factors out of account.

There are at all times a number of public men who believe that any resolute attempt to face the situation is dangerous rashness. Such men are wont to say that the union of South Africa cannot be hurried, and will come in due time, as though it would some day fall like rain and be attained without painful effort on the part of the people themselves. It is not so that great human institutions are made. They are always the result of conscious will, forethought and labour, and not until the great struggle is faced, the supreme effort made and heavy sacrifice undertaken, will the union of South Africa become an accomplished fact. The truth which needs to be recognised is this, that the longer the struggle is postponed the greater will be the effort and the heavier the sacrifice which must be undertaken. Worst of all, the results sought by union will grow less and less worth attaining. The advocates of inaction ever forget that while they sit with folded hands the course of events never halts, but hurries past them and beyond their control. This has been the case with Delagoa Bay, but there is still time to modify the disproportionate and unforeseen advantages which the present arrangement has operated to bestow on a foreign port, and to make such alterations as will secure to the British ports a fair distribution of the inland traffic, though in scrupulous fairness and in all friendly spirit towards our ally.

It is not as yet possible to say with exactness who the parties at the Conference will be, or what particular interest each will represent, for it is a question whether the representatives of the Transvaal and Orange River Colonies will appear jointly answerable for one unified system as at present, or each on their own account and answerable for separate systems. Even if the Inter-Colonial Council of the Transvaal and Orange River Colony holds together, the Coast Colonies should ask themselves in advance whether the new administrations, who will have to justify all they do to the electorate of the Inland Colonies, would be likely to accept a scale of rates designed to pass two-thirds of the traffic over the lines of Natal and the Cape Colony. It has been already stated that if in the year 1905 all the Transvaal traffic could have been diverted to Delagoa Bay the gross revenue of the C.S.A.R. would have been increased by at least £200,000. There is indeed good reason for believing that every ton diverted from the foreign port to the British ports will mean a loss of gross revenue to the C.S.A.R. equal on the average to about £1 2s. 4d. So long, therefore, as the railway system of British South Africa remains as it is at present, artificially split up into sections by the mistakes and accidents of history, any substantial relief given to the Coast Colonies will be paid for by the Inland Colonies at the cost of hundreds of thousands of pounds. No arrangement whereby the Inland Colonies agreed to sacrifice revenue on this scale out of friendship to their

neighbours, even if made, could be expected to last. The first recurrence of financial pressure would break it down, and every business man would know this and distrust it as much as he distrusts the stability of the Customs Union. Patriotism is and should be stronger than material considerations, but all experience in this and every other country, and more especially the treatment received by the Orange Free State at the hands of its ally as set forth in Mr. Brounger's letter, shews that it would be madness to found any hopes on a settlement which involved a visible continuous and substantial pecuniary loss to a separate administration.

The other possibility is that the Transvaal and the Orange River Colony may present themselves at this Conference as separate Railway Administrations. In this event the Transvaal will hold the keys of the situation as Mr. Middelburg held them at the Conference of 1895; but it will be as difficult for any administration answerable to its tax-payers, to allow traffic to enter by way of Viljoen's Drift which could be brought in by way of Komati Poort, as it was for President Kruger to do so.

Some expedient which will secure for the ports of the Coast Colonies a fair share of the traffic is in my belief absolutely essential to the future unity of South Africa, but the inherent defect in the proposals which were put forward by the Coast Colonies at the Conference of 1905, is this, that in order to produce

a fair distribution of traffic, the South African Governments were asked to accept an arrangement which gave all the advantages of the change to one geographical section and imposed the whole of the cost to be paid for it on another geographical section. As already shewn this result has come about because those geographical divisions are not natural but arbitrary. The only means by which the people of South Africa can secure an even and uniform division of all the gains and losses which are to be brought about by an arrangement, necessary to save their unity in the future, is by wiping out those geographical divisions so far as the railways are concerned, by uniting the railways into one system and by ceasing to treat them as a source of revenue; for so long as the railways are used as an engine of taxation, the taxes so paid will be distributed unevenly amongst the population of the country. The moment the railway systems of South Africa are made one and the Transvaal and the Orange River Colony become partners in that system, they cease to be concerned to send the whole of their traffic through Delagoa Bay. They are merely concerned in seeing that goods are brought to their country as cheaply as possible. It will no longer pay them to see great sections of a system of which they are part owners left to rust, and they will be prepared to face such a distribution of traffic between the various routes as will save the ports of their own country from ruin. The people of the Transvaal

will see that it is wholly to their interest to use their great resources, not in developing a foreign port, but in developing at their own ports great commercial communities whose interests will be identical with theirs.

Any system of union, while it must ultimately be based upon free trade within the limits of British South Africa, must include some provision for the protection of existing interests during the transition stage. It might for instance secure a certain proportion of traffic to each of the ports for a period of years. During that time the Government of the united country would be gaining an insight into the facts of the situation. Its railway administration would be finding out which were the natural lines for this or that current of traffic and how much traffic could be taken by each line to the best advantage of the country as a whole, so that after the transition period the question would rest with the national Government itself subject to the constitutional obligation to see that internal free trade was as far as possible preserved.

Attention has been drawn to the fact that where the Colonies cannot agree amongst themselves, the Imperial Government is often forced to interfere in affairs which are strictly domestic to South Africa. If the Conference breaks up, if the Transvaal and the rest of South Africa turn their backs on one another, each to pursue its own selfish course, the results are likely to furnish an apt illustration of this remark. The immediate consequence can scarcely be

anything but the declaration of a rate war, such as all the administrations of South Africa have for the last few years been straining every nerve to avoid. The rates from the British ports will be lowered so as to enable them to compete with Delagoa Bay. In accordance with the terms of the *modus vivendi* the C.S.A.R. would respond either by reducing rates from Delagoa Bay or by imposing countervailing rates against the Coast Colonies. I am assuming first of all that the arrangements between the Transvaal and the Orange River Colony will have held together. The ports will be faced with ruin and their Governments with the gravest financial embarrassment and, powerless as they are, they can scarcely do otherwise than appeal to the Imperial Government, and for this reason that the responsibility for maintaining the *modus vivendi* rests with the Imperial Government. The Transvaal Government is repeatedly mentioned in that agreement as being bound by its terms but the parties to the agreement are the British Consul-General, who is stated to act for and on behalf of the High Commissioner for South Africa, and the Governor General of the Mozambique Provinces. In past years the Office of High Commissioner has at various times been identified with the Governorship of Natal and the Governorship of Cape Colony and it does not by any means follow that it will always remain identified with the Governorship of the Transvaal. It might

therefore fall out that the man who was the Governor of Cape Colony might be the person who, subject to the orders of the Secretary of State, might be responsible for maintaining or denouncing that agreement. It is perfectly clear that as matters stand the responsibilities which it involves lie in the last instance with the Imperial Government and not with the Government of the Transvaal. If then the Coast Colonies point out to the Secretary of State that they are forced into a rate war for self preservation by the terms of this agreement, the Secretary of State would again find himself forced into the position of arbiter between the contending Colonies of South Africa on a matter strictly domestic to South Africa and of no importance whatever to the Empire at large unless it were allowed to run to such lengths as threatened the peace of the country, a point which was once well-nigh reached over the question of the drifts.

If, however, the Central South African Railway Administration broke up and the Government of the Orange River Colony once more managed its railways separately, it would in fact be obliged to fall in with the Coast Colonies. The situation would then be more critical still, for the Coast Colonies could run their goods up at competitive rates to Viljoen's Drift, within reach of the Rand by wagon traffic. Once more South Africa would be faced by the drifts question. The Imperial

Government might find itself invited to force the hand of a British colony, as it once forced the hand of the South African Republic. In any case the Imperial Government would be obliged to use its own judgment as to whether the *modus vivendi* was to be maintained or denounced. So long as South Africa was united in the attitude which she adopted towards the maintenance or modification of this agreement, and so long as other Imperial interests were not involved (and in this particular case no other Imperial interests are involved), there is no doubt but that the Imperial Government would be always guided by the united voice of the country ; but if that voice is discordant, if different sections of the country are simultaneously demanding from the Imperial Government different and inconsistent things, the Imperial Government cannot do otherwise than settle the matter at its own discretion and over the heads of the South African people.



Part IX.

GENERAL OBSERVATIONS.

Thus, in the last instance, a question affecting the labour supply and railway rates of South Africa might be taken out of the hands of any authority in this country and remitted for settlement to a Government primarily responsible to the people of the United Kingdom, and which has no wish to be dragged into the matter at all. Here, as everywhere, inability to settle her own affairs is the necessary consequence of disunion, and the certain cause of miscarriage in South African affairs. Yet the colonial policy accepted by all parties in Great Britain is, from first to last, conceived in the wise belief that such questions as the Colonies of South Africa continue to force upon them cannot really be settled at Westminster with advantage to either people.

South Africa exemplifies the truth of one of the oldest recorded maxims of political philosophy. More than 2,000 years ago it was said that it is not by promises but by mutual interests that communities are bound together. The writer was thinking of military alliances and his saying contains a truth but not the whole truth. To bind a nation together you must not only have obligations embodied in a constitution. There

must be not merely kinship among the people and a certain measure of geographical unity, but there must be common interests as well. Not any one but all these things are the essentials of national unity in the fullest sense. Whatever conventions and arrangements are made, be the people of the various communities of South Africa ever so united by common blood, be the physical boundaries which divide them ever so slight, so long as the political arrangements are such that the Transvaal has materially more to gain by traffic with Portugal than with her sister Colonies, her sympathies will unite her with Delagoa Bay and divide her from them. So long as that state of affairs is allowed to continue the wider and deeper will that division become. It will develop into a mutual hostility fatal to common understandings such as the Customs Convention. That hostility will end by becoming a tradition of South Africa. Its roots will be driven so deep that in future no one will be able to tear them up. The material interests of the Transvaal will become so involved with Delagoa Bay that it may in the end prove impossible to unite British South Africa as it has proved impossible to combine Sweden and Norway under one Government.

The union of a divided country is seldom a thing which can be postponed to a more convenient season. Divisions left alone tend to emphasize and perpetuate themselves day by day until any really firm union becomes impossible. The statement so often made that the Union of Australia was hurried is the very reverse of the

truth. What difficulty there is in holding that union together now is directly due to the fact that it was made too late. The separate States remained apart so long that they began to grow into separate nations and to feel as such. The union of the Commonwealth was a union of a far looser kind than that of the Dominion of Canada. Had Australia faced the question when Canada faced it she could have united no less firmly and the permanence and strength of that union would now have been as unquestioned as hers.

The observation has been made that the knowledge of South Africans, their outlook and their patriotism are in some measure bounded by the colonial or provincial mould in which they have been cast. In the mind of a Canadian the interests of the Dominion take such a foremost place as the interests of the United Kingdom take in the mind of an Englishman. Neither would think of putting the local interests of Ontario or Lancashire, or whatever his native province or county might be, in anything but a subordinate place. The loyalty of too many South Africans on the other hand clings to the Colony in which they happen to live and the man who would urge the subordination of the interests of his particular Colony to those of South Africa runs the risk of being thought a dangerous and visionary politician. The vivid fact of South African Nationality has almost no expression in her political institutions. She has no outward and visible sign to which the loyalty of all her sons may cling, no watchword to utter or standard to raise

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which may awake them all to vigilance or call them all to action. Obstacles of this kind, so subtle and intangible, existing not in facts but in the minds of men, are to be overcome by such a conscious and deliberate effort of mind, as in all times has lifted men and nations from one level of existence to another. It is the faculty of imagination which distinguishes a race that is capable of progress from one that is not, by enabling that race to look beyond the wall that surrounds it and by nerving it to throw it down. In spite of their history, and in the face of political facts, the people of this country must think as members of the South African nation, and deliberately create such conditions as will make it natural for them and their children to do so.

The practice, consciously followed, of putting aside the provincial point of view, and viewing each question as it arises from the national and South African standpoint will act as a solvent to every difficulty which bars the way. Take for example the question of the Capital, always a burning one, wherever a divided country is attempting to unite. Such a question is almost insoluble so long as it is a matter of weighing the claims put forward by the several States, but if once such reasons are consigned to the back ground and the one point considered is where the capital will best serve the interests of the whole South African people, the difficulties will vanish at once.

The same principle applies to opinions no less than interests. It has been suggested

that there are questions which affect not the people of any one Colony but the people of South Africa as a whole. It has been pointed out that in the absence of any machinery competent to dispose of those questions, they are either left unsolved, referred for solution to the Imperial power, or are settled and prejudiced by one section over the heads of all the others. Everyone who accepts this view of the situation will agree that it is mere waste of breath to agitate these questions further until the machinery for solving them is created, and that South Africa should first of all apply her undivided strength to accomplish the necessary constitutional reform. At best it is a most difficult feat to unite the country under one Government, but those who undertake it will make their task impossible if they attempt at the same time to close the open questions which divide opinion from one end of it to another. They must be content to finish one thing before they go on to the next and they can hardly accomplish union unless they agree to postpone subsidiary questions until by a great constitutional reform they have secured to her people the means of considering and deciding them as a whole. To prejudice such questions is indeed the negation of the principle upon which union is sought, and in so far as South Africans genuinely believe in representative Government they should insist that all questions, which can be left open and excluded from the Constitutional

question, should be held in abeyance to be settled afterwards by the united people whom they concern.

South Africans should be wary of assuming that all South Africa can be united under one Government in the same compact manner as Natal or the Orange River Colony, are united under one administration. Surely, in a country so great as that which extends from the Zambesi to the Cape of Good Hope, many functions of government must always, in practice, be localised in the hands of local or provincial administrations. Within the sphere of work of a central national administration could of course be included all matters which local governments cannot handle with effect, or cannot dispose of at all; but there would still be functions which the present governments perform, which would have to be carried out by a provincial administration. Obviously it would be convenient to base those administrations on the historic areas with their existing Governments, modifying them perhaps on less ambitious and far less expensive lines. Some arrangement of this sort would have evolved itself even if the Government of South Africa had spread naturally Northwards from the Cape to the Zambesi as it spread from the Eastern provinces in Canada to Yukon and the Pacific coast.

One more consequence follows as a sequel from the principles which have been laid down. The populations of British

and Boer descent are, so far as can be ascertained, approximately equal, and the South African nation of the future will be compounded of these two strong ingredients, just as the Boer himself is the joint product of those tough qualities in the Dutch and Huguenot character which set all the powers of Papal Europe at defiance. Every thoughtful South African looks forward to a fusion of thought, aim and blood between the British and Boer stock which will develop a national type as strong as all mixtures of the Western peoples of Europe have ever proved. This to me, is the true mission of the British Empire, to foster the growth of vigorous nations, adapted to the continent and country in which they live, distinguished by marked characteristics from the other peoples, who in the five continents are included in its magic bond of equal brotherhood and own one Sovereign. But to say that there is at this moment no racial question in South Africa is to ignore facts and to confound the aim of the future with the realities of the present. I hold it a safer course to face those facts, and those who seek to found a national union will do well to remember that we are still within five years of a civil war. The mutual respect begotten in the course of that arduous struggle will prove the first and firmest foundation of a common nationality in the future, but for the moment it is best to remember that South Africans are men, subject to all the natural

limitations of human nature, and it would be blindness to deny that there still remains between them a measure of suspicion and distrust. I am convinced that the best way to overcome this difficulty is for both races to avow it, and at the same time for both to admit that the only possible form of union is one which the other party will accept as well as themselves. National Union is one of those few matters upon which every Government must take every Opposition into its confidence without reserve.

If union is the only means whereby peace and prosperity can be attained in this country the remedy may be thought too laborious and slow, and that before any improvement can be reached many who are now near the end of their resources will be faced with ruin. Such objectors will point to Australia where union was the result of a ten years' campaign. But the conditions of South Africa have a far closer analogy to those of Canada than to those of Australia, and in Canada union was an accomplished fact within three years from the time when the movement first began. The rapidity with which union was attained by the people of Canada was due to the fact that they approached the question in the very manner and attitude of mind recommended in this memorandum. British and French, Protestants and Catholics, Liberals and Conservatives, differing in all else joined in this alone, that the united government of Canada by herself

must be a condition precedent to the settlement of all other questions. It is true that an opposition to national union sprang up, not from any one of the recognised parties but from that section of opinion to be found in every country which does not know how to rise to any great project of national reform. But that opposition was swept away by a people passionately desirous to be one and as such to control their own future and fate. There is no reason why South Africans should not apply the remedy as quickly and effectively as it was applied in Canada. If all the people are brought to realise that unless they take the path to union they will be committed to that of separation, whether they desire it or no, the alternative they will choose is not in doubt. If not, and if the Inland Colonies are led to imagine that the final choice can be put off, and that for the present they can pursue their own interests regardless of the consequences to the people of South Africa, they may find themselves once more, having moved in a circle of wide disaster, faced as in 1895 with the question of the drifts.

Reference has already been made to the disastrous attempt initiated in 1876 to force Federation on South Africa. The fruits of that miscarriage remain, and while South Africans regard union as the one final cure for their troubles they have come to shrink from the act required to effect it as a sick man shrinks from a surgical operation, forgetting that the

longer the ordeal is postponed the more confirmed will his disease become.

In 1858 the political conditions of South Africa were such that the first movement in favour of National Union could scarcely be taken by any community other than the Orange Free State. Nothing that the little Republic could do to further this end was neglected, and had the matter been left to be determined in South Africa the movement would in all likelihood have been carried to its completion.

South Africans may well ask themselves from what calamities would not their country have been saved, if fifty or even thirty years ago, by a movement born of the soil and nurtured by their own statesmen, the federation of South Africa had been accomplished. Shall it fall to the lot of your children hereafter to have to ask themselves the same question ?

S.

January 1, 1907.

APPENDIX A.

Agreement for a "Modus Vivendi" made between His Excellency the High Commissioner for South Africa and His Excellency the Governor-General of Mozambique, December 18th. 1901.

The undersigned, LORD MILNER, His Britannic Majesty's High Commissioner for South Africa, &c., represented by His Britannic Majesty's Consul-General at Lourenco Marques, CAPTAIN F. H. E. CROWE, Royal Navy, and MANOEL RAPHAEL GORJÃO, Privy Councillor to His Most Faithful Majesty, THE KING OF PORTUGAL, Brigadier-General, Governor-General of the Province of Mozambique, &c., &c., having recognised that, pending the conclusion of an agreement relative to the Province of Mozambique and the neighbouring British Territories, it is indispensable that the terms of a *modus vivendi* should be established : and in particular that the *status quo ante bellum* should be as far as possible re-established between the Province of Mozambique and the Transvaal, have together arranged the following :—

ARTICLE I.

The engagement of native labourers from the Province of Mozambique for the Transvaal and Rhodesia, shall be established from now, and shall be allowed by the Government-General of the said Province while the present *modus vivendi* is in force or until the said *modus vivendi* shall be denounced by one of the parties in conformity with the terms of Article 13.

ARTICLE II.

The said engagement of native labourers shall be made in conformity with the procedure set forth in the Provincial Regulation of the Eighteenth of November, One Thousand Eight Hundred and Ninety-Seven, subject to such modifications as may be agreed on between the parties now or hereafter :—The collectors of labour to be accepted by both parties and to be subject as regards the collecting of labourers in Portuguese Territory, not only to the laws and regulations in force in the Province of Mozambique, but also to those that may be promulgated in the future. It is understood that the guarantee deposit and licence which

APPENDIX A—*continued.*

the collectors have to pay will not be higher than those set forth in the said Regulation of the Eighteenth of November, One Thousand Eight Hundred and Ninety-Seven.

ARTICLE III.

The Curator's Office for natives from the Province of Mozambique is re-established in Johannesburg in the terms of the Regulation of the Eighteenth of November, One Thousand Eight Hundred and Ninety-Seven, save for the modifications which may be adopted by agreement between the two parties. It is understood that the powers and duties of the Curator are only similar to those of a Consular officer.

The Transvaal Government will give to the Curator every facility and assistance in its power and in particular facilities will be given to ensure as far as possible that the names of all natives immigrating from Portuguese Territory and their places of employment are registered in the Curator's Office.

ARTICLE IV.

The combined tariffs and classification of goods on the Lourenco Marques-Ressano Garcia and Ressano Garcia-Johannesburg lines, which were in force before the war, shall be re-established, and shall be in force as long as this *modus vivendi* shall exist, save for the modifications which may be made by agreement between the two parties. It is understood that should the tariffs or classification of goods be modified on the lines from Durban, East London, Port Elizabeth and Capetown to the Transvaal, during the existence of the *modus vivendi*, the classification and tariffs on the Lourenco Marques-Johannesburg line shall be equally modified in proportion and in such a manner as to preserve the relation which existed between the tariffs prior to the war.

ARTICLE V.

Upon the commencement of immigration the civil traffic from the Portuguese frontier into the Transvaal will be allotted such a number of trucks as the Director of the Imperial Military Railways is able to allot to the said civil traffic without prejudice to the indispensable military traffic. It is also understood that the civil traffic above mentioned will be regulated on the same principles, and in equally favourable manner, as the civil traffic coming from the Cape and Natal.

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APPENDIX A—continued.

ARTICLE VI.

For the expenses of fiscalization, passports, contracts, registration, &c., &c., the Government-General shall receive during the period of the *modus vivendi* for every immigrated native who is passed by a Transvaal Government Official at the border, or at such place as may be agreed on between the parties, the sum of thirteen shillings (13s.). This sum will cover all expenses and no other amount will be charged, with the exception of a fee on re-engagement, as specified in Article 9.

ARTICLE VII.

It is agreed that the Government-General of the Province of Mozambique and the Directorate of the Lourenco Marques Railway will grant to the Imperial Military Railways equal treatment, in all respects, and will concede the same privileges as were conceded to the Netherlands Railway Company, with the exception of the military and hospital trains, to which there will be given a special rebate, according to the arrangement made on December the 11th, One Thousand Nine Hundred and One, with the Director of the Imperial Military Railways, which is hereby sanctioned during the continuance of the *modus vivendi*.

ARTICLE VIII.

The railway charges for immigrated natives returning to the Portuguese frontier shall be equally favourable with the railway charges made for the conveyance of immigrating natives from the Portuguese frontier into the Transvaal.

ARTICLE IX.

The contracts of employment of immigrating natives shall be made in the first place for not more than one year. The Transvaal Government undertakes that natives will be given their discharge at the expiration of the period of contract and that no pressure shall be put on them to renew their contracts. Should a native renew his contract voluntarily at the end of the year either with the same or with another employer, the Portuguese Authorities shall be entitled to receive a further fee at the rate of sixpence (6d.) per month for the period of the new contract.

ARTICLE X.

The provisions of the Treaty of the 11th of December, One Thousand Eight Hundred and Seventy-Five, will be observed by the Transvaal Colony and reciprocally by the Portuguese Authorities.

APPENDIX A—*continued.*

But notwithstanding anything to the contrary in the aforesaid provisions, alcoholic liquors manufactured in the Province of Mozambique may be subjected on entering the Transvaal to the same duties as, but no greater than, the duties imposed on similar alcoholic liquors manufactured in the Cape Colony and Natal.

Reciprocally alcoholic liquors manufactured in the Transvaal may be subjected to the same duties on entering the Province of Mozambique.

It is also to be understood that nothing in the above mentioned Treaty shall be held to prevent the entry of the Transvaal or of the Province of Mozambique or of both into the South African Customs Union, should such entry take place during the continuance of the *modus vivendi*.

ARTICLE XI.

During the existence of the *modus vivendi*, goods sent in transit from Lourenco Marques on entering the Transvaal shall have equal treatment with, and shall pay no higher customs duties than, the same class of goods sent in transit from Durban, East London, Port Elizabeth and Cape Town.

ARTICLE XII.

The Transvaal Government will use its best endeavours to discourage and prevent the clandestine immigration of natives from Portuguese Territory.

ARTICLE XIII.

The present *modus vivendi* shall be in force until the conclusion of a definite Convention. It can, however, be determined by either of the parties by means of one year's notice. As soon as the *modus vivendi* is denounced by either of the parties, the engagement of natives in the Province of Mozambique will be *ipso facto* suspended.

Done at Lourenco Marques this Eighteenth day of December, in the year of Our Lord One Thousand Nine Hundred and One.

(Sgd.) MANOEL R. GORJÃO, G.G.

„ FRITZ H. E. CROWE,

For and on behalf of His Excellency the
High Commissioner for South Africa.

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APPENDIX A—*continued*.

ADDITIONAL ARTICLE.

Notwithstanding the provisions of Article 10 of the *modus vivendi* of December the 18th, 1901, by which the provisions of the Treaty of the 11th of December, 1875, are continued in force, it is understood that the products of the industry of either Colony or Possession will only be admitted free of duty into the other Colony or Possession, provided the elements or chief constituent parts of such industry are the products of the soil of such Colony or Possession. And it is further understood that the above interpretation of the words "products of the industry" shall hold good for only so long as the provisions of Article 4 of the above mentioned *modus vivendi* are observed, unless these provisions be altered by virtue of propositions put forward by the Portuguese Government.

Lourenco Marques,
June 15th, 1904.

APPENDIX B.

Memorandum on the limits within which it is possible to amend in Committee of the Legislature a Draft Ordinance for giving effect to a Customs Convention.

It will be seen from the attached extract from the Votes and Proceedings of the Cape House of Assembly that when the First Customs' Union Convention was entered into a Bill with the Tariff annexed came before the assembly and it was ruled by the Speaker that no alteration could be made in the tariff because the House had already agreed to a resolution affirming the Convention. It will also be seen that in 1897, in the Cape House of Assembly the Speaker dissented from the previous ruling on the ground that there was no Constitutional principle by which the Crown could by way of Treaty impose taxation on the people so as to prevent its representatives in Parliament from altering that taxation if they should think fit. In the Legislative Council of the Transvaal the same point arose during discussion in Committee on the Customs Amendment Draft Ordinance, 1906, on the 28th June, 1906. A ruling was asked for by the Colonial Secretary as to whether it was possible for members to move amendments contrary to the terms of the Convention whereupon the Chairman gave the following ruling, viz. :—

“ That the terms of the Clause appeared to be exactly the terms which are contained in Article 12 of the Convention and therefore it is not competent for any member to move an Amendment to this Ordinance which would substantially alter any of the terms of the Convention which has already been ratified and approved.”

It is believed that there are precedents in the House of Commons in support of the ruling given by the Chairman of Committees just quoted, though not in cases of bills imposing taxation.

Extract from the Votes and Proceedings of the House of Assembly of the Cape of Good Hope, Monday, 3rd May, 1897.

Mr. SCHRIENER moved ;—“ That Mr. Speaker's ruling be obtained on the point whether, in view of the fact that

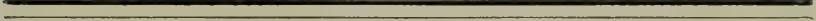
the Convention referred to the Committee was one between the Governments of the Cape of Good Hope and the Orange Free State, it was competent in Committee to move Amendments to any Articles of the Convention.”—*Agreed to.*

House Resumed.

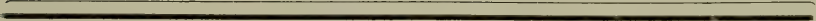
Mr. SPEAKER in the Chair.

The CHAIRMAN stated the point on which Mr. Speaker’s ruling was desired.

Mr. SPEAKER ruled :—“ In 1889, when the first Customs’ Union Convention was entered into, the mode of procedure adopted was that a Bill was introduced. During the consideration thereof, the leader of the Opposition gave notice of a Motion challenging some of the principles involved in the Convention, whereupon the then Prime Minister gave notice of an Amendment affirming the Convention, in substantially the same terms as the Motion now before the Committee. This Amendment was carried. When the Bill, with the Tariff annexed came before the House, it was ruled by Mr. Speaker that no alteration could be made in the tariff, because the House had already agreed to it by the resolution. The result of that ruling is, that if the present proposed resolution is carried, the House will be precluded from altering the tariff hereafter. Now I do not admit that there is any constitutional principle by which the Crown can by way of treaty impose taxation upon the people, so as to prevent its representatives in Parliament from altering that taxation, if it should think fit. It is the constitutional principle that the Government initiate proposals for taxation, but it is a fundamental principle that the house may either reject, or accept, or modify, such taxation. The point as put to me is raised in the form, whether there can be an Amendment to any Article of the Convention, but Article 1 is really nothing more than the tariff, and the right to regulate taxation cannot be taken away by the form in which the question is raised. The question before the Committee is a Motion ; it is open to any Member to move any Amendment in that Motion either by omitting, inserting or adding words ; and if any Member proposes an alteration in the Tariff he is entitled to do so, by, *e.g.*,—adding words to the effect ; ‘ Save and except in regard to the item specified the duty on which shall be.....instead of.....’. This is the proper form of such Amendment. In form it will not be an Amendment of the Articles of the Convention, though it will be such in substance. It will be in form an Amendment to the Motion now before the House in the direction I have pointed out.”



PART II.



SOUTH AFRICA.

HIGH COMMISSIONER'S OFFICE,
JOHANNESBURG,
January 21st, 1907.

MY LORD,

With reference to my despatch of January 7th I have the honour to transmit to Your Lordship a copy of a despatch addressed by me to the Governors of Cape Colony and Natal enclosing a Memorandum dealing with the Technicalities of Railway Management.

2. I have also forwarded copies of the Memorandum and of my covering despatch, to the Transvaal and Orange River Colony Governments and to the Administrator of Southern Rhodesia.

I have the honour to be,

My Lord,

Your most obedient humble Servant,

(Signed) SELBORNE,

High Commissioner.

The Right Honourable,

THE EARL OF ELGIN AND KINCARDINE,

K.G., G.C.S.I., &c. &c., &c.,

Colonial Office.

HIGH COMMISSIONER'S OFFICE,

JOHANNESBURG,

January 16th, 1907.

SIR,

With reference to my despatch of January 7th, I enclose a Memorandum on the Technicalities of Railway Management, which has been put into my hands by some gentlemen who have had opportunities of giving very special attention to this subject. I transmit it to you exactly as they have handed it to me. I have not edited it, nor do I consider myself in any way responsible for the opinions stated in it. But it appears to me such a valuable contribution to the study of the railway problem in South Africa that I confidently recommend it to the attention of your Ministers.

I have, etc.,

(Signed) SELBORNE,

High Commissioner.

1. The Governor of Cape Colony.
2. The Governor of Natal.

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SOUTH AFRICAN
RAILWAY UNIFICATION
AND ITS
EFFECT ON RAILWAY RATES.

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PART I.

DEFECTS IN THE SYSTEM OF STATE RAILWAY MANAGEMENT IN SOUTH AFRICA.

INTRODUCTION.

The object of this paper is to examine the principles which govern Railway Transportation in South Africa to-day, to compare them with those which experience in Europe and America has shewn to be most successful both from the railway point of view and from that of the general public, and to shew that only by unifying the South African railways can they be worked so as to afford the cheapest transportation, and develop the resources of the country to the best advantage.

Scope of
Enquiry.

The enquiry will be mainly confined to one aspect of the question, that of the bearing of these principles on the fixing of rates for goods traffic. It is not proposed to enter more closely than is necessary for the purposes of clearness into the questions of new railway construction, the system of working the lines, or even into the problem of passenger traffic and fares. Further, reference will only be made to the essentially political difficulties of the present inter-colonial situation in so far as they actually affect the working of the railways.

The first feature of the South African Railway problem which it is necessary to examine is the effect of State management.

Alleged advantages of system of State railway management.

The arguments which are usually brought forward in favour of this system of railway management are briefly as follows :—(1) That State management ensures that the railways will be worked in the general interest, and that being worked in the general interest and not with a view to private dividends, railway rates on State railways will be lower, and will be compiled on a basis more favourable to the community as a whole than that adopted by private companies; (2) that State management affords a guarantee against the working of the railways with a view to the manipulation of railway stock by private companies, and against the granting of secret preferential rates to privileged persons or companies for private or business reasons; (3) finally, that any profits that accrue are used for State purposes instead of going into private pockets.

Further advantage, avoidance of waste of capital outlay.

There can be no question that a State monopoly of railways does achieve the second and last objects. It further prevents the great wastage of capital expenditure which generally attends the construction of railways by private enterprise owing to rival companies building parallel lines to compete against one another for the same traffic, where a single line would suffice to carry all that is offered. But there is reason to doubt whether the ordinary principles of State railway management, such as those which obtain to-day in South Africa, ever do really have the result that railway rates are lower, and are compiled in a manner more advantageous to the community as a whole than would be the case if the railways were managed according to the principles which obtain on a privately

But State railway management does not in fact result in low rates.

owned railway. In fact, experience shews that in most instances the contrary is the case.

PRINCIPLES DETERMINING RAILWAY RATES.

In order fully to appreciate the effects of State management it is necessary to trace briefly the history of railway rates, and explain the principles on which they should be compiled in order to give the best results.

Railways were, in their early stages, simply commercial propositions involving the outlay of very large sums of money, and depending for a return on that outlay on their success in attracting traffic from the existing means of communication, viz., high-roads and canals, by reason of the superior speed and comfort and the decreased cost of transportation which they could offer to their customers. To begin with, therefore, rates were determined by the existing charges for transportation. Competition with rival means of locomotion has remained one of the main determinants of railway rates to this day. All railway rates have an upward and a downward limit. The highest level of the rates for any traffic is decided either by the amount for which the traffic can find other efficient means of transportation, or by the highest amount which it can afford to pay for the service of transportation rather than not be carried at all. The lowest level of the rate is determined by the amount below which it does not pay the railway to haul the traffic.

Rates originally determined by cost of alternative means of transport.

Upward movement of rates still limited by this, and also by amount which traffic can afford to pay. Downward movement limited by lowest rate which is paying to railway.

These limits, between which all railway rates must vary, differ with every consignment of traffic. On the one hand prices of articles vary in different markets and at different times;

Within these limits, rates are determined by "what it will pay the railway best to charge."

The rate which pays best is a rate which while leaving a margin of profit attracts more traffic to the railway.

Working expenditure falls into two classes: Expenses which are fixed, and expenses which vary in proportion to volume of traffic carried.

on the other, as will be shewn later, it may pay the railway to haul the same traffic at a very much lower rate in one case than in another. Within these limits, however, which are usually very far apart, what really determines the rate is the consideration of what it will pay the railway best to charge. In deciding the rate which really pays best the most important consideration is the question of the amount of traffic it will attract to the railway.

The reason for this is not difficult to see. The expenditure which a railway has to defray out of its revenues, excluding interest on capital, falls into two classes, expenditure which remains practically constant whether the traffic is large or small, and expenditure which varies directly and immediately in proportion to the amount of traffic carried. Expenditure of the first class includes the greater part of the maintenance of the line and of the buildings, and the wages and salaries of the station and headquarter staff, etc. Expenditure of the second class includes the greater part of the wages of the running staff, and of such working expenses as coal and water for locomotives, repairs and maintenance of rolling stock, etc. It is impossible to allocate any item of railway expenditure definitely to either class, because there is no item which varies absolutely in proportion to the amount of traffic carried, but a common and probably roughly correct estimate places the amounts of the two classes as being on the average equal—that is to say, quite apart from interest, half the total expense of working a railway is fixed, half varies with the traffic.*

* *Vide* W. M. Acworth. Elements of Railway Economics. "Clarendon Press," 1905, p. 50.

According to this estimate the total expenses of working a railway do not increase *pari passu* with an increase in the traffic carried, but in a ratio which is only a little more than 1 to 2. For instance, if the traffic on a particular line increases fivefold, the total working expenses on the line would only be trebled. From this it follows that the greater the traffic the less it has to pay per unit towards the fixed charges of working the line, while obviously it need contribute less per unit in order to provide the same actual amount for interest or dividends. That is to say, the larger the traffic the larger the profit (the rates remaining the same), or conversely the the larger the traffic the lower the rate (the profit remaining the same).

Increased traffic enables fixed expenses to be distributed over a larger volume of traffic, so that each item need contribute a smaller amount.

The main object of every successful railway manager therefore should be to increase the volume of his traffic at payable rates. This is the only sound method by which profits can be increased or the means provided by which rates can be reduced. Moreover, by increasing the volume of traffic not only are the fixed charges distributed over a larger amount of business and the contributions which each item of traffic has to make towards profits reduced, but it is possible with efficient traffic management to carry more traffic per train without increasing working expenditure, and thus by obtaining a larger "paying load" per truck, actually to reduce per ton the amount of those expenses which vary more or less in proportion with the amount of traffic carried. One of the greatest improvements in railway working of late years has been due to the appreciation of the importance of getting both trucks and engines loaded up to the limit of their capacity. The

Main object of railway management, therefore, to increase volume of traffic.

Increased volume also results in economy in working by enabling railway to load trucks to their full capacity.

exceptionally low rates which are charged in American Trans-Continental traffic are due to the fact that the huge volume of traffic which they produce has enabled the companies to distribute the expenses of working over traffic carried in full train-loads for a long uninterrupted journey, and to increase the capacity of engines and trucks so that the tare† bears a relatively low ratio to the paying load carried. The saving in working expenses which can be effected where there is a large and regular traffic, such as justifies the construction of trucks and engines designed to carry very heavy loads may be shewn as follows :—

American instance—It costs no more to haul 1,900 tons than 1,600.

“ On the introduction of the 50 ton car in America, the average train load of the older stock was 57 cars ; with the higher capacity truck the same gross tonnage could be accommodated in 32 cars, but when the test came to be made it was found that the same engine would haul 38 cars as easily as it formerly hauled the 57, and this meant that the same locomotive could move 300 additional tons of paying traffic without extra cost.”*

Thus tendency is to reduce rates in the hope of making a larger total profit owing to increased amount of traffic carried.

Railway rates, therefore, ought to be fixed at that figure, between the two limits (of the highest amount which the traffic will or can afford to pay, and the lowest charge at which it is profitable to the railway to carry it), which represents the biggest return to the railway per ton which is consistent with the encouragement increase in the traffic ; or, if the traffic does not of an admit of being increased, with its maintenance at its existing level. The aim of the railway manager is to produce “ the maximum volume of traffic at the most paying rates.” Railway rates have, as a matter of fact, always begun high and been reduced as occasion

* Report of Assistant Traffic Manager, Natal Government Railways, on American Railways, December, 1905. Page 70.

† Tare means dead weight of vehicle.

demands, the cause of a reduction being either the need of retaining traffic which would otherwise be captured by some one else, or the anticipation that a lower rate would result in so much more traffic, that the total profit from the smaller net return per ton on the larger tonnage would more than equal the total profit from the larger net return per ton, on the smaller and existing tonnage.

This method of compiling railway rates is known as "charging what the traffic will bear," and is adopted in greater or less degree by every railway in existence. It should be noted that "charging what the traffic will bear" does not necessarily or even usually mean charging as much as it will bear. The principle leads to the granting of low rates for traffic which cannot afford to pay the ordinary rates far more often than to high rates. As a matter of fact, no railway ever quotes rates which are above its standard tariffs, because experience has shewn that high rates of any kind frighten away traffic. Other methods have been attempted, but it has never been found possible to carry them out in full, and sooner or later a return has had to be made in greater or less degree to the principle of charging what the traffic will bear.

At first sight it might appear possible to ascertain the cost of working of the various articles of traffic and in some way base the rates on that. But this it is quite impossible to do. To begin with, the rates have always to be fixed before the traffic is carried, and no one can forecast accurately what will be the effect of any particular rate on the traffic to which it applies. A rate, say of 1d. per ton per mile on fruit may produce half a ton of traffic

These principles of rate charging are expressed in the formula of "charging what the traffic will bear,"—its real meaning

Popular fallacies as to possible ways of fixing rates—

(1) "Cost of carriage" of each article, not a possible principle to adopt in fixing rates,

a day and so just cover working expenses. But a rate of $\frac{1}{2}$ d. may so increase the amount of fruit sent by the railway, that it also covers the working expenses of the traffic. Yet both rates—the 1d. rate and the $\frac{1}{2}$ d. rate—are equally based on the cost of working the same traffic. Moreover, the cost of the service depends very largely on the amount of traffic already travelling on the line. For instance, it is conceivable that a single load of manure might be the only consignment on a train running on a branch line. In that case it would be comparatively simple to fix the rate. But suppose there were a mixed passenger and goods train, conveying not only passengers of every class, but forty different kinds of goods for various distances between 1 and 200 miles, how is the cost of the train to be equitably distributed between each kind of passenger and each class of goods, and what contribution ought each to make towards the fixed charges of the line? As a matter of fact, the cost of the service per ton must vary with every single consignment. As a leading railway authority in America wrote some years ago, "Careful investigation shews that, under the ordinary conditions under which transportation service is generally performed, the cost per ton per mile in some instances may not exceed $\frac{1}{7}$ th of a cent and in others may be as high as 73 cents per ton per mile on the same road,"* that is to say working expenses vary all the way from 1 to 500. It is clear that it is absolutely impossible to compile rates in any way according to what is sometimes called the "cost of service rendered" simply because no one can tell what that cost amounts to.

because it is impossible to ascertain it.

Instance of variation in cost of haulage.

* Albert Fink

The usual alternative which is suggested (2) "Average cost of working," another suggested method of rate fixing.

to compiling rates according to the principle of charging what the traffic will bear, is that they should be based on the "average cost of working" per unit of the traffic. This method admits of several different interpretations. If the ton were taken as the unit the rate would be arrived at by dividing the total expenditure by the total tonnage. This would mean that traffic would be carried any distance at the same charge per ton, in the same way as letters are carried for the Post Office any distance long or short for 1d. But that is obviously impossible, for the rate for short distances would be absurdly high, quite prohibitive in fact, while the rate for long distances would be very low. And even the rate for long distances would rise because the fact that the railways would carry no short distance traffic would make it necessary for them—if they were to pay at all—to raise the rate for long distances at least to the level of the cost of working traffic for the long distance.

Various interpretations.

(a) Uniform charge per ton impossible because it would kill traffic.

The more common interpretation is that all the traffic should be carried at an uniform charge per ton per mile. But it is clearly impossible to carry all kinds of traffic at the same rate. It would be absurd to charge both coal and champagne at the same scale per mile. To charge raw materials at the same rate as articles of luxury would mean that raw materials would be charged too high and that traffic in them would diminish, while luxuries would be charged too low because they could afford to pay much more without the traffic in them falling off to any appreciable extent. This system would lead to

(b) Uniform charge per ton-mile also impracticable

because it would impose a prohibitive charge on heavy articles of low value.

such anomalous results as the following; a ton of ostrich feathers occupying perhaps a whole truck would pay no more than a ton of coal occupying the twentieth part of a truck, or conversely, a truck full of coal would be charged twenty times as much as the same truck full of ostrich feathers. The result of a uniform ton-mile rate would be that the railways would only get traffic in articles which could afford to pay high rates. As this traffic would then have to support the whole railway system the rates on it would have to be raised. Thus in the end the railway traffic would be diminished, articles such as raw materials which could not afford to pay high rates would not be able to get railway carriage at all, while the traffic which could afford to pay would have to pay higher rates than it would under the system of charging what the traffic will bear, because it alone would have to pay for all the fixed charges and interest on the railway.

c) "Average cost of working" of each kind of traffic also impossible method of rate fixing.

There is also another interpretation of the principle of basing rates on the average cost of working, viz.: that each different kind of traffic should pay according to the average cost of working of that particular traffic. For instance, that boots should be charged according to the average cost of working for boots over the whole system, and similarly with wood, grain, jewellery and every other kind of traffic which offers itself to the railways for carriage. But it would be quite impossible to carry out this method strictly. For it is practically impossible to find out what is the average cost of working of any particular kind of traffic for the same reason that it has been shewn to be impossible

to ascertain the actual cost of working of any particular item of traffic. Thus the rate for sugar would vary considerably according to whether the total volume of traffic amounted to one or ten thousand tons a year. It would also depend on the size of the consignments in which it was offered. For obviously a thousand tons of sugar consigned in quarter-truck loads would be much more expensive to work than the same amount of sugar sent in full train or even truck loads. Again, it would be necessary to take into account the circumstances under which the traffic was consigned, *e.g.*, whether it was travelling mainly in a coastwards or inwards direction, or on a branch line on which there were usually empty or partly empty trucks or whether it required extra trucks. For instance, how would it be possible to ascertain the average cost of carrying suits of clothes, some of which were imported from oversea and some sent from some big centre, partly to towns on branch lines, and partly in a coastwards direction to intermediate stations on the main line. In each case it would be necessary to allocate some proportion of the expenses of working the inwards or coastwards travelling train or the branch line train to the particular consignment of clothes, though each train carried a varying number and tonnage of other articles for different distances. In every case the amount which the consignment of clothes ought to pay would differ and no one could tell in even a single case what it ought to be.

But even if rates were only roughly based on the average cost of working, if, for instance, coal were given the lowest rate because it was

because it is impossible to ascertain for various reasons.

All attempts to base rates on "average cost of working" lead to anomalous results, to stifling of traffic and to high rates.

offered for carriage in large and regular consignments, dry goods at a higher rate because they usually travelled in smaller and irregular consignments and required a good deal of handling and care, and breakable objects or explosives at the highest rate either because of the small quantities in which they travelled or their liability to damage or the danger in handling them, there would still be the same objection which applies to every attempt to base rates on cost of working. It is sure to lead to anomalous results and to high rates. For instance, it costs no more to carry a ton of cases of whiskey than it does to haul a ton of wood, if the bulk is approximately the same, yet to charge the same rate to both would mean that the revenue thrown away by not charging the whiskey at the most payable rate, would have to be made good on the wood, if the railways were to continue to be a paying concern. Moreover, under any system of charging according to the average cost of working it would be necessary to frame an estimate of the total tonnage to be carried and the total mileage it would travel, in order to find out how much each article ought to pay per ton per mile towards fixed charges and interest. But to charge an equal average amount per ton per mile for interest and fixed charges—an amount which would usually be considerably in excess of the working expenses per ton per mile—would mean that the rate for long distances would be prohibitive, except for articles which could afford to pay high rates.

It would in particular make long distance rates prohibitive.

“Charging what the traffic will bear” the only practicable and the true business principle.

It is perfectly clear that it is impossible to base rates on average cost of working. Any attempt to do so would diminish traffic, heighten rates and be of profit to nobody.

It is necessary therefore to fall back upon the principle of charging what the traffic will bear as the best and only really practicable method by which it is possible to compile railway rates.* In theory the full application of the principle would mean that a different rate would be quoted for nearly every different consignment of traffic. But considerations of simplicity and the need for avoiding confusion, make it impossible to apply the principle of charging what the traffic will bear separately in each case, and render it necessary to have a standard tariff based on that principle which can be applied at once to all ordinary traffic. Traffic therefore is divided into a number of classes with a different rate for each class. The class into which each different article is placed is determined mainly by the value of the article, its capacity to pay for the service of transportation, and the amount of traffic it will provide, but partly also by such considerations as liability to damage, bulk in proportion to weight, the nature of the packing and the ease with which it can be handled.

Application of the principle in the case of ordinary traffic.

Standard classification rates.

At the beginning the tendency was to enforce the rate applying to each class equally per ton per mile. But as long ago as 1882 a Select Committee of the House of Commons on Railway Rates pronounced this system to be "impracticable," for the simple reason that to adhere to it meant the destruction of all long distance traffic, without being of advantage to anybody, for equal mileage rates simply restrict the area over which traffic can travel from any one centre by making the rates for long distances

Originally standard rates were ton and mile rates for each class;

* *Note.*—The advantages and the justification of this system are set forth in Part II.

but these killed long-distance traffic, and a "sliding scale" for distance was adopted.

Degree of "taper" varies according to class of goods.

prohibitive. Moreover, it is not in the least necessary for the railways to adopt a mileage rate in order to avoid loss, for working expenses do not increase by any means in proportion to the distance travelled. The classification rates, therefore, are applied according to a sliding scale for distance.* These sliding scales differ slightly for each class. That for the highest class approximates to a crude mileage rate since there is a point beyond which it does not pay to reduce the rate because the traffic can afford to pay it and a further reduction would not result in a more than compensating increase in the traffic. The sliding scale however for the class which includes articles which cannot afford to pay a high rate or which it is remunerative to carry at a low rate has a considerable taper, in order to increase as much as possible the traffic or the area over which it can travel. There are usually also certain rates applying to particular articles consigned under special conditions, such as the coastwards rates for coal in South Africa. Further, there are often two scales applying to the same class of traffic, one for large quantities—a wholesale rate, and the other for small—a retail rate.

STATE *versus* PRIVATE RAILWAYS.

Both State and private railways follow principle of charging what the traffic will bear in compiling their ordinary classification rates,

Up to this point all railways, both State and private, are more or less alike.

On private railways, especially in thickly populated countries, traffic is usually perhaps divided into a greater number of classes than

* "Sliding scale" or "tapering" rates are rates in which the greater the distance the less the rate per mile, thus a rate which up to 50 miles was $\cdot 5$ of a penny, over 50 and up to 200 $\cdot 3$ of a penny, and over 200 $\cdot 2$ of a penny, would be a tapering rate.

on State railways, and if the railway extends over a large area they may differ for different districts. Private railways also usually go much further in the direction of dividing their classification rates into wholesale and retail rates. On the other hand, a State railway is not usually in such a good position to judge of the capacity of the traffic to pay for transportation, because it has fewer agents, and, like all Government managed concerns, it is less active and therefore less constant and less successful in its endeavours to find new traffic, than a private company. It is more influenced by considerations of expense of handling, special truck service, etc., which disturb the ordinary routine of its business, than is a private railway. Moreover, it generally modifies its classification so as to fit in with its general administrative policy. Thus it would probably put certain articles, the price of which for reasons of public policy the Government desired to see kept down, *e.g.*, flour or fencing material, in the lowest classification, even though no increase in the traffic would result, and though it could be made to pay more, without materially diminishing the traffic.

though there are certain minor differences in the way in which it is applied.

So far, therefore, as the ordinary classification and rates are concerned, State railways and private railways in the main agree. They both compile them on the general principle of charging what the traffic will bear.

But beyond this point they diverge. And the real difference between them consists in the extent to which they carry out the principle.

The State railway generally adheres rigidly to its ordinary rates and classifications

But a private railway applies the principle much further than to its standard classification rate, while a State railway

adheres rigidly to its standard tariff.

as they exist from time to time in the tariff book. Its system is not flexible. The private railway only applies its standard tariff in ordinary cases and carries the principle of charging what the traffic will bear to its logical conclusion by giving special reduced rates of all kinds where it pays it to do so.

State railways adopt a rigid system in order to avoid charge of discriminating between its customers.

The reason why the Government railway is forced to adopt a rigid system is not difficult to see. The view that railway communication is a matter of such vital concern to the community that it should be conducted by the State in the general interest has naturally resulted in the railways being managed more or less on the lines of an ordinary Government department. That is to say it is accepted as a principle that a Government railway should not discriminate between its customers, but should treat all as far as possible alike.

It therefore does not give special rates in the same way that a private railway does.

But though a special rate as will be shewn later, need not and in fact usually does not involve discrimination, a departure in any particular case from the standard tariff looks as if the railway were differentiating in favour of a privileged person, and for a Government and especially a party Government to favour

State railways are forced to adopt a rigid system owing to strength of public feeling.

particular individuals or interests is naturally regarded as being intolerable. This feeling is so strong that it is extremely difficult for a Government railway to make any departure from its fixed schedule of rates. Further, a special rate given in one case is at once claimed by others, who consider themselves unfairly treated if they do not get it even where conditions are different and where it would not pay the railway to give it. Experience has shewn that it is almost impossible for a railway, directly administered as an ordinary

Government department, to do otherwise than adhere strictly to its scheduled tariff. Thus Mr. H. R. Meyer, Professor of Railway Economics in the Chicago University, gives it as his experience after a 12 years' study of the effect of Government interference in railway rates:—

“The Railway Department of autocratic Prussia, the administrative officers of republican France and the Government railway officials of socialistic Australia, all are agreed that the public regulation of railway rates be it through State ownership or through legislation and administration—means hard and fast railway rates which embody a system that admits of little discretion or appearance of discretion. All are agreed that the conflicts of sectional, trade and class interests, precipitated by the modern competition for the market, are so fierce that no Government, and no body of public officials, can step in to regulate them, unless that Government, or those officials, can get behind the stone wall of a hard and fast system and reply to all complaints; “Gentlemen, you are complaining of rates that are the machine product of a system established by law, a system that knows no discretion.” *

Again, Von Miquel, at one time Prussian Finance Minister, said in regard to the Prussian railways that

“The system of Government ownership will break down unless it shall prove possible to find refuge from the jealousies and conflicts of local and sectional interests behind the stone wall of a system of hard and fast railway rates which admits of no exercise of discretion.”

The effects which follow from a rigid adherence to a standard classification can best be shewn by explaining what happens under private management when the principle of charging what the traffic will bear is fully applied.†

A private railway company is not concerned to avoid differentiation in rates. Its object is

Effects of adhering to a rigid system can be best illustrated by comparing results of that system with results of private management.

Private railways give special rates of

* Government Regulation of Railway Rates, by H. R. Meyer. Macmillan 1905, p. 122.

† Further illustrations shewing that Government Railways have hitherto always adopted a rigid system will be found in Part III.

all kinds, which are lower than the ordinary rates, because it pays to do so,

to make its railway pay. Its classification therefore simply represents its standard tariff in ordinary cases. Where traffic cannot afford to pay the ordinary rate, but can still afford to pay a rate which it will pay the railway in the particular case to accept, rather than go without the traffic, it carries it at that rate. For instance, when trucks are running empty any rate is a paying rate which more than covers the difference in cost between running them full and running them empty or half empty. As long as it is necessary to run a train at all, a rate which attracts any traffic which would not be offered at any higher rate is a paying rate and the traffic is a paying traffic because it makes a contribution towards meeting the working expenses, which would not otherwise be received. A relatively high rate, such as a rate equal to the average cost of haulage, is a non-paying rate where traffic cannot afford to pay it, while a lower rate becomes a paying rate when it succeeds in attracting traffic.

because special rates are simply given to attract traffic which would not otherwise be offered, but which can still pay to the railways what is a paying rate.

Theory of private management—any rate is a paying rate which increases net earnings.

The theory of private company management may be expressed in the rule that while as much traffic as possible should be carried at the ordinary classification rates, *i.e.*, at rates which vary in proportion to capacity to pay, but which are above the average cost of working of the traffic, it is good railway practice to reduce rates on any particular class of traffic or to any particular district, so long as it will increase net earnings, that is so long as it will increase gross earnings faster than working expenses. The latter portion of this rule is applied in two ways.

Two kinds of special rates.

In the first place a rate lower than the ordinary classification rate is given with the

object of developing a larger traffic of a permanent kind in a particular article, or from some special locality, requiring a regular truck service of its own. Thus supposing a rate of 15s. per ton from an agricultural district to a central market attracted 1,000 truck loads a year each of which on the average cost 10s. to haul, the gross revenue would be £750, working expenses £500, and the profit £250. But suppose as a result of reducing the rate to 13s. the product was cheapened and the number of truck loads were increased to 2,000 because people took more of it, the gross earnings would be increased to £1,300, but the working expenses only to £1,000. The net result of reducing the rate would thus be to cheapen the article, suit both consumer and producer, and yet return 20 per cent. extra profit to the railways. Moreover, the larger traffic would probably enable the railway to rearrange its service so as to get a better paying load per truck, thus reducing the working expenses, and further increasing the profit. This first kind of special rate usually takes the form of a reduction for some particular traffic consigned under specially favourable conditions for railway working, such as in large quantities or regular consignments. The rate is then usually given as a point to point rate, applying between the place of origin of the traffic and its usual market. This kind of rate a Government railway scarcely ever gives, because being given to a particular locality or individual it looks like preferential treatment, even though it pays the railway to give the rate, and the traffic would not be offered in the same quantity if the special rate were not granted.

(a) To develop a larger traffic of a permanent kind requiring truck service of its own.

Illustration.

Special rates of this kind are usually point to point rates for particular traffic.

State railways usually cannot give these rates.

These rates in America are called "commodity" rates. The rates on a particular

Illustration of
very low special
rates in America

article are often simply determined by the price it will fetch in the various markets. It pays the railway better to carry the traffic at a very low rate, rather than not to carry it at all. It therefore charges the producer a little less than the difference between the cost of production and the selling price in the different markets.

Thus the rates for tinned salmon are as follows:—

San Francisco to Chicago	75 cents per 100 lbs.
„ New York	75 „
„ Liverpool	75 „
„ London	75 „

In this case it evidently pays the railway companies to get a very large traffic in tinned salmon by quoting a low rate to Europe, part of which they have to share with the shipping companies.

(b) Special rates
to attract traffic
to fill trucks
which would
otherwise
travel empty.

Illustration of
this kind of
special rate.

In the second place it is regarded as good policy from the railway point of view to attract traffic which cannot afford to pay the ordinary rates by quoting very low rates, provided that the railway can thereby increase the paying load of a train by filling empty or partially empty trucks which have in any case to be hauled as part of the ordinary train service. This particularly applies to branch lines. For instance, supposing it cost 40s. a truck to bring building stone from a quarry at the end of a branch line to a big building centre, and 30s. a truck to return the truck empty to be filled up again, the railway management would have to charge say 80s. for the haulage of stone on this branch in order to make a profit of 10s., if its rate for return traffic was the cost of working (*i.e.* 40s. a truck) or above it, and it could not get any traffic to carry back again at

that rate. But suppose by reducing the rate for goods going back to the quarry to 30s. a truck. it could fill them with mealies, it would get 110s. a truck for the two journeys, the working expenses would amount to 80s. and the profit to 30s. instead of 10s. Thus, by carrying traffic back at less than it actually costs to haul, the average rate for the two journeys would be reduced from 80s. to 55s. ($80 + 30 \div 2 = 55$) the owners of the quarry would be no worse off, the consumers at the quarry much better off and the railway profit on the particular transaction increased 200 per cent.; or if it was only desired to make the same amount of profit, the rate for stone could be reduced from 80s. to 60s. per truck. Or to put it in another way, if it were a line on which the ordinary classification rates applied, the ordinary rate for stone might be 50s. a truck and the cost of working 40s. for a full truck and 30s. for an empty truck. A private railway by reducing the rate for return traffic to 20s. would cover the working expenses of the whole traffic even though it did not make a profit. The Government railway however in adhering to the ordinary classification rate on traffic back again (which as stone is usually in the lowest class would be probably higher than 50s. for any ordinary traffic) would get no traffic to carry. It would therefore only get 50s. towards a service which cost 70s. to perform. It would thus lose 20s. a truck on the transaction and the public would not get the benefit of a reduced rate. This loss would of course have to be made good on other traffic, *i.e.*, by keeping up the general level of railway rates.

State railways lose revenue by not giving them, and therefore have to put other rates up.

Other forms of special rates designed to effect economies in working.

There are also many other forms of special rates which are used on private railways. For instance, a great part of the internal traffic in America has been built up on the "basing point" system. The chief object of this system is to effect economy in working. "Basing points" are fixed in various portions of the country. The rates between any two basing points are very much lower than the ordinary scale of rates, and in order to get the benefit of them traffic travelling from one basing point district to another has to be sent to the basing point station. The effect of this system is that while the sum of the local rate to the basing point, the rate from one basing point to another, and the local rate from the other basing point to destination is lower than the direct through rate from one local station to the other would be, it more than pays the railway to give the low rate because it gets its traffic concentrated at a few centres, and is thus able to load it in full train loads and so effect great economies in working. If the system were not adopted the railways would get its traffic in irregular consignments and the working costs per ton and consequently the rate would be kept high.

"Basing point rates.

"Blanket" and "postage stamp" rates.

Another form of special rate in America is the "blanket" or "postage stamp" rate, where the rate from any portion of one "blanket" district to any portion of another are the same. These rates are usually given between two districts which are separated by very long distances, especially where the railways are met with sea competition. Thus the rates for many articles from any portion of California to any station near the Atlantic sea board are the same.

“Applied to South Africa, the system followed in America would mean that the rates from say the Cape Colony Western Province and stations as far north as Beaufort West to any station in the Transvaal would be the same; similarly the rates from the same points to any station in Natal would be the same; or, again, the rates from say, any station in Natal to De Aar or any station north thereof as far as Bulawayo would be the same.”*

One thing these illustrations have made clear, viz., that a commonly expressed opinion that the system of rate charging ought to be simplified, and some uniform tariff scale adopted, is based on a very inadequate appreciation of the requirements of trade. The more efficient and successful a railway becomes the more complicated are its rates. For instead of compiling them according to a fixed scale it adjusts them from day to day according to the needs of every section of the community. The aim of every special rate is to increase traffic and trade, and, by eliminating considerations of distance as far as possible, to widen to the utmost extent the market for the products of every district.

Simple railway tariffs clearly inadequate to trade requirements.

The result which follows from a rigid adherence to a standard classification is now fairly clear. Special rates are given by a private railway for the purpose of increasing trade, and they are in every case below the ordinary classification rates. The lowest rate, therefore, charged on a private railway is far lower than that charged on a railway run on State principles. It is the lowest rate at which in any particular case it is profitable to haul the traffic. On the State railway, however, the lowest rate cannot, save in very exceptional cases, be below the average cost of working of

Result of difference in practice is that lowest rate on a private railway is far lower than lowest rate on State railway,

* Report of Chief Traffic Manager, Central South African Railways, on American, Canadian, English and Continental Railways, 1905, page 17.

because rates being charged to all alike it is impossible to reduce rates below average cost of working traffic without involving a loss on working.

the traffic which is grouped in the cheapest class without involving the railway in heavy loss. For, as already explained, any rates which it quotes have to be charged to everybody alike, *i.e.*, they have to be the standard rates. And as these rates are charged to all consignors, and apply equally on any and every section of the whole railway system for the same description of traffic, it is impossible to lower any rate below the average cost of working of the traffic to which it applies, without incurring considerable loss, which has to be made good by charging higher rates elsewhere. A private railway, however, by giving special rates can reduce rates to meet the requirements of traffic which cannot afford to pay the ordinary tariff rates, without at the same time throwing away revenue by reducing also the rates on such portion of the traffic as can afford to pay them.

Usual minimum rate on State railways, the average cost of working traffic over whole system.

As a matter of fact State railways usually fall back upon the average cost of working of all the traffic on the whole railway system as the lowest limit to which they can reduce their rates. Thus during the debates on the Prussian Canal Bills in 1901 the opponents of the Bill argued that it was unnecessary to incur an expenditure of many millions on constructing canals, as the working expenditure on the railways for the particular traffic which the canals were designed to carry could be reduced to 0·119 cent. per ton mile (*i.e.*, below the cost of working the traffic *via* the canals); to this the Government replied by stating that "the average cost of handling traffic was 0·346 cent. per ton mile for operating expenses* and 0·173 cent. for interest on the capital invested, and that therefore, the

* That is over the whole railway system.

Railway Department could not take any traffic at rates under 0·346 cent.”*

In practice therefore the lowest rate on a Government railway tends to be fixed at the average cost of working of traffic over the whole system. In any case it has been shewn that it cannot be below the average cost of working of the particular traffic or class of traffic to which the rate applies, without involving a loss and higher rates elsewhere.

But not only does State management mean that the lowest rates on the railways are much higher than they would be if the railways were under private management, but it also means that the general level of rates for all traffic is much higher. For the traffic carried at specially low rates on the private railway, which is lost to the Government railway, helps to defray the cost of working the railway system as a whole, which would otherwise, and on railways worked on ordinary State principles does, fall entirely upon the shoulders of those who can afford to pay the ordinary classification rates. For instance, the working expenses of a branch line have to be paid from somewhere, and unless traffic can be got even at very low rates to pay a part of the expenses, the whole cost has to be met from the revenue derived from traffic on other lines. Thus special rates not only assist those that get the benefit of them, but they also enable a reduction to be made in the general level of the ordinary rates. The far-reaching effect of giving full play to the principle of charging what the traffic will bear, may be

Rigid rates such as those on State railways stifle trade and keep up general level of railway rates,

because much traffic is lost which would otherwise help to defray expenses of working the whole railway.

*H. R. Meyer, *Government Regulation of Railway Rates*. Macmillan 1905, p. 121. This practice of State railways is also due to the fact that it is practically impossible to ascertain the cost of working of any particular class of traffic, and the railway has therefore to fall back on the average cost of working the whole traffic as the standard limit to which it can reduce rates. This average cost can be easily ascertained by dividing the total ton-mileage in any one year into the total working expenditure,

Special rates not only help those that get them, but bring down general level of railway rates as well. seen from the fact that on private railways considerably more than half the total tonnage is carried at special rates—that is rates which are anything from 5 to 50 per cent. below the tariff rates. Some twenty years ago the general manager of one of the great English companies declared that only 15 per cent. of the company's business was done at scale rates.*

DISADVANTAGES WHICH RESULT FROM INFLEXIBILITY OF STATE RAILWAY MANAGEMENT.

Two defects of State railway management.

The conclusion to be drawn from the considerations already set forth, is that the system of working railways according to the ordinary principles of State railway management, such as those which obtain in South Africa to-day, has two serious defects.

(a) It keeps up general level of railway rates.

In the first place it keeps up rates and frightens away traffic without in any way assisting the community or increasing the profits of the railway. As Professor Hadley, a leading authority on railway rates, wrote of the rigid State railway system, "The effort to prevent discrimination results in leveling up rather than leveling down." An illustration of the effect on traffic of the ordinary principles of State management is to be found in Germany. Between 1875 and 1895 the canal traffic in Germany increased from 290,000 tons to 1,150,000 tons per mile of canal. On the other hand in both England and America where railways are under private management and where the principle of charging

Illustrations.

* *Vide* Acworth Elements of Railway Economics. "Clarendon Press," 1905, p. 126.

what the traffic will bear is in full operation, the railways have practically destroyed the canal business. Professor Meyer gives another illustration, "The railway which serves all this territory is known as the Berlin-Hamburg Railway, and under the regime of private railways, the value of the freight carried by it vastly exceeded the value of the freight carried by the Elbe. Within a few years after the nationalisation of the railways and the curtailment of special rates, the situation has been reversed." As Von Miquel, the Prussian Minister of Finance, said, "Canals were things of the past, but they have come back." Again, during the period 1880 to 1900 when both Germany and America were undergoing a period of great expansion the general level of prices in Germany "fell 17·6 per cent, and railway charges 14·7 per cent. In the United States on the other hand prices fell 24·3 per cent. and railway charges 41·7 per cent."*

The second defect lies in this, that by fixing its charges according to an inflexible scale, and making everybody alike pay these charges, a State railway does actually compile its rates so that they are in favour of those people and those districts which are so happily situated, or so endowed by nature as to be able to pay high rates. A State railway does in fact only offer transportation to those who are relatively well off, and gives little or no assistance to those who are not. Moreover, it does really discriminate in favour of those already in the field, for its rates are based on the traffic provided under the existing conditions, and it does not modify its rates to meet new conditions. That is to say, State railways in adhering

(b) It does not afford transport facilities to poor communities or struggling industries.

State railways further hinder progress of

* H. R. Meyer, Government Regulation of Railway Rates, p 93.

industries by
preventing
competition.

rigidly to their classification rates really protect vested interests against new competitors and the necessity of adopting improved methods. It is true that the State railway does not intentionally discriminate between its customers, and that from that point of view it acts fairly. But by doing so it does not fulfil the first object of State management of railways, namely, to conduct them so as to be of the greatest benefit to the community as a whole.

These defects
arise from the
fact that State
railways are not
worked on eco-
nomic lines.

Both these defects really come from the same cause, the attempt to work the railways as a department of State administration instead of as a business concern conducted on strictly economic lines. Both defects are non-existent on private railways because they are run on the commercial principle of charging what the traffic will bear. Private railways follow this principle not because they want to extort as much as possible from their customers, but because experience has shewn them that it pays best to suit the public best. Business principles do not dictate what is to be given to the public, but public interest dictates what it is the best business to provide. In all spheres of public activity business principles have nearly always been found to be more in the general interest than principles based on any theory of what is good for the public. Railways, therefore, which are worked on commercial lines, while making more profit, charge lower rates, and adjust them so as to fall in better with the needs of the community at large, than do railways conducted according to the ordinary principles of State railway management.

Business principles pay best, because they are based on what suits the public best.

Private system of management leads to higher profits, lower rates, and better facilities for trade requirements than rigid system of State railway management.

There is also another reason why Government railways tend to be inflexible as

compared with private railways. They are usually monopolists within their own sphere. There is therefore no competition from other railways to force down their rates. But while competition does undoubtedly result in rates being reduced to a very low level—to a lower level than the principle of charging what the traffic will bear would produce alone—there is no reason why its absence should absolve the South African Railways from carrying out that principle to the fullest possible extent, with far more advantageous results both to their own revenues and to the general public, than their present inflexible system.

Defects partly due to fact that State railways are not faced with competition within the area which they serve.



PART II.

THE RESULTS ON SOUTH AFRICAN TRAFFIC
OF APPLYING A MORE FLEXIBLE
SYSTEM OF RATE CHARGING, AND THE
JUSTIFICATION FOR ADOPTING SUCH
A POLICY.

Subject of part
II.

In the first part of this paper it has been shewn that the present system of South African Railway management, being controlled by the State, and therefore inflexible, has the result of keeping up rates and checking development; and that the system followed by private railways which gives full effect to the principle of charging what the traffic will bear, produces under proper control far better results both from the point of view of the railways and of the general public. In this second part it is proposed to examine what would be the effect of applying the principle of charging what the traffic will bear to the existing South African conditions, and to see how far it is justifiable for a State-owned railway to adopt this policy.

Two aspects of
problem of
South African
railway man-
agement:
(a) Over-sea
traffic.
(b) Local traffic.

The problem of railway management in South Africa centres itself round two aspects of railway transportation:—First, the carriage of traffic from oversea to the great mining and distributing centres; and secondly, the encouragement of local traffic within South Africa in order to develop the more backward parts of the country, and by enabling them to provide for the great markets a large portion

of the supplies which are now imported from oversea, ultimately to cheapen the cost of transport and of living throughout the whole country.

APPLICATION OF PRINCIPLE OF "CHARGING WHAT THE TRAFFIC WILL BEAR" TO OVER-SEA TRAFFIC.

The special difficulties which have arisen in connection with the rates for traffic from oversea are mainly due to the fact that for most of this traffic there are rival routes, the property of different Governments, each competing to carry it. The situation is further complicated because in most cases oversea traffic has to pass over at least two sections of railway each managed by a separate Administration and owned by a separate Government before it can get to its destination. It is not proposed to deal in this part with the purely political aspect of the problem as it concerns the various South African Colonies, but only to examine how far it is desirable to give full effect to the principle of charging what the traffic will bear in the case of through traffic.

Special difficulties of present situation due to competition between rival routes for traffic to Inland Colonies.

Further complication introduced by divided ownership of through routes.

This aspect of question to be considered later.

Oversea traffic is offered to the railways under most favourable circumstances, for it is delivered to them in regular quantities and at one or two points only, and usually for carriage to the great mining and distributing centres. It can in most cases be worked in the cheapest possible manner, in large capacity trucks and full train loads over a long unbroken haul. Further economies therefore are difficult to effect in the actual manner of handling the traffic, and the only means by which the railway profits can be increased or the cost of haulage per ton

Over-sea traffic offered under favourable conditions for cheap working.

Further reductions in cost of haulage can only be effected by increasing traffic.

The best way to obtain this increase of traffic is by special rates.

Instance of possible special rate in case of manure.

reduced is by increasing the quantity of traffic over which to distribute fixed charges. But if the ordinary classification rates give full effect to the principle of "charging what the traffic will bear," the only manner in which traffic can be further increased is by means of special rates. As a matter of fact it is probable that in many cases it would in the end pay the railways to reduce the present level of the ordinary classification rates on certain imported articles, though for reasons which will be explained later, it is difficult for Government railways to do so.* The effect and value however of special rates in increasing the volume of oversea traffic may be illustrated as follows:—

A cheap supply of manure is vital to the agricultural future of South Africa, and it is impossible, at any rate at present, to meet the demand except by large importations from oversea. It would therefore be to everybody's interest to carry every ton of manure that it was possible to get, at any rate which was a paying rate to the railways. Manure to-day is probably hauled at a rate which simply covers the average cost of haulage and makes no contribution to fixed charges. But so long as the railways are worked on the ordinary Government principles they must charge the scheduled rates for manure to all alike, and they cannot give a special lower rate for it in any particular instance even where it would pay to do so. For instance, say the present rate for manure works out on the average at $\frac{3}{4}$ d. per ton per mile, and an Association of farmers inland came to the railway authorities and

* Especially because of revenue considerations, see page 60.

stated that they would import 1,000 tons of manure if they could get a rate of $\frac{1}{2}$ d. per ton per mile but not otherwise. That rate might quite well be a paying rate for the railway in this case because it would get the manure in full train loads and for a long unbroken haul from the coast. Moreover if it did not give the rate it would lose the traffic, and consequently the profit also. It would certainly be to the great advantage of the community if it could be given. But a Government railway would probably be unable to give the rate because to make any departure from their standard tariff would look as if they were differentiating in favour of this Farmers' Association by giving them a lower rate than other people. On the other hand if the general level of the rate were reduced to this figure the railways would suffer a loss on the carriage of all other manure, which would thus be receiving a bounty at the expense of other traffic.

Great value of such a special rate, though below average cost of working.

But almost impossible to give it now because State railways fear charge of discrimination.

Or to take another case, suppose all the raw materials required to make a manufactured article existed in South Africa except one which had to be imported from oversea, and suppose that the South African product was just unable to compete with its imported rival because of the rate on this one ingredient, would it not pay the railway to give a special rate for it to the factory in order to enable it to undersell the imported product? The traffic in it would enormously increase, and a special rate which at first might have been below the cost of working would probably become a paying rate. The railway would almost certainly also get an increased amount of traffic in the finished product, because the amount of it consumed by the public would be increased as a result

Another instance of possible application of special rate,

leading to increased traffic in various directions.

of its being able to undersell the imported article. Thus as a set off against its loss in revenue owing to the decrease in the traffic in the imported product, whose market would be destroyed, the railway would get revenue both from the carriage of the raw material, which it had not got before, and from an increased traffic in the manufactured article. Moreover its revenues would be further increased indirectly from the fact that a new industry had been established supporting a certain number of new families, each of which would have to get their requirements over the railway. Further, the creation of one industry would probably lead to the introduction of others, each resulting in more traffic to the railways. Thus if one of the articles used in the industry were a manufactured article such as tins for jam, the reduction in the rate for the empty tins, by establishing the jam industry on a flourishing basis, might result in a tin-making industry also being started locally, because it would be assured of a market for its products. A special rate of this kind would probably only be given by a Government railway when the particular article was imported only for the purposes of one industry. Where it was used for other purposes as well a Government railway would probably refuse to give a special rate on the ground that it could not give any particular industry special treatment. Moreover, in this as in other similar cases, a Government railway would be inclined to refuse the special rate because the rate suggested would be below the average cost of working on the whole railway.

State railway
unable to give
this kind of
special rate.

Special rates not
to be given on
oversea traffic

There is one limitation, however, which might be imposed on special rates for oversea

traffic on grounds of public advantage, namely, that they should never be given so as to encourage the oversea import at the expense of the South African product, where the two can compete. This limitation it would seldom be necessary to enforce because, as the illustration just given shews, it would usually be more profitable to the railway in the long run to develop the South African industry.

so as to injure South African production, because it would be unprofitable both on public and railway grounds.

The other question in through traffic is the question of the route by which to bring oversea traffic. This is a question which does not directly concern the aspect of the problem now being considered, viz., the effect of applying the principle of charging what the traffic will bear. It will therefore be dealt with at a later stage.*

APPLICATION OF PRINCIPLE OF "CHARGING WHAT THE TRAFFIC WILL BEAR" TO LOCAL TRAFFIC.

Local traffic in South Africa presents very different features to oversea traffic. There is rarely any question as to the line by which to send traffic to its destination because there is scarcely ever any alternative route by which it can be sent at the same rate, for the railways, having no competitors within their own sphere, will always send traffic by the shortest or cheapest of two alternative routes. Nor does local traffic usually offer itself for transportation at one or two places only in such a favourable manner that the railway can carry it in truck loads or in even larger quantities under very favourable conditions for economical working.

Points of difference between oversea and local traffic

* See page 73

Special advantages to South Africa of increasing local traffic.

The first aim of every railway in South Africa ought to be the increase of its local traffic. For an increase in local traffic in South Africa would have advantages far beyond those general benefits which it has been shewn always result from an increase in the volume of traffic carried by a railway. At present the South African railways are mainly supported by their oversea traffic. This is much their most profitable business because it is practically the only traffic that can afford to pay anything but the lowest rates, and on it most of the South African railways depend for their financial stability.

At present South African railways depend mainly on oversea traffic.

This means that the rates on oversea traffic are necessarily high, because this traffic has not only to pay the working expenses of being hauled the whole distance from the coast to its destination, but it has also to pay the major portion of the fixed expenses and the interest and sinking fund charges on the capital cost of four great through routes to Johannesburg and three routes to Kimberley, and to make a large contribution towards the maintenance and working of the branch lines as well. Through traffic probably supports some three-quarters of the total railway system of

Rates on oversea traffic therefore high.

South Africa. To impose higher rates on local traffic would afford no relief, because they would simply destroy a great part of what local traffic the railways have already got, and throw a correspondingly greater charge on the through traffic. The best means of reducing the rates on through traffic is by developing a flourishing local traffic paying moderate rates, which would pay a large portion of the ordinary working expenses of the railways, and make a substantial contribution towards fixed

Rates on oversea traffic can best be reduced by encouraging a large volume of local traffic which should support a larger proportion of total railway system. This cannot be done by charging high rates on local traffic, but only by special rates.

expenses and interest and sinking fund charges, now almost entirely defrayed by through traffic.

So long as the present state of affairs continues, both the cost of living and the cost of production in South Africa must remain high. For to continue as at present to import a great proportion of the supplies for the large markets and the raw materials for industry from oversea means that such supplies and materials all have to bear, over and above their initial cost at the place of production, sea freight and railage over thousands of miles. Further, any charge like a Customs duty or railway rate levied on a number of articles increases the price of those articles by more than the amount of the Customs duty or railway rate itself. Thus, supposing the Inland Colonies had to bear a uniform additional charge of say 25 per cent. on the actual cost of everything they imported, on account of railage, the price of these articles inland would be considerably more than 25 per cent. in excess of their cost at the coast. Thus a merchant would have the cost of the building material of his shop increased by 25 per cent. This would mean that he would have to make so much more on every article he sells, in order to pay interest on the additional capital cost. Similarly, all his living expenses would be 25 per cent. more than they would be at the coast, and he would have to make so much more again on every article he sells in order to make up the extra cost of his livelihood. Each of these additions in respect of interest, his own living expenses, wages of his staff, etc., has to be gained from his customers, who in addition have to pay the

Cost of living must remain high until local production is developed.

Railway charges increase cost of articles by more than amount of railway rate.

original 25 per cent. addition to the cost of every article they buy owing to the the railway charge on it. This process of progressive increase of price owing to railway charges applies in every department both of public and private life, especially in the case of oversea traffic which has to travel long distances, and until South Africa can begin to produce a large portion of her own requirements locally, the cost of living inland must remain high. Thus it is a much wiser policy for the inland Colonies to encourage local production throughout South Africa by every means in their power, than to try to reduce through rates on oversea traffic to the lowest possible level by sacrificing the requirements of local industry and traffic. Local traffic of all kinds helps through traffic, and if it is only encouraged enough will bring down both the level of the through rate on articles which cannot be produced in South Africa, and the cost of those articles which can. The soundest and most effective way of reducing the cost of living is for South Africa to produce as many of her own requirements as possible within her own boundaries. Moreover, so long as she has to import any of them from oversea the imported price will govern the price of the South African product, because until South African producers can supply the whole demand in any particular article there is no reason why they should cut prices against one another.

Therefore the best policy is to produce requirements locally instead of trying to reduce through rate at expense of local traffic or industry.

Local production will reduce cost of living all round.

Local production will be most encouraged by reduction in railway charges on local traffic, which would lead to reduction in through rates also.

Much the best way of encouraging South African production is by giving every possible facility to local traffic. The encouragement of local traffic, and the granting of very low rates to South African products therefore has a double advantage. It permits of the

reduction in the general level of the through rates, thus cheapening the oversea product which cannot be made in South Africa, and at the same time it encourages local industry and production, by which means the whole country will be developed and the cost of living reduced.

Moreover the encouragement of local traffic is, from a purely railway point of view, a much sounder policy than the encouragement of oversea traffic. For to rely on oversea traffic alone makes the railways dependent mainly on what must be a relatively shortlived as well as uncertain mining industry, instead of on the interchange of commodities between every section of the population. Further, oversea traffic unless there is also a large local traffic to assist it has certain drawbacks, because though it is consigned under very favourable circumstances in one direction, it provides no traffic for the trains when running back in the coastwards direction. A large local traffic has the further advantage that it enables the railway to effect economies in the loading of its trucks, so that it gets a better paying load per truck, and fewer trucks have to be hauled half empty.

These considerations make it clear that the encouragement of local traffic is of the utmost importance to the future prosperity of South Africa and her railways. For a large local traffic will mean not only lower railway rates and the development of our South African resources, both mineral, agricultural and industrial, but it will mean also the reduction of the cost of living by cheapening both the South African and the imported article, and an increase of the sphere within

Encouragement of local traffic a much sounder policy from railway point of view than encouragement of oversea traffic.

Growth of local traffic will be index of future prosperity of South Africa.

which it is possible for the South African product to compete with the oversea manufacture.

Special rates therefore which lead to increase of local traffic are of the greatest importance to South Africa.

It has already been shewn that the ordinary Government Railway practice of charging an inflexible scale of rates to all alike hinders the development of local traffic by keeping up rates and frightening away traffic. It has also been made clear that the granting of special rates in accordance with the principle of charging what the traffic will bear, would result in a reduction in the general level of rates and in that increase in traffic which is so eminently desirable in South Africa. It now remains to examine in detail the effect of giving special rates for local traffic.

Two kinds of special rates which might be given.

Special rates as has already been explained fall into two classes.

(1) Development Special rates.

(1). Rates which are below the ordinary classification rates but which are intended to be more or less permanent and to develop a regular traffic.

(2) Extraordinary Special rates.

(2). Very low rates which are given to attract traffic with which to fill empty or half empty trucks which have to be hauled as part of the ordinary train service.

This second class of special rate is one of which great use might be made in South Africa, though it is really much less important than the first. It will therefore be dealt with first.

Extraordinary special rates to attract traffic to fill empty trucks.

These rates while above what may be called the extra cost of the service, that is the extra cost of hauling trucks full instead of empty, are usually far below what would be the average cost of hauling the traffic if trucks had to be provided for the purpose.

There are two distinct conditions under which it would usually be profitable for the South African Railways to give these rates: in the case of the main lines where there is a continuous stream of trucks travelling empty to the ports to be filled again with more oversea traffic for the central markets; and in the case of the ordinary branch line service.

These special rates below average cost of working, but above "extra" cost.

The advantage of these rates in the first case is very obvious. The trucks have to be hauled to the coast in any case and the working expenses are much the same whether they are loaded or not. Any traffic therefore which can be got travelling in a coastwards direction is so much extra profit to the railway, or means the possibility of a reduction in some other rate, because it contributes something towards the working expenses of the through service as a whole which would otherwise, both up and down journeys, have to be paid for by oversea traffic alone.

Extraordinary rates applied in the case of coastward traffic, where trucks have to be hauled in any case, and any rate is better than no rate.

There are many ways in which it is possible to give these coastwards rates. For instance, empty fruit baskets could be returned for next to nothing from Johannesburg to stations along the main lines, and the fruit traffic encouraged by this means. A demand might be created all over the country for some bye product of the mining industry, because it could be distributed so cheaply, or for any industry started near a great central market. Inland producers might in some measure be compensated for the disadvantage at which they are now placed as against their competitors nearer the coast owing to the high cost of railage on raw materials, by being given very low rates

Instances of these special rates in

traffic carried by trucks returning empty.

Port traffic

for their products going to the coast markets. Again, where there was very little traffic for local stations, and where time was not of the greatest consideration, it might be possible to economise by doing away with tranship trucks and pick-up trains altogether. Thus it might be cheaper to load, say, three tons of goods for Dalmanutha, on the Eastern Line, in a truck of other traffic for Johannesburg so as to get a full truck load, and send it back again to Dalmanutha in a train conveying empties back to Delagoa Bay, than to haul a truck by slow train all the way from Delagoa Bay to Dalmanutha. Such a proceeding would suit both railway and consumer and injure nobody. But probably the most profitable way of giving low coastwards rates arises in the case of goods for export, such as coal, wool, or agricultural produce. In this way it is possible to give a very great impetus to South African industry. For instance, very low rates might be given for the export of fruit so that it might be able to be put cheaply on the European market during the winter season. Or, again, it might in this way be possible to procure a market outside South Africa for surplus agricultural produce. Such a market would be especially valuable in good years when the supply in South Africa greatly exceeded the demand. For instance, in some years when the South African markets were glutted with mealies, it might be possible to sell them in the London market for 13s. a bag. Suppose then that the actual cost to the farmer raising them was 6s. a bag, there would be a margin of 7s. a bag to distribute between the farmer as profit, the railways as railway rate, and the shipping companies as sea freight. In

South African Mealies might be placed at a profit on the London market by means of special rates.

the case both of the railways and the shipping companies the traffic would be travelling contrary to the usual direction of traffic, and both could afford to give a very low rate in order to attract traffic with which to fill up their otherwise empty trucks or ships. There are ten bags of mealies to the ton. If therefore in the case of the Inland Colonies the railways quoted a rate of 30s. a ton to the port, the shipping companies, 20s. a ton as sea freight, there would still be left a margin of 20s. a ton profit to the farmer. In the case of a farmer near the coast, it would be still easier. Everybody would be benefited, the farmer would get a market, the railways would increase their net revenue, and the shipping companies would get a return cargo. As a matter of fact, it would probably pay both the railways and the shipping companies to carry mealies even from the Inland Colonies at much lower rates than this, so that even if the London price were less than 13s., or the cost of production to the farmer more than 6s., it might still be profitable to export mealies. The American illustration already given, where tinned salmon was carried from San Francisco to Chicago and to New York alike, though the one is more than twice the distance of the other, and even to Liverpool and London, over 3,000 miles further still, at 4s. per 100 lbs. shews what can be done in this direction. These rates are already given in South Africa to a considerable extent for the reason that they apply only to a particular kind of traffic, *i.e.*, coastwards, and are available to everybody who sends traffic in this way. But they might with profit be granted much more freely.

In the case of branch lines special rates

Extraordinary special rates on branch lines.

Non-paying branch lines often a source of profit to the railway because of traffic they contribute to rest of railway system.

Railways must be worked so as to shew a profit as a whole and not in sections.

A non-paying rate becomes a paying rate because of increase of traffic it gives to the railway.

can be given under very similar conditions, except that it would usually pay to give them in both directions, because the train service has to be continued whether there is much traffic or little. Success or failure in giving these special rates on a branch line depends mainly on the capacity of the traffic manager to tell what is the highest rate which the traffic will bear. It is not good business to carry a lot of traffic, at rates below the cost of working, when it could be made to pay more and when by charging a little higher rate the line might be made to pay. At the same time many a branch line that shews a loss on working is really a source of profit to the railways owing to the traffic which it contributes to the main line. It is obvious that the view that all rates on branch lines should be specially high in order to make each line shew a profit is based on a short-sighted policy. It is impossible without checking traffic and diminishing the carrying trade and the profits of the railway as a whole to divide up a railway system into sections and fix rates so as to make each section or branch line self-supporting. So long as the traffic which results from a very low rate does not materially increase the lowest cost at which it is possible to work a branch line or the minimum train service for the line, that traffic is usually profitable whatever the rate may be. If as a result of a very low rate, traffic increases enough, the expenses will be distributed over such a volume of traffic that a rate which was originally absurdly below the cost of working may become a paying rate. These branch line special rates would be extremely

valuable in enabling farmers to put small consignments of grain, etc., which cannot afford to pay the ordinary rates, on the central markets, in enabling them to procure manures and machinery cheaply, and in assisting the free movement of stock.

The first class of special rate, referred to above, is the special rate given in order to develop a permanent traffic which cannot afford to pay the ordinary rates, or a much larger traffic in a particular article than can be obtained at the ordinary rate. This kind of special rate is of the greatest importance in developing a country. It is the kind of special rate which has fostered that rapid development of great industries, or rich agricultural areas, which was such a marked feature of the last century. The Basing point,* "blanket" and "postage stamp," and "commodity" rates all come within this category, and their value in encouraging traffic and in enabling economies to be effected in working has already been explained. But the particular form of this special rate which would be especially valuable in South Africa would be what may be called the "infant industry" rate, that is a rate which is often below the cost of working to begin with, but which becomes a very paying rate later by reason of the increased volume of traffic it produces. The great value of these development rates in encouraging industries or mining is obvious. Special rates of this kind would be given where an industry or mining proposition could prove that it could not afford to pay the ordinary rates, but could flourish if it were given a lower rate, but still

**Development
special rates**

**intended to be
more permanent
than
extraordinary
special
rate.**

**The "infant industry"
special
rate**

**which becomes
paying by in-
creasing traffic.**

*See pp. 21, 22.

a rate which was above the extra cost to the railway of carrying the traffic. Under the present rigid system the industry could not come into existence at all and the railway would lose the traffic.

Illustration
showing manner
in which special
rates increase
traffic,

There is one difficulty, however, in giving special rates. Many special rates can be given which do not result in any alteration in the existing conditions of business or industry. But others do actually enable one business to compete within the sphere hitherto monopolised by another. Both the benefits and difficulty of special rates may be illustrated as follows:—Suppose the Pretoria Brickfields were doing a good business by sending off five trucks of bricks a day to the Johannesburg market and that as it cost the railway administration 1d. per ton per mile to haul them from Pretoria to destination, the rate was fixed at $1\frac{1}{3}$ d. per ton per mile, a rate which the Pretoria company could afford to pay. But suppose that a company came to the railway administration and proved that if it got a rate of $\frac{1}{2}$ d. per ton per mile for bricks from Pietersburg to Johannesburg it could develop a large business on a sound basis. The railway authorities, if the railway were under private management, would probably agree, even though for the first month or so it meant carrying the bricks at an actual loss. At the end of a year's time the Pietersburg Company might be sending off 10 trucks per day and as a result of the regular big load the cost of working the trucks for a long haul of 200 miles might have fallen to $\frac{3}{8}$ d. per ton per mile. The $\frac{1}{2}$ d. rate would now have become a paying rate, while if the administration had refused to give a special rate in the first instance it would not have

got the traffic at all, and the industry would never have been started.

Thus the action of the railway authority would seem to have been amply justified. For the net result of the whole transaction would be that the Company got its business established on a sound basis, that the railway got a larger revenue and a larger traffic over which to distribute its fixed charges, that bricks were more plentiful and probably cheaper in the Johannesburg market, and that Pietersburg was developed by the creation of a new industry, thus further increasing indirectly the traffic on the northern line.

and in addition
cheapen prices,
lower rates, and
increase rail-
way profit.

But at this point the Pretoria Brick Company would probably come to the Railways and state that as a result of being given this special rate the Pietersburg Company had been able to enter the field of competition, had practically captured the Johannesburg market, and were in a fair way to ruin the Pretoria Brickfields. At first sight it might appear that they had a legitimate grievance and that they might reasonably claim either that the Pietersburg Company should only be given their Pretoria rate of $1\frac{1}{2}$ d. per ton per mile, or that they should be given the Pietersburg $\frac{1}{2}$ d. rate. What ought a railway, especially a State railway to do? From the railway point of view, it is perfectly fair to give this rate. Taking the distance from the Pretoria Brickfields to Johannesburg at 40 miles the railway makes a profit of $\frac{1}{3}$ d. per ton per mile, *i.e.*, a little over 1s. per ton for the whole distance. The Pietersburg bricks however give a profit of $\frac{1}{8}$ d. per ton per mile for 200 miles which comes to 2s. 1d. per ton for the whole distance, *i.e.*, twice as much per ton as well as for twice as many tons. Moreover each lot of trucks pays strictly

But also often
result in exist-
ing industries
being interfered
with by new
competitors.

in accordance with the cost of the service rendered, for identically the same proportion of the rate in each case, viz., $\frac{1}{4}$ goes to the railway as profit. It is clear that in giving a special rate in this case the railways would have acted perfectly fairly, for they would have charged each the cost of the service plus 25 per cent. Moreover it would obviously be both unprofitable and unfair if the rate per ton for the Pretoria bricks were reduced unless the Company could guarantee as a result such an increase in the traffic that the railway working expenses would be reduced by at least an equal amount. The fact of the matter would be that the Pietersburg industry had a much sounder natural source of supply than the Pretoria Company, for it would be able to compete successfully though it paid 8s. 4d. a ton as carriage to the railways as compared with about 4s. 6d. paid by the Pretoria bricks. Their success in driving the Pretoria bricks out of the market would be due, not to the lower rate, but to the fact that they were able to supply either a better or a cheaper article. The question really is, ought the railways to protect the Pretoria bricks and not allow the Pietersburg industry to arise, or ought they to be guided solely by railway considerations ?

WHY IT IS JUSTIFIABLE TO GIVE SPECIAL RATES.

Difficulty of State railway in giving special rates is that they may be represented as discrimination

Is it really justifiable for a railway to give special rates to particular people? Every special rate looks from the outside like an unfair advantage given to a favoured person. The only real answer is that, within certain limitations in regard to the relative reasonableness of rates which will be referred to later, it is not a railway's business, even a State railway's, to

This cannot fairly be objected to when special rates are given from a purely railway point of view, and not for private reasons.

interfere at all between its customers. The only proper standard for the railway, is, does the rate pay? So long as it pays the railway, from the purely railway point of view, to give a special rate, it is perfectly fair for it to give it. It is certainly not the province of a railway when a particular traffic is offered which cannot afford to pay the ordinary rates, but which, owing to the manner in which it is offered for carriage could be profitably carried by the railway at a lower rate, to refuse to give the lower rate on the ground that it would not pay them to give this rate for the same class of goods offered elsewhere under different conditions. Nor is it the province of the railway to refuse to carry goods for one man at the only rate which is profitable both to him and to the railway, because thereby it might interfere with somebody else consigning the same traffic under different conditions. The long and the short of the matter is that a railway administration cannot fix its rates according to any principle of giving equal treatment to everybody, without its rates operating unfairly for somebody. Special rates lead to increased railway profit, and it must be borne in mind that increased profits provide the means for reduction in rates. A State railway's business is to carry the maximum amount of traffic at the minimum paying rates, and that it can best do by following the principle of charging what the traffic will bear. Moreover, this principle, while it is far the most profitable to the railway, has been found in experience to be the fairest to the public also, for it is based

But as long as they are given on purely railway grounds it is perfectly fair for railway to give them.

To adopt any rigid system leads to results which work out unfairly.

Application of principle of "charging what the traffic will bear" is much the fairest in its results,

on the theory that it is fairest to charge not according to the cost to the railway, but according to the value to the recipient, of the service rendered. This does not mean extortion from one class but remission to another. For the reduced charges, while affording transportation facilities to those who can only afford to pay a little, help to bear the cost of the railway service as a whole, which would otherwise fall exclusively on those who can afford to pay the high rates. The principle of "charging what the traffic will bear," as applied to railways, in no way involves the granting of a bounty, for the necessary condition for the granting of any special rates lies in the fact that it is a more profitable rate to the railways than any other.

as well as the most profitable to the railway.

View of United States Inter-State Commerce Commission,

The case may be summed up in the words of the first Report of the American Inter-State Commerce Commission :—

“ On the system of apportioning the charges strictly to the cost, some kinds of commerce, which have been very useful to the country, and have tended greatly to bring its different sections into more intimate business and social relations, could never have grown to any considerable magnitude and in some cases could not have existed at all, for the simple reason that the value at the place of delivery would not equal the purchase price with the transportation added.”

“ The traffic would thus be precluded, because the charge for carriage would be greater than it could bear. On the other hand, the rates for the carriage of articles, which within small bulk or weight concentrate great value, would, on that system of making them, be absurdly low when compared to the value of the articles, and perhaps not less so when the comparison was with the value of the service in transporting them. It was, therefore, seen not to be unjust to apportion the whole cost of service among all the articles transported upon a basis that should

Proper basis of charge, value of service, not cost of service.

consider the relative value of the service more than the relative cost of carriage. Such method of apportionment would be best for the country, because it would enlarge commerce and extend communication; it would be best for the railroads, because it would build up a large business; and it would not be unjust to property owners, who would thus be made to pay in some proportion to benefit received. Such a system of rate-making would in principle approximate taxation; the value of the article carried being the most important element in determining what shall be paid upon it."

"To take each class of freight by itself, and measure the reasonableness of charges by reference to the cost of transporting that particular class, though it might seem abstractly just, would neither be practicable for the carriers nor consistent with the public interest. The public interest is best served when the rates are so apportioned as to encourage the largest practicable exchange of products between different sections of our country and with foreign countries; and this can only be done by making value an important consideration, and by placing upon the higher classes of freight some share of the burden that on a relatively equal apportionment, if service alone were considered, would fall upon those of less value. With this method of arranging tariffs little fault is found, and perhaps none at all by persons who consider the subject from the standpoint of public interest."

Rates should be fixed so as to increase traffic and interchange of products as much as possible.

It must be noted that it is only contended that it is perfectly fair and just for a Government railway to give special rates, provided that they are given for railway and not for private or other reasons. It may not by any means be expedient for it to do so in all cases. For instance, it would usually be inexpedient to encourage oversea products at the expense of South African where the South African product could compete with the imported article, even though in some cases it might pay the railway to do so. There are also other cases which might arise in which it might

Though it is always fair to give special rates for railway reasons, it is not always expedient to do so.

prove inexpedient to carry the principle of charging what the traffic will bear to its utmost limit. Most of the occasions on which it is inexpedient to apply the principle fully, occur in particular cases, and in no way lessen the value both to the public and the railway of enforcing the principle as a general rule. It must also be borne in mind that special rates would mainly be given for the purpose of developing new traffic. It would seldom pay a railway management to give a special rate where it simply resulted in the industry fostered by that rate capturing the business of another industry paying ordinary rates. The disadvantages which, in countries like America, have been found to result from special rates, are almost entirely due to the fact that they are given in order to attract traffic from a rival and not only to develop the traffic of a district.

Each case must be judged on its merits.

But it is absurd to refuse to adopt the principle altogether because it may sometimes lead to undesirable results.

Whether or not a special rate is advisable can only be determined by a careful examination of the actual facts of each individual case. It is obviously unnecessary, not to say absurd, to refuse to give special rates of any kind in order to guard against the possibility of granting a rate which in some particular case it might be undesirable to give, for reasons which have nothing to do with the working of the railway. The fifth part of this paper will deal with the limitations which it is desirable to impose upon the railway authority in the matter of giving special rates. But it has been sufficiently proved already that any rigid system, designed to secure the public good, only defeats its own ends, by resulting in high rates all round, and by only offering transport facilities to those who can afford to pay high rates.

EFFECT OF RIGID ADHERENCE TO "TAPERING" RATES.

It is interesting to note here one result of a rigid adherence to the standard tariff which has arisen in Australia, and which will certainly be experienced in South Africa also unless the principle of giving special rates is admitted. Railway rates in Australia, as in South Africa, are based on a sliding scale for mileage, that is the rate per ton per mile is less for a long than for a short distance. They are what are known as tapering rates. These tapering rates, if strictly adhered to, result in the concentration of trade and industry on the sea board and prevent what is most desirable, especially in a country like South Africa, the decentralization of population, and the establishment of flourishing trading centres all over the country. The manner in which tapering rates bring about this state of affairs in Australia may be illustrated by a quotation from a chapter in Mr. Meyer's book relating to the Australian railways :—

Tapering rates rigidly adhered to lead to concentration of trade and population at sea-board.

“ If the railway charge be one cent per ton-mile for the first 50 miles, 0·5 cent for the second 50 miles and 0·3 cent for the third 50 miles, the average charge per ton-mile for a shipment of 150 miles will be 0·6 cent. That will be the cost to a merchant located in some small town 150 miles in the interior who makes a purchase in Melbourne. If that same merchant buys of a wholesale dealer located in a town 100 miles in the interior, he will have to pay at the rate of one cent per ton-mile for 50 miles. But the wholesale dealer who had purchased in Melbourne had already paid a freight charge of 0·75 cent per ton-mile to have the freight brought from Melbourne. Hence, by the time the commodities purchased of the wholesaler located 100 miles in the interior will have reached the merchant, located 150 miles in the interior, they will have paid an average charge of 0·83 cent per ton-mile, as against an average charge of 0·6 paid

Illustration from Australian experience.

by commodities purchased direct in Melbourne. It is obvious that, under these conditions, it will be impossible to establish a distributing trade in the intermediate interior towns. And that has been precisely the experience of each Australian colony. For example, when the railways of Victoria terminated at Ballarat, 100 miles in the interior, that town had a considerable wholesale trade, the commodities being distributed by horse and wagon to the smaller interior towns. But when the railways were extended beyond Ballarat, it became more profitable for the merchants of the smaller towns beyond Ballarat to purchase in Melbourne. Ballarat lost its distributing trade, and its more ambitious wholesale merchants removed to Melbourne. Similarly, the manufacturers who were located at Ballarat and had to pay a comparatively high average ton-mile charge on the imported raw material which they used, as well as a comparatively high ton-mile charge on the finished product produced, found it impossible to compete with the Melbourne manufacturers, who shipped their finished product at a comparatively low ton-mile charge. The result was that those manufacturers who had an ambition to manufacture for the trade of the colony, as a whole, also moved to Melbourne. And this movement of trade and industry to the seaboard cities is in large part responsible for the extraordinary concentration of the people of Australia in a few cities,* a concentration which Mr. Reid has called "the curse of Australia" because it enables the people of a few overgrown cities to make the laws of a country whose resources are mainly agricultural and pastoral.†

This result can be avoided if tapering rates not adhered to rigidly ;

This condition of affairs can be and is easily obviated, where it is not necessary to adhere to a rigid system of railway rates. Thus in America great centres of trade have been built up all over the country by means of "basing point" rates. Under this system the rates between any two large centres are fixed at a low point to point rate so that an inland

* In 1901 there were living in Sydney 36 per cent. of the population of New South Wales; in Melbourne, 41 per cent. of the population of Victoria and in Adelaide, 45 per cent. of the population of South Australia

† P 194.

merchant who has imported stock say from New York to an inland town which is a basing point, can distribute it to any customer within a considerable radius quite as cheaply as the New York merchant can send it at the direct through rate, because the basing point rate added to the local rate from the basing point to the customer, is no more than the through rate according to the ordinary mileage tariff. That is to say, the merchant at the inland "basing point" town is in as good a position to supply the requirements of the surrounding districts as is the New York merchant. This system, as already pointed out, has the further advantage that it enables the railway to effect great economies in working, because it is able to concentrate traffic at a few points, instead of having to pick up traffic in small quantities all over its system. The very low average train load in Australia—66 tons in New South Wales and 69 in South Australia in 1902—shews the effect of the rigid system, for it results in freight being distributed inland from the sea board towns in small and intermittent amounts, and small train loads mean correspondingly high working expenses. This effect of tapering rates has hardly been felt yet in South Africa because oversea traffic has mainly been consigned to the two great mining areas of Kimberley and the Witwatersrand where it is consumed, but with the development of the rest of the country the conditions to which they have given rise in Australia are certain to appear in this country also if the present rigid system is adhered to.

for instance, by adopting the basing point system, which also admits of economies in working.

PART III.

FURTHER EVILS OF THE SYSTEM OF STATE RAILWAY MANAGEMENT IN SOUTH AFRICA.

Subject of Part
III.

The two previous sections of this paper have made it clear, first that there are very grave defects in the ordinary system of State railway management, the system which exists in South Africa, because it is inflexible, and that far better results could be obtained if it were possible to apply in full the principle of charging what the traffic will bear, and secondly that there is no real objection to a State railway applying that principle to a much greater extent than it does at present.

In this section it is proposed to examine in more detail the reasons why a Government railway system is inflexible, and to point out some further dangerous tendencies of the present system.

Defects of State
railway man-
agement ex-
plained so far
due to rigidity
imposed by fear
of charge of dis-
crimination;

The defects of State railway management which have been noted so far all arise from the fact that State railways adopt a more or less rigid system of management and rate charging, as being the best means of avoiding the accusation that they discriminate in favour of particular persons or interests, and the other difficulties with which they would be confronted if they gave full effect to the principle of charging what the traffic will bear.

but Govern-
ments often pos-
itively interfere

But there are more positive evils in the Government system of railway management

than the negative defect that State railways are not so flexible as private railways. The management of State railways is often positively interfered with by the Government for reasons which have nothing whatever to do with railway working.

with working of State railways for political reasons.

STATE RAILWAYS TEND TO MAINTAIN THEIR RATES PERMANENTLY AT THE SAME LEVEL OWING TO POLITICAL PRESSURE.

Political pressure is brought to bear upon a Government railway to modify its management in the interest of particular sections of the population, each of which wishes for special treatment, or for protection against another section. Where the State railway system has been in force for any length of time this pressure, if it comes from a powerful interest, is often almost impossible to resist. Perhaps political pressure is most commonly exerted in favour of maintaining railway rates undisturbed in relation to one another. This simply results in their being kept exactly as they are. Interests get firmly established under an existing scale of rates and they resent and actively oppose any attempt to lower or alter them in any way. A State railway therefore is usually not only unable to give special rates to assist the development of the country, but it is even forced to maintain its original rates unaltered in order that some existing industry may not be interfered with from a new quarter as a result of some reduction in rates. This means that a State railway is forced into a policy of protecting vested interests against new competitors; a policy which has the worst

Political pressure used to favour particular sections or interests.

and to maintain railway rates unaltered.

possible results both in preventing the railways from getting new traffic and so in keeping up rates, and also in checking the development of the country by protecting people from the stimulating influence of competition.

Thus in 1888, Herr Jencke, a man of great experience in the actual working of railways, and Chairman of the Executive Committee of Krupp and Company, the largest iron and steel manufacturers in the world, in discussing at the annual meeting of the German Steel and Iron Association the reasons for the comparative infrequency and smallness of the reduction in railway rates since the nationalisation of the German Railways in 1879 said:—

State railways often unable to reduce rates where it would pay to do so, for this reason

“Under private ownership it was necessary only to convince a particular railway that a lowering of rates in its territory would increase its traffic and income, and the reduction would follow. But a State could not proceed in that simple way. There were a number of competing coal mining, iron mining and iron and steel producing localities and interests all dependent upon one State system of railways. A reduction in rates given to one interest or locality had to be followed by counterbalancing reductions to the others, in order that none should be given an undue advantage.

with very bad results on trade.

But the general public itself must share with the State the responsibility for such delays. The jealousy of competing producing regions led each region to dispute the figures as to cost of production put forth by other regions, and the Government found it extremely difficult to make an adjustment of rates satisfactory to each party to the controversy. If the several coal and iron producing regions should fail to curb these local jealousies, the prospect of reductions in rates would be small, for the hands of the Government would be tied. The existing rates had been in force since April, 1881. In the meantime reductions of all kinds had been effected in the cost of producing pig iron, so that the transportation charges had come to constitute 25 per cent. of the cost of making pig iron. That proportion must be

contrasted with the 10 per cent. borne by the transportation charges to the total cost of producing iron in Great Britain, Germany's principal competitor."*

The rates on iron ore were not reduced till 1893, and on coal and coke until 1897.

Again in 1889 Herr Von Maybach, the Minister of Public Works informed the Prussian Diet:—

Example of manner in which State railways hinder progress owing to non-railway considerations.

“That the Government's refusal to grant the request from the Ruhr District for lower rates on Saar iron ores was due to the unwillingness of the Government to prefer the Ruhr to the other iron-producing centres. It would not do to give one district rates which would allow it to grow more rapidly than another district—equal treatment must be accorded to all. Moreover, the Government could not make reductions which would expose it even to the suspicion of preferring one district.”†

The meaning of this illustration will be better realised when it is explained that Alsace Lorraine had large deposits of iron ore which it was anxious to send to the Ruhr district, and that despite the fact that an estimated number of 60,000 empty coal trucks a year were sent from the Lorraine to the Ruhr district, the Government were unable to give a low rate for ore in order to fill these trucks, because it might thereby place the Ruhr District in a better position for producing iron than its competitors. The Ruhr district therefore has to get the bulk of its iron ores from Sweden or Spain, and what it does get from Alsace Lorraine is mainly shipped by way of the Rhine. It was estimated at the time that as a result of the reduction asked for, the carriage of iron ore between Alsace Lorraine and the Ruhr district would have increased from 250,000 tons to 1,000,000 tons,

* H. R. Meyer, p. 21.

† *Ibid.*, p. 23.

and the net railway revenue by 3,000,000 marks. In 1898 in the Imperial Reichstag the late Baron von Stumm expressed the opinion that local jealousies constituted the principal obstacle to the securing of lower railway charges.

In Germany State railways are forced in many cases to adhere to equal mileage rates,

The difficulties in the way of making alterations in rates on the German railways have been such that, in most cases, they still adhere to the antiquated system of equal mileage rates, and have not been able to introduce reduced rates for long distances. Equal mileage rates, as already explained, have the effect of limiting the area over which traffic can travel from any one centre, and so constitute a protective barrier against competition from any considerable distance. Local interests therefore which spring up under the protection of the equal mileage rate system, object to the introduction of tapering rates because they allow the products of other districts to enter into their markets. Thus in 1894 the Minister of Finance in Germany said:—

thus hindering free exchange of trade.

“ This opposition of the agricultural interests of the West to tapering rates is but one of many illustrations of the unexpressed desire of the various sections of the Empire to re-establish sectional protection by means of the regulation of railway rates. If that desire is allowed to realise itself, we shall return to the conditions of 1820. A unified State cannot undertake to balance the interests of one section against those of another. The Prussian railways were consolidated under the state in order that they might promote trade throughout the length and breadth of the land. If their efforts to develop trade and industry are to be defeated by local jealousies, German industry will be distanced by the industries of other countries.”*

The result of adhering to equal mileage

* *Ibid*, p. 31.

rates is obvious. It is tantamount as stated in the last extract to the "re-establishment of sectional protection."

POSITIVE INTERFERENCE WITH WORKING OF STATE RAILWAYS FOR POLITICAL REASONS.

There are three ways, however, in which a Government is particularly liable to interfere with the working of its railways for non-railway reasons, with results which are most detrimental to the effectiveness of the railway as a means of cheap transportation.

Three ways in which a Government is likely to interfere with working of railways:—

In the first place a Government often uses the railways as a means of developing a particular district or industry which it is anxious to foster. Where it adopts this policy in response to political pressure, it is, of course, absolutely unjustifiable. But it often does so in accordance with a perfectly legitimate and laudable policy of development. Thus a State in following this policy often builds branch lines which offer no reasonable prospect of becoming paying propositions. For the same reason it often gives specially low rates on some line in order to develop the district it serves—rates which under no circumstances could pay. Though this policy is undoubtedly attractive, all experience shews that, where it is pursued without regard to the ordinary principles of business management, it leads to disastrous results. It means that the loss on the specially treated lines has to be made good by keeping up the rates on the whole of the rest of the system. A State railway investing capital cannot write it off if its investment proves a failure as a private

(1) In order to foster a particular district or industry by building lines or granting rates not justified on railway grounds,

which results in loss and high rates all round.

company can. It has to go on paying interest to the end until the whole capital has been repaid. This charge also is defrayed by the traffic passing over the paying lines. Moreover by refusing to apply the principle of charging what the traffic will bear in the proper manner, that is by giving special rates to traffic which will as a result shew a remunerative increase, while making other traffic pay the ordinary rates, the State railway does not even adopt the best means of fostering traffic on the line, or give it the best chance of paying. The effect of the policy therefore is to give a subsidy to one district at the expense of the rest of the country.

Moreover, such special treatment is not applied in such a way as to produce the best results.

Special treatment of this kind should be done by subsidy from State funds.

The arguments adduced in favour of this policy are that the real return which a State ought to look for is not railway profit, but the encouragement of industrial and agricultural development, and the increase of population of the district concerned. But if it is desirable to do this to a greater extent than railway rates which are justifiable on business principles would do, it ought to be done openly, that is by a definite grant in aid from State funds to assist in the working of the line, so that the public can see exactly the extent of their subsidy. There is no more pernicious method of wasting public money than by affording special treatment by means of railway rates, under the plea of developing a district, apart altogether from the fact that it means high rates elsewhere. It is almost always impossible to tell what is the real loss to the exchequer, and a special rate for this purpose given in one case becomes a precedent for giving it in others. Development by means of non-paying rates has this result,

To give it by means of railway rates, not justified on business principles, leads to waste and hinders trade.

that while one district is specially assisted, every other portion of the country has its trade interfered with, and the area of its markets decreased. Such rates, therefore, offend against the economic law that the products and not the means of industry should be taxed. The extent of this subsidy is not merely the loss in working on the railway, but the loss both to the railway and to the public from the interference with commerce elsewhere as well. Special rates are highly desirable, but only when they are based on the strictest principles of business economy. It is not necessary to go further than South Africa to prove the evils which result from building lines and giving rates not justified by business principles. In the report of the General Manager of the Cape Government Railways for the year ended 31st December, 1904, it appears that, of a total number of 23 branch lines having a total mileage of 1,176 miles, representing a capital outlay of £7,727,554, only 11 shewed a surplus on working without reckoning any charge for interest. These 11 lines represented a capital of £3,263,455, and the surplus on working exclusive of interest charges was £35,228. Only 2 lines shewed a surplus after allowing for interest charges. They represented a capital of £264,543 and the total surplus realised was £2,415. The net result on the working of these 23 branch lines for the year under review was a loss of £368,753. It is difficult to find exact figures for the working of the branch lines on the Central South African Railways and the Natal Government Railways, but it is safe to say that they would shew very similar results.

Instance of
non-paying
branch lines
in South
Africa.

(2) Railways used for protective purposes.

A second very common method in which a Government interferes with the working of its railways is for the purpose of protecting its local industries and products against outside competition, by putting higher rates on outside products than on its own. This policy is particularly liable to abuse for political purposes. A policy of protection deliberately adopted by the State should be given effect to by means of a Customs tariff framed by the Legislature, and it should not be within the power of any Executive Government to interfere with the effect of that tariff by a manipulation of railway rates.

Such a policy, besides being liable to abuse, unsettles trade, and its incidence does not fall fairly.

The power of the Government to nullify or intensify the effect of the Customs tariff, by means of railway rates, produces an uncertainty which unsettles trade, and discourages enterprise. Such action has the particularly indefensible result in South Africa that the protection imposed by means of railway rates is paid by those who live inland, and not by those who live at the

Use of railway rates as a means of protection only justifiable when based on strictly railway grounds.

coast, while a great part of the extra amount so paid goes into the pockets of the coast and not of the inland Colonies. Protection of local industries by means of railway rates is only defensible when it is based on sound business reasons, that is where by protecting infant industries from ruinous competition during their early growth they are enabled to develop so as to give the railways a larger and more paying traffic. Further, this kind of protection should be given not by raising rates against outside articles so as to increase their price, but by lowering the rates on the home product, so as to increase its market to such an extent that

what may originally have been a non-paying rate becomes a paying rate.

An illustration of the pernicious effect of protecting local industries from outside competition by means of railway rates, coupled with a rigid system of rates in local traffic may be seen in Germany. The Prussian railways have been unable to reduce the rates for the carriage of grain so that Eastern Germany can supply the demands of the great industrial districts along the Rhine to the west, because of the opposition of the farmers in central and western Germany. The result has been that

“Since 1895, Germany had afforded the curious spectacle of exporting each year from its eastern provinces to Norway, Sweden and England several hundred thousand tons of bounty-fed wheat and rye, while importing at the same time into Rhenish Prussia, over a protective tariff of 35 marks per ton, about 2,700,000 tons of wheat and rye grown in Russia and in North and South America.”*

There is also a third reason why a Government does in practice interfere with the proper management of its railways. The railway revenue must form an important item in a national budget, and any alteration in railway rates, even though it may be fully justified because of the increased traffic it would ultimately produce, may seriously impair railway revenue for the year, or years, immediately following that in which it is made. A Government therefore still further tends to maintain its rates at an inflexible level in order not to dislocate its finances. Further, in spite of the fact that a Government may decide to run its railways as an independent concern without making them contribute any part of their revenue towards the ordinary State

Example of pernicious effect of protective railway rates.

(3) Reductions in rates not made even when required, because they might interfere with national budget.

State railway revenue used for other than railway purposes.

expenditure, it is almost impossible for it to avoid using railway revenue for current State expenditure in bad years. Thus when the Bills for the nationalization of the Prussian railways were before the Prussian Diet during the years following 1878, the Government repeatedly assured the Diet that the railways would not be made a source of income, beyond paying the expenses of working the railways and making payments for the interest on the railway debt and maintaining a reasonable sinking fund. By the year 1890 the Prussian budget began to shew the effect of reductions in taxation and increase in expenditure during the previous years, and the railway revenue had to be drawn upon for the current expenditure of the State. By 1904-5 it was being drawn upon at the rate of 180,000,000 marks a year, though direct taxation only yielded 160,000,000 marks, and indirect taxation 50,000,000 marks. For the whole period ending with 1901 the railway surpluses were drawn upon at the average annual rate of 89,000,000 marks.

Thus still further keeping up level of railway rates

The result of using railway revenue for budget purposes has greatly interfered with the efficient management of the Prussian railways. Thus in 1891 the National Railway Conference, acting upon resolutions of all the District Councils, and supported by the Minister of Public Works, reported that the public interest demanded that the rates on iron ores, coal, and coke should be reduced. The Government, however, replied, "that the condition of the national finances forbade the granting of any reduction in rates that might cause a considerable temporary loss to revenue." The surplus in the national account had fallen from 102,000,000 marks

in 1890 to 13,000,000 marks in 1891, and the year 1892 was expected to shew a deficit of some 40,000,000 marks. The iron and coal interests represented that the rates in question had been stationary since 1881, and that the transportation charges in Germany constituted 25 to 30 per cent. of the cost of making pig iron, as against 10 per cent in England. But though the Government admitted in 1893 the necessity for reductions in these rates, it was able to reduce the rates on iron ores only, postponing a reduction in the other rates until the national finances should be in a better condition. The following years, however, shewed deficits, and it was not until 1897, after the previous year had ended with a surplus of 60,000,000 marks, that the rates on coal and coke and other articles were reduced.*

CONCLUSION—STATE RAILWAYS OUGHT TO BE
REMOVED FROM POLITICAL CONTROL.

It has been made clear that all interference with railway rates by a Government authority leads to high rates. This is really the worst defect of the State railway system. It is of the utmost importance to the development and progress of every country, and of South Africa especially, where distances are so great and population so sparse, that the charges for transportation should be as low as possible. The higher rates are, the more difficult it is for the farmer to get his produce to market, for the merchant to get a larger custom over a wide area, and for the manufacturer to produce for any but his own

It is of utmost importance that railway rates should be as low as possible.

* Vide H. R. Meyer, pp. 69-75.

Rates on State railways are high because of political control immediate markets. And these high rates are due to the fact that State railways are subject to political influences.

Conclusion, that State railways should be administered by an independent body not amenable to political influences.

The arguments brought forward in this paper point conclusively in favour of abandoning the system of working the railways as a Government Department, amenable to political influence, and of handing them over to an independent body whose sole business it would be to administer them in the best interests of the community and to reduce rates to the lowest possible level. They cannot be better summarised than by the following quotation.*

Disadvantages of State control of railways,

“The invariable result in these countries has been to transfer from the field of business to the field of politics the perplexing questions of trade rivalry and jealousy precipitated by the annihilation of distance by means of the railway. Under Government ownership or direction the sectional conflicts precipitated by discussion of railway development have oftentimes been so fierce that it has become necessary partially to paralyze the railways, for the purpose of preventing them from developing new producing regions, new markets and distributing points.

as illustrated in Prussia.

“Under Government ownership of the railways in Prussia, the most enlightened and the most independent bureaucratic Government the world has known, the State Railway Department is not allowed to make railway rates that will permit the surplus grain, timber and beet sugar of Eastern Germany to move by rail to the markets of the mining and manufacturing regions along the Rhine, there to compete with the grain, timber and beet sugar produced in Western, South-western and Central Germany. Such has been the paralysis of the railways under Government-made railway rates that the grain, timber and beet sugar producers of Eastern Germany, as well as the iron and steel manufacturers of the Ruhr district, have had to resuscitate river and canal transportation, which, under the

*H. R. Meyer, pp. 449—457. These are Mr. Meyer's conclusion after twelve years' enquiry into the effect of government interference in railway management.

regime of private ownership of the railways, had promised in Germany to go the way of the stage-coach, as it has done in the United States. The present-day Germany, with its agriculture, its manufactures and its trade, rests upon the waterways, not upon the railways, which the regime of Government-made railway rates has reduced to the subordinate position of feeders to the river and canal boats.

“The trade jealousy that prevents the Prussian State Railway Department from making rates that would permit the agricultural products and the timber of Eastern Germany to move by rail into Western Germany, also forbids the co-operation of the State Railway Departments of Germany, Austria-Hungary and the Danubian Principalities, for the purpose of securing the free movement by rail into Western Europe of the agricultural products and the timber of Austria-Hungary and the Danubian Principalities, or the free movement to the East of the manufactures of Western Europe. There exists through rail connection between the North Sea in the North-west, and the Black Sea in the South-east, but it is used mainly for the carriage of passengers and the mails. The exchange of merchandise between Western and Eastern Europe is effected in the main by means of the Mediterranean. For example, near Dresden, on the Elbe, is located a large mill which grinds Roumanian wheat exclusively. Every pound of that wheat goes down the Danube to the Black Sea, thence by way of the Mediterranean to Hamburg and thence up the Elbe!

In Central Europe.

“In Russia there is the same paralysis of the railways through trade jealousies; with the resulting recourse to transportation by river. For example, upon the opening of the Siberian Railway, in 1896, the landed interests of western Russia protested that they must not be exposed to competition from the wheat raised upon the cheap lands of Siberia. They succeeded in compelling the Government to place prohibitive charges upon the carriage of Siberian wheat, so that it has been impossible adequately to develop the enormous Siberian wheat resources. Wheat is exported from Siberia only in years of serious crop failures in the countries which ordinarily supply Western Europe.

In Russia.

“In Australia, under Government ownership, trade jealousy forces each Colony to refuse to

In Australia

where it pro-
vokes Inter-
Colonial
jealousy.

co-operate with its neighbours in the promotion of trade and industry. The two most important Colonies, Victoria and New South Wales, still maintain separate gauges; they raise materially the rates on freight sent from one colony to the other; and New South Wales refuses to connect its railway lines in south-western New South Wales with the Victorian lines, lest trade be diverted from Sydney to Melbourne. Australia still stands where the United States stood before the Civil War, when the Legislature of New York ordered the State-aided Erie Railroad to begin at a point twenty-five miles from New York, lest Jersey City be benefited by the building of the road, and the State of Pennsylvania refused the Baltimore and Ohio permission to build to Pittsburg lest the trade of that city be diverted in part from Philadelphia to Baltimore.

“Turning back to Germany, we find that State-made railway rates have produced there also an extraordinary concentration of trade and industry on the seaboard and along the rivers and canals. In 1878 Bismarck asked the Prussian Diet to authorise the State to purchase the railways of Prussia, in order that the State might, among other things, use the power to make railway rates for the purpose of decentralizing trade and industry. In 1899 and 1901 the Prussian Government asked the Diet to authorize the building of great systems of canals for the purpose of ‘Decentralizing trade and industry!’ Trade jealousies and a rigid system of railway rates, based on the distance principle, had so paralysed the railways that trade and industry had come to rely mainly on the waterways. The resulting discrimination in favour of places on rivers and canals, and against places served by railways only, widely surpasses any local discrimination ever practised by an American railway.*

“To illustrate, geographically Mannheim, at the head of navigation for sizable vessels on the Rhine, is in the same position as St. Louis, at the head of navigation for sizable vessels on the Mississippi. In 1900 there were carried into and out of Mannheim 7,000,000 tons of freight by vessel and 5,300,000 tons by rail. In that

* Because while towns on canals get the benefit of very low rates, towns at a distance from the canals have to pay the high fixed scale of railway rates.

same year there were carried into and out of St. Louis 700,000 tons of freight by vessel and 24,600,000 tons by rail. Mannheim is the product of the State ownership of the railways, which system has paralysed the development of the ancient and neighbouring city of Frankfurt on the Main, immeasurably better equipped with capital than is Mannheim. And the experience of Germany has been repeated in France, Austria-Hungary, Russia and Australia. No Government that has undertaken to make Railway rates, either by assuming Government ownership or by exercising a thorough-going control over the rates made by railway companies, has been able to make railway rates in such a way as to conserve and promote the public welfare, if the test be the making of two blades of grass to grow where one had been growing. Restraint of competition and of trade, with failure to develop the resources of soil and of climate, everywhere has been the result of rate-making by public authority."

It needs no further proof to shew how much South Africa would benefit if her railways were removed altogether from political control. Both the Government system and the private system have defects, but of the two the private system gives incomparably better results to the general public. The ideal to strive at is to combine the fact of State ownership of railways with the flexibility of management which distinguishes private railways, and the more fully it is possible to apply the theories of management of the private railways the more valuable and efficient the railways will become.

The object in removing South African Railways from political control should be to combine flexibility of private system with fact of State ownership

PART IV.

THE NEED FOR UNIFICATION OF THE
SOUTH AFRICAN RAILWAYS.PRESENT INTER-COLONIAL SITUATION MUST LEAD
TO DISASTROUS RESULTS.

Effect of Inter-Colonial situation on railway question.

Before attempting to suggest the actual manner in which the railways could be divorced from political control and entrusted to an authority which would be able to administer them in accordance with the principles which have been laid down in this paper, it is necessary to examine the position of the railway problem in South Africa to-day in its more political aspect, especially in regard to inter-colonial relations in railway matters.

Present system of divided ownership of railways cannot last without disastrous results,

It is admitted on all hands that it is very dangerous to continue the present arrangement whereby each Colony owns and administers, entirely at its own discretion and as a separate system, railways whose management vitally concerns the other South African Colonies. It is becoming more and more apparent every day that inter-colonial relations in South Africa can never be really harmonious until the separate Colonies surrender their right to do exactly what they like with their own section of the through lines inland, and until some central authority is constituted which can determine the many vexed questions which continually arise, instead of their being allowed to remain a

constant source of inter-colonial jealousy and friction. Under the present situation one Colony by the manipulation of its railway rates can in a large measure nullify the joint agreement of all the South African Colonies in the Customs Union. It can give its own products an artificial advantage by means of preferential railway rates. It can also actually embroil itself with any other Colony by imposing differential rates against that Colony's products.

which appear in various ways.

THE PORT RATE QUESTION.

But the most crucial difficulty of all is the question of the route for oversea traffic to the inland Colonies. The difficulty in this case arises from the fact that in nearly all cases there are two routes, each competing for the traffic, while in the case of the traffic to Johannesburg and the district round about there are four competitive routes.* But the real complication of the present situation comes from the fact that no one Administration owns the whole of any of the routes by which the traffic for the inland Colonies must travel. Competition therefore cannot take its ordinary course, for the Central South African Railways Administration owns the last section of each of the through routes to the Transvaal and Orange River Colony, and can practically control the direction of traffic as it likes. Further, and this is the real point, the consideration which must influence it in determining the route, is not which is the cheapest route for the traffic or the shortest, but which is the route by which it is most profitable for it to carry the traffic. At present this route is undoubtedly the Eastern

The difficulty in the case of the Port rates arises from fact that there are competitive routes;

but competition cannot have free play because C.S.A.R. depends for its revenue on route by which traffic travels.

* These are the Delagoa Bay, the Natal route, the route *via* the Orange River Colony, and that *via* Fourteen Streams

line to Delagoa Bay. In this case it carries traffic 312 miles over its own lines out of a total of 367 from the port,* of the Durban route it only has 178 miles out of 485, while its section of the route from the Cape ports measures 383 miles out of 667 from East London and 715 from Port Elizabeth *via* the Orange River Colony, and *via* Fourteen Streams only 261 out of over 750.

Thus, though the total amount of the through rate from Delagoa Bay may be less than the total amount of the through rate from Durban or the Cape ports, and the working expenses per ton per mile higher, and, further, though the total rate from, say, London to Johannesburg may be no more *via* the British ports than *via* the Portuguese port, it would pay the Central South African Railways better that traffic should travel through Delagoa Bay. This means that, quite apart from the Portuguese labour supply, the direction of traffic must be decided by the Central South African Railways so far as it is within their control, mainly according to revenue considerations and not to those either of railway working or of the cheapest route for the traffic.†

Direction of traffic which is within control of C.S.A.R. is mainly decided apart from considerations of which is cheapest route.

The cheapest route for over-sea traffic can only be accurately determined by a war of rates.

In order to understand the position thoroughly it is necessary to consider what would happen if the various routes were allowed to compete freely against one another. The result would certainly be a war of rates, as a result of which the relative cheapness of each of the routes would be made clear as was the case in the almost exactly analogous case of the oversea traffic, both inwards and

* *Via* the Brakpan-Witbank Line.

† It must be borne in mind that the through rates to Johannesburg from the various ports bear the same relation to one another to-day as they did before the war, under the terms of the *modus vivendi*. The port tariffs before the war were avowedly fixed by the Netherlands Railway Company so as to give Delagoa Bay a large share of the Johannesburg traffic

outwards, for the Central States of America *via* New York, or Baltimore, or Boston or Philadelphia. But the route which traffic would take would not necessarily be the route on which the cost of working was lowest. That route is really the cheapest for the traffic which suits it best. Thus Cape Town is the port of entry for passengers, parcels and mails from Great Britain for the whole of South Africa, because speed in these cases is a greater consideration than expense. Even under the present system when the rates to Johannesburg from the ports are based on the rate from Delagoa Bay, and when the rate from each of the other ports is higher than the Delagoa Bay rate by a fixed amount varying from 10s. to 23s. 4d. a ton, it was cheaper, as was proved to the Johannesburg Railway Conference in 1905, for the merchant to bring from London to Johannesburg, boots, electro-plate, furniture and iron bedsteads through Port Elizabeth; tea and cork carpet *via* East London; and certain soft goods, general groceries and bolts and nuts, etc., through Delagoa Bay.*

The route which traffic takes depends upon many other considerations than cheapness of working on the railway,

The other considerations which, besides cost of railway haulage, help to decide the route for traffic, are sea freight, the amount of port dues, landing charges and facilities, the rate of insurance charges, quicker, more frequent and more regular sailings, the ports at which lines of steamships put in which sail to the greatest number of other ports in different parts of the world, etc., etc. This last consideration is a very important one in the case of export traffic. Traffic naturally travels through the different ports very largely according to its place of origin or destination. One most

such as sea freight, landing and shipping facilities, place of origin or destination of traffic,

* *Vide* Report of Johannesburg Railway Conference, 1905, statements 57 to 76, supplied by Mr. W. A. Martin.

but particularly important factor is that the unit of charge on the fact that on a ship is in many cases different from that unit of charge on a railway. Where traffic is bulky in proportion to its weight, sea freight is usually different. on shipboard and railway are different.

Where traffic is bulky in proportion to its weight, sea freight is usually calculated according to the amount of room the traffic occupies, and not according to its weight. On the railway, though bulk is taken into account in fixing the rates for the various kinds of traffic, the actual unit of charge is the ton. In the case of very bulky traffic, therefore, which is comparatively light in weight, it pays the merchant better to reduce the sea journey and increase the journey by rail. Thus traffic of this description tends to be brought through the Cape ports, while heavy traffic of relatively small bulk will go *viâ* Durban or Delagoa Bay. It is quite clear that any attempt to determine the route of over-sea traffic by means of railway rates alone must in large measure be ineffective.

Route of traffic cannot be decided by railway rates alone.

Free competition would lead to "natural" route being discovered.

If there was free competition between the different routes and ports, each route would do its best to attract that traffic which it was specially suited to carry, leaving its rivals to capture the rest. The final and the only satisfactory solution would be to do what has practically happened in the American case referred to, "to ascertain the proportion in which the export* business divided itself among the several ports under the free play of competition—that is, during a rate war—to accept that proportion as indicative of the ability of the several ports to bid for business and as doing substantial justice to all the parties concerned, and then to seek to fix the differentials in such a way that the export* business under the operation of those differentials would divide itself among the several ports in the proportions that had obtained during

* In the case of South Africa it would be "import."

the rate war —that is, under the free play of the competitive forces of trade and transportation.”*

At present however, because free competition is politically impossible, and owing to the fact that the Central South African Railways largely depend for their revenues on continuing to bring the oversea traffic through Delagoa Bay, the route of oversea traffic is determined by considerations which have little to do with the relative economy of the different routes, or with the needs of trade. The result of this is two-fold. First that the routes *via* Durban and the Cape routes are not allowed to make full use of the natural advantages of their ports and lines in competing for the traffic. The effect of this in embittering inter-colonial feeling is obvious. And secondly that by diverting trade to one route by means of railway rates alone, for revenue purposes, some kinds of traffic are forced out of the “natural” route, or come by it at the expense of paying higher charges than would be the case if rates were fixed on an economic basis.† This simply means that the cost of the imported article inland is made artificially higher. For until the railways are unified it will always be to the advantage of the Central South African Railways, other things being equal, to fix the rates so that traffic will come through Delagoa Bay, whichever route would suit the traffic best and therefore be the cheapest for it if each were given an equal chance of competing for it.

These considerations shew that it is impossible to effect a final and satisfactory settlement of the through route question until

Traffic does not now come by “natural” route.

Two evil results of present arrangement:—

(a) Cape Ports and Durban are not allowed to benefit by their natural advantages.

(b) Cost of carriage is increased by certain kinds of traffic being forced out of their “natural” route.

Unification necessary before question can be satisfactorily dealt with.

* H. R. Meyer, pp. 443-4.

† The “natural” route is that route which the traffic would take if railway rates, sea freight, landing and insurance charges, etc., were determined by ordinary economic and commercial considerations, and were not arbitrarily fixed for political or other non-economic reasons.

the railways are unified and the matter can be dealt with by a single South African authority.

The object of the administration of the unified railways would be to bring the traffic by the 'natural' route,

If the railways were unified these difficulties would in large measure disappear.* It is true that there would not be competition between the different routes in the same way that there would be competition if each route were under separate private management. But it would be a matter of comparative indifference to the administration of the unified railways which route the traffic came by. It would certainly have no such interest in bringing it through Delagoa Bay as the Central South African Railways have at present, because while the Coast Colonies shared in the revenue earned on the Delagoa Bay line, the inland colonies would share in that earned on the Cape and Natal lines. Its first object therefore would be to bring the traffic by its "natural" route, in order to promote as much as possible the flow of trade and to benefit the inland consumer.

to the benefit both of the British ports and of the inland consumer.

In order to do this it would have to ascertain by actual experience the relative advantages of each of the different routes and fix the rates so that traffic travelled by the route which suited it best. The Cape and Natal routes which are to-day being rapidly deprived of their through traffic by Delagoa Bay because of the large fixed preference this port enjoys, would in any case be given the opportunity of making the fullest use of what natural advantages each of them possessed. The inland consumer would also be benefited because he would be able to get his traffic brought by the route which, on economic grounds, was the cheapest.

* Still disregarding the question of Portuguese labour.

It is clear that unification would very greatly simplify the present situation with regard to through rates even if it did not provide in itself a complete solution to the rivalry between the ports. But that rivalry would really be the only question left, for it would not matter to the railways which line the traffic came by. Unification might very likely improve the position of the British ports. It certainly would not result in all the traffic being brought by a single route. It might even pay the railway to bring traffic in some cases by the longest route. For instance, supposing the total through rate from London to Johannesburg was equal by all the ports, it would obviously pay the railway to have the traffic brought through Port Elizabeth if the difference between the actual working expenses of the two routes was less than the difference between the sea freight to the two ports.* Even if the total through rate say from London were rather more *via* Port Elizabeth or East London than *via* Delagoa Bay, it would still in many cases pay the railways to reduce its railway rate so that the total rate to the importer should be the same or a little less, and so make the traffic enter through the former, in order to get a larger proportion of the total through rate from London. This would be so because through traffic *via* the Cape Ports, by paying the railways a larger gross revenue, would support a larger proportion of the total railway system. For it would pay a great part of the expenses of maintaining the permanent way and buildings, and the wages of the station staff and working staff of some

It would often pay the railway better, on economic grounds, to bring traffic by the longer route.

* *e.g.*, If the thorough rate from London to Johannesburg by both East London and Delagoa Bay were £8, of which the railways got £6 in the former and £5 in the latter case, it would pay them better to bring the traffic *via* East London if the difference between the railway working expenses of the two routes was 15s.

700 miles, which it would be in any case necessary to spend, instead of supporting only some 350 miles and a corresponding smaller proportion of the total fixed expenditure of the railways. Further, economies in working might quite well be effected in traffic which had to be hauled 700 miles instead of only half that distance.

It would not pay the unified railways to bring all the traffic by a single route,

Moreover, even if it were possible to carry all the traffic to Johannesburg by the route which had the easiest gradients and the best road, it is doubtful whether it would really pay the railway better to do so. The interest charges on the capital cost of the other unused through lines cannot be neglected in fixing the rate on the single line used, which would thus be far above the cost of working on that line alone and nearly, if not quite, up to the level of the through rates, if all the lines were used. Further, a steady even if small stream of through traffic enables facilities for local traffic to be provided more cheaply, and admits of local produce being carried, especially coastwards, at much lower rates than if transport facilities had to be provided for such produce alone. It would therefore probably always be the best railway policy to bring so much through traffic over each alternative line to any one market as would make a substantial contribution towards the cost of working the ordinary train service, and thus admit of local rates being compiled so as to assist as much as possible in the development of the country which the line

because through traffic greatly assists the cheap working of local traffic.

Nor would it pay the inland consumer, because it is the cheapest for

serves. It has already been pointed out that the cost of working on the various routes from the various ports is only one of the factors which go to determine which is the cheapest

route for oversea traffic. The view therefore sometimes expressed that the Inland Colonies would be best served by developing a single route like the Delagoa Bay route, to the exclusion of all the rest, and bringing all the traffic by that route, obviously neglects the considerations urged in the previous pages. Each route offers certain advantages to certain kinds of traffic, and any attempt to force traffic which finds one particular route the best route for it to take, to travel by another because the railway working costs are lower will simply mean that the cost of the article inland is increased. The interests of South Africa would be far better served by allowing economic factors to have free play, than by any effort to force traffic to take a particular route which on railway grounds, and neglecting all other considerations, may be thought to be the cheapest. Under a unified system of railways conducted on really sound and economic principles, it would be almost impossible for any port to be really neglected.

him that traffic should come by its "natural" route, which varies with different traffic.

No route can be really neglected

OTHER EVILS OF SYSTEM OF DIVIDED OWNERSHIP OF STATE RAILWAYS IN SOUTH AFRICA WHICH WOULD BE REMOVED BY UNIFICATION.

Apart from the through rate problem, every aspect of railway working and every attempt to adjust traffic facilities to traffic demands throughout South Africa is delayed and made more difficult owing to the necessity of constant inter-colonial negotiation. If it is desired to make any change in a rate for traffic which travels from one Colony to another it is necessary that two separate administrations

Separate control of railways makes all railway questions more difficult to handle,

because any change in rates for traffic, or for new lines between two Colonies, requires agreement between two administrations,

should come to an agreement as to what that rate should be. In most cases the political boundary between two Colonies crosses the most usual route of local traffic. Again, there are often great obstacles in the way of the construction of lines linking up two existing lines which are the property of different administrations. The new line may be greatly needed in order to develop the district it is to cross, and would attract sufficient traffic from that district to make it pay. But it may divert traffic from one administration's line and so involve it in loss, and that administration will in consequence feel no particular desire to see the line built, and may very likely put obstacles in the way of its construction. At any rate it is necessary to come to an agreement on the subject, which is both difficult and involves delay. In that agreement some provisions are probably made regarding rates—provisions which are certainly designed to interfere with the natural course of traffic, and to make it flow in the way most profitable from the revenue point of view of one of the parties to the agreement. Later on it will probably be found that these provisions in regard to rates conflict with the provisions of some other agreement about some totally different line, or that they have the effect of very seriously interfering with what has hitherto been the preserve of a third administration; thus giving rise to a fresh occasion of an inter-colonial dispute. There has been sufficient evidence lately of this kind of difficulty.* Under existing conditions it is practically impossible to come to arrangements in regard to rates.

and leads to constant disputes.

* Especially in the case of the Bethlehem-Kroonstad and Klerksdorp-Fourteen Streams Railways.

which are satisfactory to all parties. The truth is that nearly every alteration in rates to-day becomes the occasion, if not actually of inter-colonial recrimination, at any rate of a difficult piece of inter-colonial negotiation. It is not necessary to give any further illustration of the evils of the present system than to point to the difficulties in regard to the port rate to Johannesburg. Alterations in these rates have been absolutely paralyzed since the war because of the impossibility of getting a real agreement on a sound course of action. The establishment of one central authority concerned with the needs of the whole of South Africa and not with the divergent and sectional interests of any portion of it, would at one stroke remove all these dangerous and constantly recurring inter-colonial difficulties.

This difficulty would disappear under unification.

Moreover there can be no question that the interests of South Africa would be better served by removing the artificial barriers to the free interchange of products which now exist. Though the South African Colonies are in a Customs Union the whole object of which is to secure free trade within South Africa, the present railway situation in large measure nullifies the intention of that Union.* The rates for the same article vary in each of the several Colonies. The ordinary classification of goods on each of the systems differs from that on every other. This in itself often prevents the products of one Colony from being able to compete freely in the markets beyond its own borders.

Removal of artificial barriers to trade needed,

* Thus owing to the fact that fencing material was carried at a lower rate between stations on the railways within Cape Colony, than when consigned from a Cape Colony station to a station of the C.S.A.R., buyers of fencing material used to have it consigned to the border, C.G.R. station, in order to get the benefit of the low C.G.R. rate, and then carry it across the border by ox wagon.

in order that South African industry may progress as rapidly as possible.

It is desirable in the highest degree that there should be absolute free trade throughout the whole of South Africa. This country cannot really progress as she ought until she gives her natural industries every chance to expand. And their best chance of expansion is to give them an absolutely unimpeded access to the whole of the South African market. The bigger the home market they have to supply the better fitted they are to begin to compete in the markets oversea. The great advantage which America has over countries like Germany is the size of her unimpeded home market.

The present system of railway rates and inter-colonial railway relations a great hindrance to expansion.

It is because they can manufacture without let or hindrance for an enormous market to which they have free access, that the great manufacturing industries in America have been able to compete so successfully in neutral markets. In Germany where every district is protected by equal mileage rates from the competition of its neighbours, a manufacturer's home market is often restricted, and in order to extend his business he has to depend upon the oversea market. It is true that as a compensation for the loss of a large market at home he is assisted by specially low export rates, which enable him to compete oversea. But if he loses that market even temporarily he has often but a very inadequate market to fall back upon at home.

Unification would lead to more stable trade conditions.

Again, to entrust the South African Railways to a central authority which would adjust rates in accordance with the exigencies of trade, and not in obedience to political demands, would result in far greater stability of trade than is the case under the present system. Rates, it is true, might be frequently altered, but they would be altered in accordance with trade requirements,

and to suit new methods and new conditions. At present, rates are altered usually as a result of a compromise between conflicting political or inter-colonial interests. The alterations satisfy nobody. Further, when alterations are made they are generally made all at once, and affect a great number of different articles, thus suddenly introducing a violent disturbance into trade conditions. It is far better that alterations in rates should be made constantly, but in accordance with the requirements of industry, than that business should be dislocated by a sudden alteration in a great number of rates, dictated more by political than economic considerations.

ATTAINMENT OF A MORE FLEXIBLE SYSTEM OF
RAILWAY RATES EASIER UNDER UNIFIED
THAN SEPARATE RAILWAY MANAGEMENT.

There is an additional argument for the unification of the railways. It would be difficult for any one Colony deliberately to surrender control of its railways to an independent body, so long as the other Colonies retained control of their own railways. Moreover, any independent authority constituted in any one Colony would, owing to the small number of the population and the consequent ease with which grievances could be aired, and sectional interests make themselves felt, find it more difficult to resist the pressure of a deliberately-aroused public opinion than any South African authority would do. It would also still have to face all those obstacles to efficient management and to alterations in rates, construction of new lines, etc., which exist under the present

Unification necessary before railways can be worked most efficiently and on non-political lines.

system and have been explained above. To unify the railways would in great measure remove all these difficulties, because every Colony would surrender the control of its railways at the same time, and one central authority would be constituted more or less removed from pressure by local influence. It is hardly necessary to point out that great economies could be effected in the actual administration of the railways as the result of putting them under a single control.

Economy from unification.

The chief obstacle, both the unification and to entrusting railways to non-political management, is desire to use them for political purposes, which can only lead to worst results.

But in any case if, as is contended in this paper, it is advantageous to divorce the South African railways from political control in each of the separate Colonies, it ceases to be necessary for them to be administered as four separate units. The South African railways are geographically and economically a single system, and if they cease to be conducted on political lines the whole reason why they should remain separate vanishes at once. It is not really necessary to say more in favour of the unification of the railways than to point out that the chief obstacle that will be placed in the way of its realisation will be the reluctance of the several legislatures to surrender the control of their own railways—a control which, as has been pointed out in this paper, does not result in the railways being more cheaply or efficiently worked, and which, if kept, must be avowedly kept for the purpose of protecting sectional interests, or as an instrument of taxation, as a weapon in inter-colonial quarrels or as the prize of victory on the political battlefield.

PART V.

THE CONSTITUTION OF THE UNIFIED
RAILWAYS.RAILWAY UNIFICATION MUST FORM PART OF A
FEDERAL UNION.

It is difficult to see how any unification of the railways can precede federation. One of the chief advantages to be gained from unification would be that the railway problem would be viewed in its South African aspect, and not from four different points of view, each representing sectional and divergent interests. The authority therefore in which the ultimate control of the railways would have to be vested ought to be one which could take a broad unbiassed view of South African affairs. But no body merely composed of representatives of the different South African Colonies could possibly do this so efficiently as a proper federal house elected by the people of South Africa for the purpose of dealing with South African affairs. Any joint committee appointed by the different governments to administer the unified railways would from its very constitution fail of half its object. Every member would represent a particular Colony, whose interest it would be his first business to secure. The

Federation a necessary preliminary to railway unification,

because a permanent joint railway committee would be hampered by disputes between representatives of various Colonies

decisions of such a body would thus tend to be compromises between conflicting interests, as is the case in all Inter-Colonial conferences to-day, instead of being prompted by a broad view of the good of South Africa as a whole. No such joint committee could have the breadth of outlook or the sense of responsibility of a body deliberately elected to take charge of the railways by the whole people of South Africa.

and could not consider without bias interests of South Africa as a whole.

Moreover, in order to secure fully the benefits of unification and to obviate the evils of the present situation which were set forth in the last part of this paper, it would have to be a central authority which could deal with other matters than those connected with the railways without reference to the separate colonies. Otherwise it would be necessary for any Legislative action which was required for railway purposes, any alteration in the statutory rights and privileges of railway servants, any agreement with the Portuguese or with the shipping companies in regard to the port rates, the procedure for the transfer of railway land, etc., etc., all to be undertaken and carried through, or at least approved by four different Governments or Assemblies. The difficulty of getting uniformity in this manner would be almost insurmountable.

Such a joint committee could only deal with many railway matters after getting joint action by several Governments.

Besides, it would probably never be possible to get the various Colonies to agree among themselves to any system of unification which involved the surrender of their power over the railways to any body, except to a single strong South African authority directly elected for the purpose. It would be comparatively simple to unify the railways at the same time that a Federal Parliament was

Several Colonies would probably only surrender control of railways to a Federal Parliament.

constituted. It would be very difficult to establish a central authority which was in any way effective and independent to deal with railways alone.

It is assumed, therefore, that the unification of the railways must form part of some wider federal union, and that the authority to which the unified railways would be handed over, would be directly responsible to the South African people, and not merely representative of the several and independent Colonies.

TO ENSURE FREEDOM FROM POLITICAL INFLUENCE THE FEDERAL PARLIAMENT OUGHT TO ENTRUST RAILWAY MANAGEMENT TO AN INDEPENDENT COMMISSION.

It has been made sufficiently clear in the earlier portion of this paper that the railways cannot be managed so as to serve the public interest in the most efficient manner if they are administered by a political authority directly amenable to political influence. So long as the working of the railways is vested in the ordinary executive Government they cannot fail to be used in one way or another for political purposes with disastrous results to the public welfare. It should, therefore, be the primary object of the Federal Parliament in deciding the constitution of the unified railways, that the ordinary railway management should be divorced absolutely from political control, and that under no circumstances should its details be allowed to become one of the planks in a ministerial programme, or an

The first essential of efficient management of the railways, that it should be freed from political influences.

issue at the elections or in the House on which a ministry might be turned out of office. Railway management ought in no sense to be allowed to become a party question.

This can only be achieved by handing actual administration of railways over to an independent Commission, free from interference by Government except in last resort.

The only method by which the railway administration can be protected from political interference is by handing over the actual railway management to an independent commission, endowed with statutory powers, and beyond the control of the Executive. The power of Parliament to interfere with the details of the railway management ought to be confined to its ultimate power to remove the railway commissioners by vote of both houses. That the constitution of such a commission is required is proved by the fact that every one of the Australian Colonies has found it necessary to remove its railways from the control of the Executive Government, and to administer them in this manner, and that far better results in working the railways have followed.*

Though Federal Parliament must have immediate authority in certain railway matters and ultimate power over Commission.

But while the actual management of the railways should be kept entirely free from political influences, the Federal House ought certainly to have the ultimate control over the railway administration, and ought to be immediately responsible for such matters as new railway construction, the raising of railway loans, or for negotiations with outside bodies such as a foreign railway administration or the shipping companies.

Suggestion that railways should be worked by a Railway Committee.

It is sometimes suggested that the working of the unified railways should be entrusted to a railway committee composed of political and commercial representatives. There are two

* See note on system of management of Australian railways, at end of this paper.

objections to this course. The first is a practical objection. It would be impossible to get a committee really representative of the whole of South Africa which could meet often enough to get through its business without delays. Such a system would simply result in constant delay and inefficient administration. The second objection is that in fact it could scarcely fail to re-introduce political influences, which it is one of the main objects of the scheme to avoid. Most of the members would have to be elected in some way or other, and their election would turn on a railway issue. Moreover, a really expert commission is probably a far better method of working a railway than a composite committee knowing little about railway matters, and a small portion of whose time only could be devoted to railway business. Moreover the railway commissioners would as a matter of fact be closely associated with the Federal Government, and in this way would be brought into as close touch with local conditions as any semi-political body would be. Though in matters of railway management therefore it would legally be independent of outside control, the commission's actual policy would in fact be largely influenced by the general policy of the Federal Administration.

Such a method
inadvisable and
in fact imprac-
ticable.

THE DUTIES OF THE RAILWAY COMMISSION AND THE LIMITATIONS ON THEIR POWERS.

If the administration of the railways is to be left, as in Australia, absolutely to the discretion of an independent commission, it is necessary to consider what steps it is advisable to take in order to ensure that the railways should be worked in the most efficient manner

possible, and especially that rates should not be given which conflict with the public advantage.

Limits within which a Government can interfere in fixing of rates very narrow.

The limits within which a Government can profitably interfere in the regulation of railway rates are very narrow indeed. Thus the conclusion of Mr. Meyer's book reads as follows :—

“The verdict of the experience of the countries of Continental Europe and Australia, as well as the verdict of the experience of the United States, under both the Federal Inter-State Commerce Commission and the several State Commissions, is unmistakable. It is impossible for the State to serve and promote the public welfare by intervening in the regulation of railway rates beyond the point of seeking to abolish secret personal discrimination, guaranteeing that all rates shall be reasonable, and providing that those rates which involve the question of relative reasonableness shall embody compromises which were made with intelligence and in good faith.” *

View taken by United States Supreme Court of principles which should limit interference of Government.

The Supreme Court of America in adjudicating upon appeals from the Federal Inter-State Commerce Commission has committed itself to the same opinion. It has practically laid down the rule that the Act to regulate Commerce, which provides that discrimination must not be “undue or unreasonable” is all that is really necessary. It has laid down that the words “undue or unreasonable” mean that “subject to the two leading prohibitions that their charges shall not be unjust or unreasonable, and that they shall not unjustly discriminate so as to give undue preference or disadvantage to persons or traffic similarly circumstanced,” the act leaves “common carriers as they were at the common law, free to make special rates, looking to the increase of their business, to classify their traffic, to adjust and apportion their rates so as to meet the necessities

* H. R. Meyer, p. 472.

of commerce and of their own situation and relation to it, and generally to manage their important interests upon the same principles which are regarded as sound, and are generally adopted, in other trades and pursuits. The carriers are better qualified to adjust such matters than any court or board of public administration; and within the limitations suggested, it is safe and wise to leave to their traffic managers the adjusting of dissimilar circumstances and conditions to their business." *

As a matter of fact, railway managers, if left to their own discretion, only give special rates, or differentiate between various kinds of traffic because it suits the requirements of trade. One producing district can afford to send all its traffic at the ordinary rate owing to natural advantages, and is charged accordingly; another cannot send its traffic profitably except at a low rate. It is certainly more unfair to refuse to carry the traffic of the latter at a low rate provided it is a paying rate, than to charge the former a higher rate which is reasonable in itself. There are only three alternatives in such a case. Either that the railways must lose revenue by giving the low rate to both alike and so indirectly injure others, because such action results in rates being kept up elsewhere; or it must refuse to carry traffic of the district which cannot afford to pay the ordinary rate at all, with similar results; or it must charge to each what each can afford. There can be no doubt as to which it should do.

An independent management would fix rates in accordance with requirements of trade, and no other consideration.

* *Ibid*, p. xxv. "The power of granting special rates permits a development of trade which would not otherwise exist, and it is abundantly evident that a large portion of the trade of the country at the present time has been created by, and is continued on the faith of special rates. The conditions under which such rates are granted are so numerous that no special law could be framed to regulate them."—Report of Royal Commission on English Railways 1865 to 1867. "The railways and the traders," by W. M. Acworth, p. 295, published by J. Murray, 1906.

Limits on Government interference in the fixing of railway rates.

Experience all the world over has shewn that a government cannot interfere profitably in the adjustment of railway rates further than to see :—

- (a) That no private discrimination shall be allowed ;
- (b) That every rate shall be reasonable in itself ;
- (c) That every rate shall as far as possible be reasonable as compared with other rates for the same traffic elsewhere.

Subject to these limits the Railway Commission should be left full discretion. The Law Courts to decide whether these limits have been exceeded, in case of dispute.

These limitations which are all which it is possible to impose on the discretion of the commissioners, unless the free flow of trade and the increase of traffic are to be restricted, ought to be enforced by law courts. It has been proved over and over again that unless the decision as to whether a rate is fair or not is left to an independent tribunal like a law court, a Government railway authority is forced to adhere to a rigid system of rates.

There can be no greater mistake than to suppose that an independent authority would work the railways contrary to the public interest. It has already been explained that what is to the public interest, is in fact, under normal conditions, to the railway interest also, because it pays best to suit the public best. Moreover, when it is remembered that the railway commissioners would be solely concerned with working the railways in the most efficient manner in the public interest, and not with private dividends, it cannot be doubted that their administration would be as efficient in securing the public interest as any which it would be possible to introduce in South Africa. Their administration would certainly be more-

to the public advantage than any administration whose policy was dependent on the compromises which it could make with its political supporters. The real difficulty will be, not to prevent the commission going too far in the matter of giving special rates, but to make it go far enough. Even though it is not amenable to political control it is easy for public opinion to bring strong pressure to bear upon any public body. In Australia the railway commissioners have found it very difficult to withstand the pressure put upon them by the great vested interests of the port towns, which had grown up under the system of political control of the railways. In South Africa, however, such interests have not had time to grow to the same extent, and the pressure from them would not be so strong. It would therefore be easier for a strong commission to conduct the railways on sound principles and establish a tradition which it would be the more easy for their successors to uphold.

Commission not likely to go too far in the direction of giving special rates. Rather the contrary.

All questions relating to the appointment and dismissal of the railway staff should also be left entirely to the free discretion of the commissioners. The power of the railway vote in influencing railway policy while the railways were under political control in Australia was one of the reasons why they were entrusted to an independent authority.

Commission to deal with all questions relating to railway staff.

It may be desirable that the independent commission should be assisted by an advisory board consisting of representatives of various agricultural, commercial or mining interests, so as to keep in touch with the state of commerce or the needs of every part of the country. This course has been suggested in

Advisory board representing various interests to assist Commission.

Australia, but so far as can be ascertained it has never been carried out. The farthest step taken in this direction up to 1901 was the creation of an advisory board of railway officials to assist the Victorian Commissioner. As a matter of fact it is probably unnecessary. The Railway Commission would be closely associated with the Federal Government and in this way would be kept in touch with local requirements. Moreover, in railway matters a particular district or interest which requires special facilities, or which thinks itself neglected, is not slow to bring its views to the notice of the railway authorities. A railway manager is probably in closer touch with every portion of the country served by the railway he administers than any other single person. In any case, however, in order to prevent slackness in administration it would have to be provided, as is the case in Australia, that the Railway Commissioners should supply the Ministry with full information as to railway working and alterations in rates and fares at frequent intervals, and they would also have to submit yearly reports on the same lines to the Federal Parliament. In this way, and by having a competent political Minister to advise and assist the Commissioners, it would be perfectly possible to keep the Railway Administration absolutely acquainted with local requirements and under the scrutiny of the Federal House. This scrutiny coupled with efficient audit and the right of appeal to the courts is probably all the supervision and control which it is necessary or wise to put on the Railway Commission. Questions in the House, and the representations of the Executive

Probably unnecessary. un-

Railway Commission to report periodically to Executive and to Parliament.

No further safeguards necessary to ensure efficient administration.

would always secure that the Railway Commissioners did not ignore local requirements, refuse to give legitimate facilities required by commerce, or give special rates which might be undesirable in the interests of the community as a whole. In any event, if the Commissioners were really inefficient or consistently pursued a policy which the Federal House considered contrary to the public interest, they could always be removed by vote, and a new commission appointed.

RELATIONS BETWEEN RAILWAY COMMISSION AND FEDERAL PARLIAMENT.

In order that the independence of the Railway Commission from political influences should be assured, the relations which should exist between the Commission and the Federal Parliament should be definitely laid down in the Act constituting the Commission. It has already been explained that the ordinary management of the railways by the Commission should not be interfered with by the Federal Parliament or Executive, except in the last resort. Three further provisions would also be necessary defining the relations between Parliament and the Commission.

Three further provisions necessary in Constitution.

In the first place it ought to be provided that the railways should be worked as a commercial concern, independent altogether of the other Government finances. Too much stress cannot be laid upon the importance to any country, and especially to a young and undeveloped country like South Africa, of having the cheapest possible means of transportation. Railway revenues ought to be used solely for

(a) Railways to be managed independently of budget, and not to be used as a means of taxation

railway purposes, and surpluses should be made use of to liquidate railway debt or to lower rates.

(b) New Construction to be decided by Parliament, but if Railway Commission cannot recommend it on railway grounds, loss to be borne by general revenues.

Secondly, in the case of new construction it ought to be provided that where the Federal Parliament decides on building a new line in face of a recommendation from the Railway Commissioners that it is not a sound proposition from the railway point of view, any loss on working the line, less some fixed proportion (say 25 per cent.) on account of the contribution which the line makes towards the traffic on the main line, should be made good to the railways out of the Federal Budget. It may often be good policy for the Government to build such lines, but the tax-payers ought to know exactly what they are spending on the development of any particular district. It is manifestly unfair that trade all over the country should be hindered owing to the existence of high railway rates, which are rendered necessary in order to make good losses on non-paying branch lines. Such losses, however, are much less likely to occur under an administration which can foster traffic by means of special rates, while making ordinary traffic pay the standard rates, than under the present rigid system. Similarly, where the Federal Government desires to give special encouragement to some industry or product, by means of very low railway rates, it ought to be allowed to do so, only by undertaking to make good to the railways the difference between what the Commissioners considered the proper rate from the railway point of view, and the specially low rate actually given. For instance, suppose it wanted to reduce the rates on grain by one-third, it could do so either by means of

Similarly, loss resulting from exceptionally low rates given under instructions of Parliament, and not warranted on railway grounds, to be made good from general revenue

a rebate to consignor, or by paying to the railways at the end of the year a subsidy equal to one-half of its earnings from that particular traffic. In this case also the amount of the bounty should be clearly realised and deliberately granted out of the national revenues, instead of being hidden away and paid for by other traffic. As a matter of fact such special assistance would seldom have to be given, for an administration which was not bound by a rigid system would do everything in its power to foster by means of low railway rates any industry or product which it was possible to develop at all, because it would pay the railway to do so.

The only interference which the political government should be allowed to make with the free discretion of the Railway Commission in the internal management of the railways should be in the matter of agreements with foreign powers, or companies, involving contracts in regard to rates. Any such agreement would of course have to be given effect to by the Railway Commissioners.

(c) Agreements with Foreign powers or companies to be binding on Railway Commission.

Transportation is really a commodity whose price depends, like that of any other commodity, on economic laws. Commerce and industry to be vigorous and healthy, require to be able to adjust themselves at once to every fluctuation in the markets which they serve. Prices and the cost of production cannot be readily altered to meet these changes. Railway rates are really the one step in the intricate process by which the world's demands are supplied, which can adjust themselves from day to day to the varying conditions of trade. If a country is to go ahead, is to take

Railways must conform themselves to conditions of trade if they are to promote development.

its place as one of the great producing countries of the world, its railways must accommodate themselves to these conditions.*

It is certainly possible to go too far in giving special rates. The American railways have probably granted special rates to an excessive degree. But the principle upon which they act, viz., that it should be the railway's business to adjust itself as freely as possible to its customers' requirements is undoubtedly the right one. In any case, no Government railway can or will ever go to anything like the same lengths in giving special rates that a private railway does. For by far the greater number of special rates granted by private companies are given, not so much with the intention of increasing the total traffic of a district, as for the purpose of attracting to their own lines traffic hitherto travelling over the lines of their rivals. Nine-tenths of the disadvantages of special rates which have been found to exist in America, are due to the fact that they are dictated by the pressure of competition and not by the needs of the public. A Government railway, however, is generally without competitors, at any rate railway competitors, and is not therefore continually being forced to alter its rates in order to prevent its traffic going to another administration. It is therefore probable that under no system of Government management of railways is it possible to get such low rates, or such facilities for the movement of traffic as exist under ordinary private management.

Government railways cannot be as efficient as private railway because they have not to face competition.

* In order to prevent the grain producers of the Central States of America from being temporarily excluded from the great grain markets of Europe owing to sudden fluctuations in price, the American railways which carry agricultural produce to the Atlantic ports, have agents stationed at the seaboard and at the great inland grain centres, whose business it is to keep themselves informed of the daily and hourly changes in the price of agricultural staples in the European markets, and to adjust the export railway rates to fluctuations in those prices.

But there is still the greatest difference between the results attained by a rigid system such as that followed by the railways in this country, and a flexible system such as that adopted by private railways where they are not met with competition, and to a certain degree by the Government railways of Australia. A rigid system, or any system which does not give full play to economic forces, hinders commerce and development. It simply produces high rates, and high rates restrict production and therefore heighten the cost to the consumer, increase the price of food and clothing, and lower the wages of labour by lessening the demand for it.

But the South African Railways could adopt a more flexible system than the present with advantage.

If the railways are to assist the progress of South Africa they must adjust themselves to the requirements of her trade by facilitating the relations between consumer and producer, and by assisting her industries to compete in outside markets and to supply her own, and not by sheltering behind a rigid rule of rate-fixing designed to free the Government from responsibility, rather than to foster the development of the country. There can be no doubt that a more flexible system of management, administered by an authority free from direct political influences, and sympathetic to the needs of the country would have most far reaching and beneficial effects on the prosperity and development of South Africa. The present system not only arrests growth, but has in it the seeds of much inter-colonial bitterness and friction. But the longer the change to a better system is postponed the more difficult it will be to make the unavoidable sacrifices, to look at the question from an unbiased standpoint, and to establish the unified railways on a basis which will promote the unity and development of South Africa.

APPENDIX.

**Note on the System of Management of the
Australian Railways.**

QUEENSLAND.

The Queensland Railways were at first under the management of a commissioner who was responsible to the minister of the day. In 1888, however, the Government abolished political management and placed the railways in the hands of a board of three commissioners independent of political control as regards the working of the line. The subsequent improved results from working shewed the wisdom of the step taken by the Government. In 1895 a railway act was passed providing for the abolition of the three commissioners and the substitution of a single commissioner.

SOUTH AUSTRALIA.

In June, 1888, a railway act came into operation which removed the railways from political control and vested the management in the hands of three commissioners. This act was amended in 1895, so as to provide for one commissioner instead of three.

VICTORIA.

A railway act appointing three commissioners to work the Victorian Railways free from political control was passed in 1890. The commissioners hold office during good behaviour for a term of seven years, after which they are eligible for re-appointment. They can be removed on the presentation of an address from Parliament to the Governor.

One or two of its provisions are worthy of notice : Railway property of all kinds is vested in the commissioners. In the first month of each quarter of every year the commissioners have to report in writing to the Ministry "the state of the traffic returns with the approximate cost and earnings of trains per ton, per train mile, in respect of goods and passengers respectively, carried during the past quarter, the general conditions of the lines and accommodation for the traffic, whether any special rates have been made, and the reasons for making such rates, and shall also furnish a statement of appointments and removals of employees, with the circumstances attending each." These reports are to be laid before Parliament. Before the second reading of any new construction bill the commissioners have to transmit to the Ministry a statement shewing the estimated cost of construction and of traffic and other returns likely to be received from the line. This statement has to be laid before Parliament. "All monies appropriated by Parliament for construction, maintenance or management of the railways shall be expended under the control and management of the commissioners."

An amending act came into force in 1892, under which the Ministry of the day was given greater powers of interference with the management. Several changes in the management took place, and in 1905 the Government appointed a board to enquire into and report upon the general working of the railway department. The board submitted a very voluminous report and its recommendations may be summarised as follows :—Independent management by trustees on behalf of the

state ; the abolition of political patronage, and the creation of the office of General Manager.

A bill founded on these recommendations was passed in 1896. One important alteration however was made. Parliament constituted an advisory board composed of high-grade railway officials for the originally proposed board of commercial men. The management was placed in the hands of a single commissioner, and the board was to meet at least once a month to advise him, but he was not bound to accept its advice. In 1903, however, an act was passed reverting to the appointment of three commissioners instead of one. Any two commissioners form a quorum. The provision in regard to the powers of the chairman may be quoted at length :—

“ If the chairman differs from the decision of the other two commissioners with respect to any matter before the commissioners for their decision and determination, such matter shall be deferred for not less than twenty-four hours when it shall be again brought forward, and in the event of the chairman again differing from the decision of the other two commissioners, such matter of difference shall be determined according to the deliberate judgment of the chairman irrespective of the decision of the other two commissioners, and the chairman shall in all such cases enter upon the minutes of the proceedings of the commissioners his reasons at length for deciding such matter in opposition to the other two commissioners and shall forward to the minister a true copy of such minute, certified under his hand, for presentation to Parliament.”

NEW SOUTH WALES.

In 1888 the working of the railways was removed from political control and the

management vested in three railway commissioners appointed for seven years. In 1901 a new Act was passed conferring specific powers on the railway commissioners. Some of these may be noted:

The commissioners may be suspended for misbehaviour or incompetence, but can only be removed if each House of Parliament declares by resolution that he ought to be removed from office. All Government railways are vested in the commissioners. The commissioners are the authority to decide on all such questions as the place of stations, piers, crossings, etc. They may take any action they may consider necessary for the partial reconstruction of the lines, relaying or extension or replacements to bridges without reference to any higher authority.

Clause 28 refers to tolls, and reads as follows:—

- “(1) The commissioners may carry and convey upon the railway all such passengers and goods as are offered for that purpose, and may demand reasonable tolls and charges in respect thereof.
- (2) Subject to the provisions of this Act, all such tolls shall, at all times be charged equally to all persons, and after the same rate, whether per ton, per mile, or otherwise, in respect of all passengers and all goods or carriages of the same description, and conveyed or propelled by a like carriage or engine passing over the same portion of the line of railway and under the same circumstances; and no reduction or advance in any such tolls shall be made either directly or indirectly, in favour of or against any particular company or person travelling upon or using the railway.”

Clause 36 reads as follows:—

- “Notwithstanding anything in this Act contained, the Commissioners may frame a special scale of tolls or charges for the conveyance of specific classes of produce or merchandise.

Provided that the same charges shall apply alike to all persons using the railways."

And Clause 39 reads :—

"The Commissioners shall not afford or give any undue or unreasonable preference or advantage to any particular person, or to any particular description of traffic, in any respect whatsoever; nor shall they subject any particular person, or any particular description of traffic to any undue or unreasonable prejudice or disadvantage in any respect whatsoever."

This Act has the same provisions in regard to powers of chairman, quarterly and annual reports, and submitting estimates in regard to proposed new lines as the Victoria Act quoted above.

The commissioners have power to make any Bye-Laws.

WESTERN AUSTRALIA.

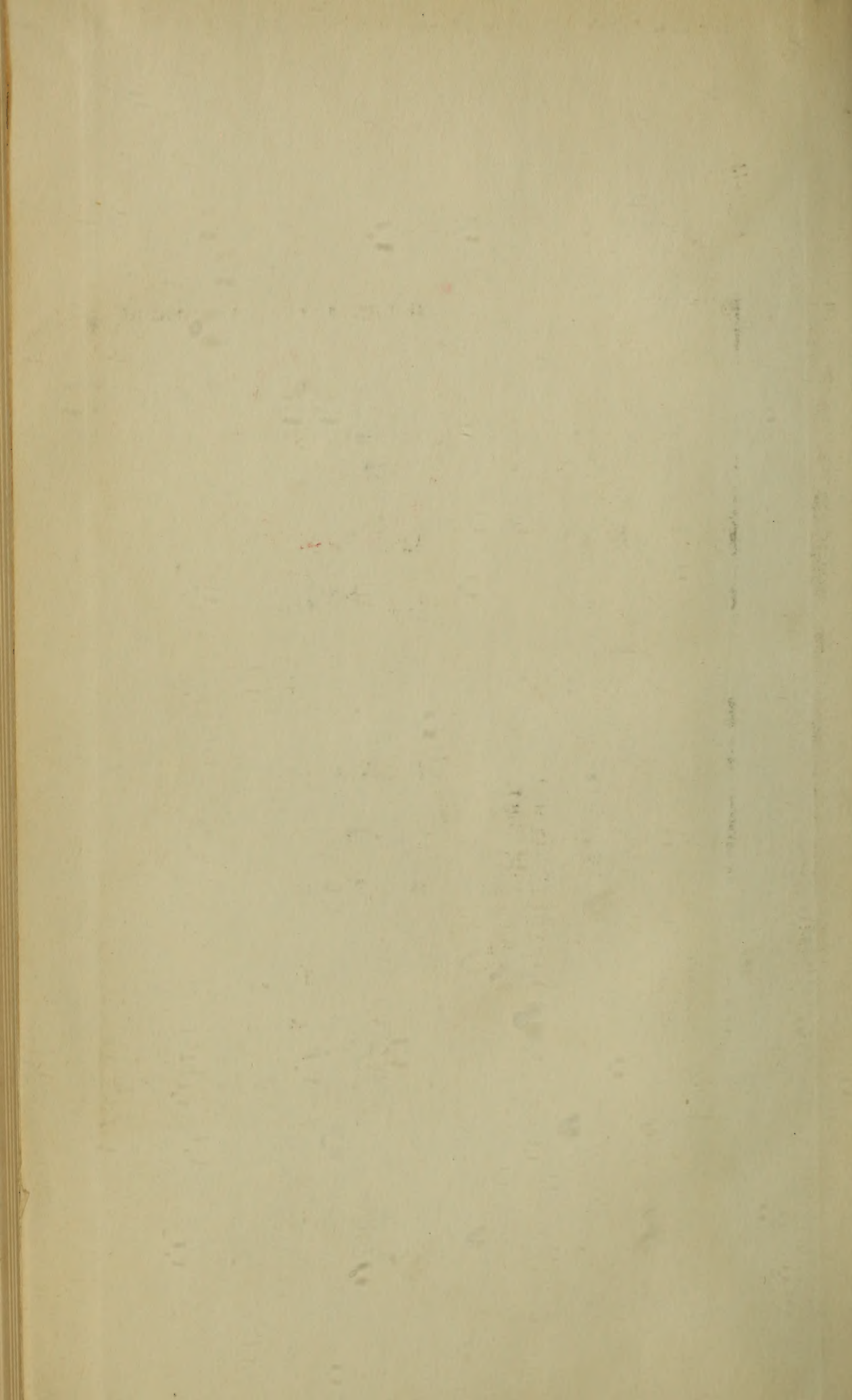
The railways were originally under political control, but the political activity of railway unions had such a marked effect on the discipline of the service that the railways were placed under the control of a single independent commissioner.

The Railway Commissioners in all the Australian Colonies give special rates, and report them to Parliament as having been given "to encourage trade."

MAPS.

A¹ THE BRITISH EMPIRE.

A² BRITISH SOUTH AFRICA.



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