

GERMAN v. BRITISH RAILWAYS

WITH SPECIAL REFERENCE TO
OWNER'S RISK AND TRADERS' CLAIMS.

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GERMAN & ERITREA RAILWAYS

AN INVESTIGATION OF THE
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NOTE.

THE matter contained in the following pages represents a substantial expansion of an article on "Railways and Traders in Germany," published in the "Financial and Commercial Supplement" of *The Times* on February 11, 1907.

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The matter contained in the following paper
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INTRODUCTORY.

IN replying to a deputation of traders which waited upon him on December 13th, 1906, mainly in regard to the question of owner's risk, Mr. Lloyd-George, President of the Board of Trade, is reported to have said:—

“Do you see the way they work in Germany? There is no such thing there as owner's risk, but there is a limit to the risk where they give reduced rates. Even in this case, however, if the railway is guilty of gross negligence or wilful misconduct, then it is liable for full compensation. That is how I understand it; but I have no official information. It is practically the same in European countries, and even in the United States. I cannot speak with any official information, but this is the information which the Board of Trade has got.”

Mr. Lloyd-George proceeded:—

“I may say here that in the near future we will have to reconsider the whole question of railway rates from beginning to end. I have been very much impressed since I came to the Board of Trade with what one speaker has called the great and growing discontent with the whole system, and I am also impressed with this: I meet some German traders from time to time, and they impress on me their greatest possible satisfaction with their railway system. Whether the German is a much more contented animal than the

Britisher, I do not know ; but, from what I hear from that country, they are very satisfied with their railway system, and consider that the railway system in that country is doing its very best to assist and to promote industries, and even to develop the weak industries. That is the feeling throughout the whole of Germany, as far as I can see."

In these remarks by Mr. Lloyd-George we find two distinct propositions : (1) That there is no such thing as owner's risk in Germany; (2) that there is general satisfaction in Germany with the railway system. Mr. Lloyd-George admitted that in regard to the first he could not speak with any official information, while his second proposition was avowedly based on the assurances given to him by "some German traders" whom he meets "from time to time." He further mentioned that he had instituted an inquiry into the whole question of railway transport in other countries ; yet he was, apparently, so far satisfied with such information as he had already gleaned in respect to the position at home and abroad that he was able to say at once to the deputation :—

"I think you have made a case for a grievance. I think you have also made a case for something being done, and done at the earliest possible moment, to redress it ; and you may depend upon it that, as far as I am concerned, I will use all the influence I possess with the Government in order to induce them next year to deal effectively with this question."

Such attitude on the part of Mr. Lloyd-George invests with special interest the position of the railways in Germany and the relations of German traders thereto. Following, therefore, on the pronouncement of the President of the Board of Trade, I thought it worth while to visit Germany, and make close inquiry, alike in official and in commercial circles, as to what the facts of the case really are, with a view to setting them forth in somewhat greater detail than those contained in the chapter on "Germany" in my book on "Railways and their Rates." It further occurred to me that, inasmuch as the position in Germany is so often

spoken of here by traders and others in a way which shows that much general misconception exists on the subject, such an inquiry might, perhaps, be of advantage to those desirous of learning the actual facts and unable to make an investigation into them on their own account. It seemed to me, also, that however well the German railway system might be adapted to German conditions, it could not necessarily be regarded as suitable for the very different conditions in many respects of our own country. I have sought, therefore, to regard the position from a strictly British and practical, rather than from a German or an academical standpoint; and, while I fully recognise the fact that there are many excellent features in connection with German railways, and am, also, anxious not unduly to wound German sensibilities, my point of view is, nevertheless, essentially a critical one in making such comparison between German and British conditions as falls within the special purpose of the present work.

In giving here the results of the inquiry thus made, I propose to deal, first, with the question of owner's risk and the liability of the German railways in general; secondly, with the operation of German railways (from the trader's standpoint) as compared with British; and, thirdly, with the question as to whether or not there really is general satisfaction on the part of German traders towards their railways.

PART I.

OWNER'S RISK AND TRADERS' CLAIMS.

ACCORDING to Mr. Lloyd-George, "there is no such thing as owner's risk in Germany." If by this he means no such thing as an "owner's risk" rate, distinct from a "company's risk" rate, then he is perfectly correct. The double rate does not exist in Germany, as it does here, and, although provision is certainly made in the German railway regulations ("Eisenbahn-Verkehrsordnung," paragraph 81) for the arrangement he speaks of, as to a limit of risk where reduced or exceptional rates are conceded, in practice little advantage is taken of this clause, there being comparatively little opportunity for obtaining such rates.

But if, by owner's risk, one means the conveyance of merchandise under conditions (apart from exceptional rates) which leave the trader to bear the loss of damage, etc., then it can only be said that such risk plays as great a part in railway transport in Germany as it does in England, though with this fundamental difference,—that, whereas here the trader pays a lower rate when he accepts "owner's risk," in Germany the trader pays the ordinary rate, without any reduction (except in the contingency stated above), but runs the risk all the same. In other words, the English trader has owner's risk at "O.R." rates, and the German trader must take owner's risk at the equivalent of "C.R." rates.

LIABILITY OF GERMAN RAILWAYS.

Mr. Lloyd-George can hardly have been aware of these facts when he made his comparison between the German and the English system. But facts they are. Theoretically,

I know, the German railways do take the risk in regard to the loss, diminution in bulk, or damage of consignments while under their charge. But, practically, the degree of their liability is reduced to the lowest possible minimum, and concessions offered by one hand are covered with so many restrictions by the other that their value, from the trader's point of view, is most seriously reduced.

For instance, paragraph 75 of the German Railway Regulations sets forth the responsibility of the railways, as just mentioned, but goes on to say: "Provided that such loss, reduction in bulk or damage is not due to the fault of the sender, to an act of God" ("durch höhere Gewalt" = "*force majeure*"), "to a defect in packing not externally apparent, or to the natural quality or constitution of the goods, especially as regards their danger of deterioration, wasting or leakage." It is further laid down (in effect) in paragraph 77, that:—

(1) If, under a particular tariff, or by direction of the sender, goods are consigned in an open wagon, the railway is not answerable (apart from actual loss or serious decrease in bulk) for damage due to the risks with which such a method of consignment is associated.

(2) In the case of commodities which, from their nature, ought to be packed, in order to guarantee them against entire or partial loss or damage, but in respect to which the sender has made a declaration acknowledging that they are either unpacked or insufficiently packed, the railway is not answerable for damage due to the risks with which, again, such method of consignment is associated.

(3) When the loading or unloading is done by the trader, the railway is not responsible for any damage resulting directly therefrom, or indirectly through defective loading.

(4) If the goods are of such a nature that there is special danger of their complete or partial loss or damage through breakage, rust, natural deterioration, unusual leakage, drying up or dispersal, then the railway is not answerable for any damage that may result from this danger.

(5) When living animals are sent, the railway is not to be

responsible for loss arising from the peculiar risks which their transport necessarily entails.

(6) If consignments, including animals, which ought to be forwarded in charge of some person representing the consignor, are unaccompanied, the railway will not be responsible for any damage resulting therefrom.

This list of exceptions is followed by a general condition to the effect that: "If, having regard to the circumstances, the loss sustained might have been due to one of these causes, then it shall be assumed that such was the case." Such a condition as this does not seem to leave much chance for the average trader! It is true that, as Mr. Lloyd-George mentioned, "if the railway is guilty of gross negligence or wilful misconduct, it is liable for full compensation." Paragraph 88 of the Railway Regulations, dealing with this point, lays down that: "If the damage has been done intentionally or through gross carelessness (*durch Vorsatz oder grobe Fahrlässigkeit*), then in any case the full amount of the loss sustained can be claimed." But Mr. Lloyd-George attaches too much importance to this qualification. On paper it looks well—very well indeed. When, however, I asked various German traders, who have extensive dealings with the railways, if they experienced much difficulty in proving "gross carelessness," they gave a smile of incredulity, and replied: "The thing is practically impossible. The railways fence themselves round with so many conditions that one can rarely bring 'gross carelessness' home to them. The law courts are generally sympathetic towards the trader (especially as the compensation paid comes out of the public purse), but that is often his only chance."

THE GERMAN "OWNER'S RISK" NOTE.

Reverting to the exceptions given above, I would call attention to sub-section (2) in reference to the non-liability of the railway for damage due to defective packing. It is here that the question of owner's risk more especially comes in. Paragraph 58 of the Railway Regulations states that so far as the nature of the goods necessitates their packing, to

protect them against loss or damage during transport, the responsibility for taking the necessary measures in this direction rests with the sender. If the sender does not take such measures, then the railway—should it refrain from refusing to carry the goods at all—may require him specially to notify on the consignment note that the goods are either “unpacked” or “insufficiently packed,” and he must also fill up and give in a form to the following effect :—

SPECIAL DECLARATION IN REGARD TO THE PACKING OF GOODS.

The Goods Depot of the Railway, at , has, at my (our) request, accepted from me (us), for transport to , consignments which are indicated on the consignment note as follows :—

I (we) hereby expressly recognise the fact that these consignments are

unpacked,*

in the following respects not sufficiently packed,

which condition has been duly specified on the consignment note.

(Signature and date.)

* The word “unpacked,” or the words “in the following respects not sufficiently packed,” should be struck out according to circumstances.

When various parcels or packages are included in one consignment, this declaration need only apply to those which are either unpacked or insufficiently packed.

Should a trader be constantly sending goods in either of the two conditions here specified, from a particular station, he can make a general declaration on another form.

Here, then, we have the German “owner's risk” note, without which the railways there will not carry certain classes of goods at all, though with which they still require payment of the same rates as if they assumed the risk, instead of relieving themselves from all responsibility unless the almost impossible feat of proving wilful damage or gross carelessness can be brought home to them.

DEFINITION OF PACKING.

“But,” the reader will naturally ask, “what is regarded in Germany as constituting ‘insufficient packing’?” I devoted

a good deal of time to trying to get a correct definition of this phrase, and the conclusion I arrived at was that anything is "insufficiently packed," in Germany, which may cause the railway to run the slightest possible risk of having to pay compensation for damage. In other words, the railway only agrees to take the risk under such conditions that, as far as human foresight goes, there is no probability of damage occurring. When I sought the views of a forwarding agent who deals with vast quantities of every class of goods in the course of the year, and is therefore well qualified to give an opinion, he replied: "In effect, general merchandise is regarded by the German railways as sufficiently packed only when it is in strong wooden cases, or, perhaps, in substantial baskets. Everything else must go on the declaration freeing the railway of all responsibility, and leaving the trader to bear any possible loss." Goods in bales or crates, for instance, come under the definition of "insufficiently packed," and require the special declaration just the same as commodities that are not packed at all. In one warehouse I saw a very substantial-looking crate, made of broad strips of wood three-quarters of an inch thick, and so solid that a man could have stood on the top without going through. But there were open spaces of about one inch between the different strips forming the crate, and on this account, I was told, the railway people would regard the consignment as "insufficiently packed," and would only accept it for transport on an "owner's risk" declaration. It is with them that the decision rests. Still further, it is expressly stated in the "Deutscher Eisenbahn Gütertarif, Theil I., Abteilung A.," that "such goods as, for example, unpacked skins, simply tied round with rope, and sugar in loose loaves, will not be accepted for transport" otherwise than on the special declaration.

Liability is also refused by the German railways should the damage be due either to faulty packing not externally apparent when the goods were accepted for transport, or to what may be construed into the insufficient packing of fragile goods. In regard, again, to such commodities as cigars and

meat products, even the "owner's risk" statement is not sufficient. Goods of this class are not to be accepted for transit at all unless, in addition to being accompanied by the special declaration, the packages are sealed up in such a manner that pilfering cannot take place without detection. Should wax be used, an impression of the seal must be put on the consignment note. In regard to other commodities, also, stringent regulations are laid down in order that the risk run by the railway may, as far as possible, be non-existent.

In effect, therefore, it may be assumed that wherever an English railway company would require a trader to hand in an owner's risk note for "damageable goods when not properly protected by packing," the German State railway would certainly insist on an even closer definition of the words "properly protected," and would show an even greater strictness in requiring the special declaration note; the main difference between the two practices being (1) that, as already mentioned, the German pays the same rate, while the English trader generally pays on a lower scale; and (2) that the German railways are legally responsible only for "gross or wilful carelessness," while the English railway company is relieved by the owner's note from all responsibility for loss or injury "except upon proof that such loss or injury arose from wilful misconduct on the part of the company's servants."

MEETING OF CLAIMS.

On the former of these points the advantage is clearly in favour of the British trader; on the latter, it would appear to be in favour of the German. Here, however, we come to the fact that while, from considerations of policy, of sentiment, or otherwise, the English railways have often met claims in respect to damage even where the transport has been at "owner's risk," in Germany the State railways keep strictly within the range of their legal liability, and know nothing of policy, sentiment or anything but what is "in the bond," in dealing with traders' claims. On the whole, there is no reason for doubt that, notwithstanding the difference in

responsibility, British traders have extracted far more compensation under "owner's risk" from their railway companies than the German traders have done from their State lines under like conditions. What one finds in Germany is that when goods sent under the special declaration get damaged, the trader rarely goes to the trouble of making a claim, because he knows in advance that he would not be likely to get anything. When, however, such proof can really be given—as, for example, in the case of a consignment of goods damaged by rain owing to a defect in the closed wagon in which they had been loaded—the railway readily acknowledges liability, and pays, sometimes within a month or six weeks, if the matter is a simple one, but taking substantially longer if there are complications. In Germany the claims are mainly in respect to actual losses, those for damage being, for the reasons stated, much less frequent. In England about 60 per cent. of the total are for damage. Claims even of the most trivial kind, or where only the ordinary risk has been run, are sent in freely, because it is thought there is always the possibility of getting something by way of compensation, in addition, of course, to the saving the traders have already effected by consigning at "owner's risk" rates, and by adopting an economical form of packing.

The claims for damage made by British traders are largely in respect to unpacked or insufficiently packed goods, particularly those manufactured from iron and steel (some of which are especially brittle and liable to damage, as, for example, stoves, grates, ranges, light castings, rain-water pipes, bedsteads, fenders, and gas and water tubes); clay goods (such as sanitary pipes, glazed bricks, terra-cotta, retorts and tiles); or to other damageable goods (glass, preserves in jars in cases, wines and spirits, earthenware, furniture, phonograph records and hardware);—many of which are not only very fragile, but are forwarded either not protected at all, or not properly protected by packing. It is absolutely certain that on the German State railways none of the goods here specified would be accepted otherwise

than at owner's risk ; and it is no less certain that, if damage arose, the owners would stand absolutely no chance whatever of getting compensation unless they could prove "gross or wilful negligence."

TRADERS' CLAIMS IN ENGLAND.

As examples of claims (especially of a frivolous or unreasonable kind) made by British traders for goods damaged, more particularly where the packing has been at fault, I may mention the following, which have come under my notice :—

A claim for 1s. 8d., for one lamp and one can, broken in a case of glass and a cask of hardware, sent at ordinary risk. A claim for 11d., for one dish and one vase broken, in a 4-cwt. case of glass, etc., sent at ordinary risk. A claim for 1s. 8d., for one frame and one vase broken, in a 4-cwt. case of glass at ordinary risk. (These three instances are typical of a very large number of claims preferred by teamen who give presents to their customers, and are in the habit of receiving consignments of a great variety of fragile goods all packed together.)

A claim for 2s. 6d., for 3 quarters short weight on a 7-ton load of pig-iron.

A claim for 5d., for five broken eggs, in a 2-cwt. case of eggs from the Continent.

A claim for £12 gs. 6d., on account of iron and bars—loaded and sheeted by senders in their private sidings, and consigned at owner's risk—arriving at destination wet and rusty, owing to the ends not having been properly covered when the sheeting was done.

Many claims for sums ranging from 8d. to 1s. 3d. each, in respect to jars of fruit-preserve broken or pilfered, mainly owing to defective packing.

Claims under 1s., in respect to a tin of black oil packed with broom-heads, found broken on unpacking, the brushes being damaged by the contents; and an art flower-pot, chipped in a crate of pottery weighing several cwt., the damage being due to defective packing.

• A claim for twelve bricks alleged to have been chipped or

broken in a truck containing 2,150 bricks, loaded by the senders and unloaded by the consignee, and simply hauled by the railway.

A claim for cleaning some tubes which had been sent unprotected by packing and had become dirty.

Claims for damage to furniture of a light character and low price, wrapped in canvas covering, with a little straw, and carried at owner's risk.

Claims in respect to new, empty luggage-trunks, wrapped in canvas only; for pianos in canvas or mats; a typewriter in metal cover, wrapped in brown paper, for consignment by goods train; a clock and pictures, packed with a treadle sewing-machine in a matchwood case; an overmantel, sent in a flimsy crate from which it got loose; bundles of steel, not protected by packing, and becoming rusty; cloth, insufficiently packed in canvas to prevent it from being chafed by other goods; ready-made garments, packed in paper only; sanitary pipes without protection by any packing material whatever; and so on, almost *ad infinitum*.

I do not hesitate to say, in respect to the whole of the claims here specified, that, had the commodities in question been consigned on German State railways by German traders (1) they would not have been accepted for transport at all without the special declaration note absolving the railway from all liability on account of the goods being either unpacked or insufficiently packed; (2) that in these circumstances no German trader in his sober senses would dream of making a claim against a German State railway (whatever he might do here) in respect to the damage of such goods; and (3) that, if he did, he would not have the ghost of a chance of securing a single penny of compensation—unless he could prove “gross carelessness.”

Apart from the more frivolous or unreasonable claims, there are, of course, many which traders may regard as essentially reasonable, from their own point of view, even although the traffic has been carried under owner's risk. But it is extremely doubtful if, even here, the German traders are in a better position than the British.

GERMAN TRADERS AND PACKING.

One effect of the merciless strictness of German railways in enforcing the special declaration has been to make traders in Germany more careful about their packing than is so often the case here. Another is that many of them regularly insure their rail consignments (with private insurance companies) against damage or loss, knowing as they do the difficulty they might experience in sustaining claims against the State lines. Where such insurance is effected the amount of the premium must be added to the railway rate as representing the cost of transport. Not only, therefore, does the German trader fail to get a lower rate on account of "owner's risk," but he may have to meet these insurance charges as well.

But there are commodities which must either necessarily go unpacked, or which cannot, for one reason or another, be sufficiently packed; and in either of these cases the market value of the article might not permit of the added cost of insurance. As these goods are bound to go on the special declaration, the risk of the owner is complete, and certain classes of traders in Germany—among them furniture dealers and makers of stoves or other iron castings—complain most bitterly, notwithstanding the assertions of Mr. Lloyd-George's friends, about the hardness of their fate. They are compelled to send at "owner's risk;" they get no reduction in rate; they cannot insure; damages representing serious losses to themselves repeatedly occur; yet, because they have to sign the special declaration, and because they cannot prove "gross carelessness" against the railway, they know that there would be absolutely no chance whatever of their maintaining a claim, even if they sent one in. As one large trader put it to me: "They had better save the postage stamp."

FAULTY DIRECTION OF GOODS.

In addition to the claims for actual damage, a large number are made against British railway companies for losses or delays mainly due either to the inadequate addressing of goods, or

to the marking (where no actual address is given) being insufficient, or in some cases becoming obliterated in the handling. The German railways accept liability in respect alike to losses and to delays; yet, once more, in order to reduce this liability to an absolute minimum, their Regulations emphasise the requirement that the address or marks on all piece-goods shall be expressed in "permanent and clear characters, so that no possibility of mistake may arise," such address or marks to correspond exactly with the consignment note. In practice, unless this is done, the railway disclaims all responsibility. If a German railway employé were offered goods marked in a way which he regarded as inadequate or unsatisfactory, he might simply refuse to take them until the fault had been remedied. Alternatively, if merchandise bearing a mark, but without the destination station, should be received, the railway officials are authorised by the Regulations to place the name of such station on the consignment where this is practicable (obtaining the information, presumably, from the consignment note), and to charge the trader a stated fee for so doing.

If conditions such as these were enforced in Great Britain, one of the most frequent sources of trouble would be avoided. In the "Second Report of the Standing Joint Committee of Midland Chambers of Commerce on Railway Matters," I find a letter, written in November, 1905, to the Assistant Secretary of the Railway Department, Board of Trade, by the general managers of the Great Western, the London and North-Western, the Midland, and the North Staffordshire Railways, saying, among other things: "It may be observed that many losses of goods and most of the delays and mis-deliveries connected with the Midland districts arise from the fact that by far the greater proportion of goods delivered to the companies are sent under mark and without address. For several years past the companies have made special efforts to induce traders to assist them to carry their goods promptly and accurately by addressing them in such a manner as when an article gets separated from its consignment or invoice there will be such information on it as will

inform the company what to do with the article." Reference is made to notices issued to the traders from time to time, and the letter proceeds: "When the deputation from the Midland Chambers of Commerce conferred with the Great Western, London and North-Western, Midland, and North Staffordshire Railway Companies in London on January 6th, 1904, further efforts were made to bring about the improvement so much needed, but without success, although some of the deputation considered the requests of the companies reasonable. Nevertheless, it is the practice of the companies, in reference to intact packages actually lost in transit, and to goods mis-delivered by error on the part of the companies, and not subsequently recovered and correctly delivered, to pay, without prejudice, compensation to the traders concerned, whether the goods were sent without address or otherwise."

The notices referred to above were issued in August, 1900, June, 1901, and May, 1902. All three impressed on manufacturers and traders the importance of addressing goods in full, particularly when forwarded in small consignments, and requesting the co-operation of the traders, so as to facilitate despatch generally; while the notice issued in June, 1901, further said: "It is hoped that the traders will in future so address their packages which they wish to forward under mark with at least *the name of the town of their destination*, to enable the companies to accept them for conveyance." The contrast between these repeated, but, apparently, useless appeals by British railways to their patrons and the peremptory edicts issued by the German State railways is certainly striking enough!

ENGLISH RAILWAY COMPANIES AND OWNER'S RISK.

To the question of liability for delay I shall revert in Part II., under the heading, "Time Allowance for Transport." Before, however, leaving the general subject of traders' claims, I should like to add one or two facts I have ascertained as to the attitude in respect to them of the railway companies at home.

From what I have already said, it will be assumed that British traders send in many more claims than is the case with German traders. That assumption is, I think, well founded, not so much, I should say, because of any greater care in handling in Germany as compared with England (the conditions in this respect being approximately the same), but either because of the more careful packing in Germany, or, more especially, because the German trader does not make claims when he knows they will not be met. What number of claims may actually be made in Germany I cannot say; but from inquiries made at home I learn that one of our leading companies has received over 24,000 claims in a single month.

Whereas, however, in Germany claims are dealt with strictly from the point of view of legal liability of the railways, in the United Kingdom they are considered on their merits, whether the traffic has been carried at owner's risk or company's risk.

The general position in England in regard to owner's risk may be indicated very briefly.

The railway companies, in order to protect themselves against claims for damage in respect to certain articles especially liable to injury, have insisted (as the German State railways do), either that such goods shall be properly packed when handed to them for conveyance; or, alternatively, that the consignor shall take all risk arising from their unprotected condition. It is only where experience has shown that such a stipulation is necessary that the companies enforce it; but (again like the German State railways) they claim that the decision as to what constitutes proper packing must rest with them. The arrangement is one that seemed to apply more especially to commodities in respect to which traders would prefer to take the risk of occasional damage rather than pay the higher rates for company's risk, and incur also the greater cost of secure packing. Such condition, again, has generally been included, during the past forty years, in the concession of lower rates for the encouragement of particular branches of traffic, and it is fairly obvious

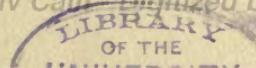
that the practice has an advantage for the trader, because, if the railway companies are to be precluded from entering into a bargain with a body of traders under which the latter can send their traffic without incurring considerable cost in packing, they, in self-defence, must either charge higher rates or decline to accept such traffic unless it is thoroughly well packed.

Special contracts on the lines indicated were made mainly to meet the wishes of the traders, but in course of time the stress of competition among the railways led the individual companies, as a matter of policy, and to retain the favour of particular traders, to show much latitude in meeting claims, even when they were in no way legally responsible. In the end many of the traders became more and more exacting, their idea evidently being that they could play off one company against another, and at the same time could practice still greater economy in their methods of consignment, in order to save alike on the packing and on the return carriage thereof, so that the packing was often gradually reduced to a vanishing point. In proportion, therefore, as the traders became more persistent in lodging claims, the opportunities for making claims increased, owing to the still more unprotected condition in which consignments were being forwarded.

THE JOINT CLAIMS COMMITTEE.

These conditions led the railway companies to reconsider their position, and in 1902 it was resolved that all claims on traffic carried at owner's risk should be dealt with by a Joint Claims Committee.

Although it was fully understood that in future such claims would not be met in the same fashion as before, there was a general feeling that each and every claim that was made should still be inquired into as if the owner had not taken the risk of conveyance. In effect, the railway companies, under the sanction of the said Joint Committee, regularly pay claims on owner's risk traffic for (a) packages lost in transit; (b) packages stolen; (c) goods mis-delivered by the



company and not recovered; and (*d*) damages, delays, etc., due to wilful misconduct. If, in investigating claims for damage, partial loss, or delay, there is found to be evidence of wilful misconduct on the part of the railway servants, the companies do not require the trader to prove "wilful misconduct"—in the terms of the owner's risk note—but deal with the claim in what they regard as, in the circumstances, a "reasonable manner."

The change of policy thus effected by the railway companies was naturally viewed with great dissatisfaction among the general body of the traders, and especially among those who had become accustomed, not only to receiving the benefit from owner's risk rates lower than the ordinary rates, but also to having their owner's risk claims readily met and to forwarding their consignments with as little packing as circumstances would allow. Efforts were made to upset the position of the railways in reference to goods not properly protected by packing, but this was confirmed in the Court of Appeal at Edinburgh on November 21, 1904, in an action brought against the North British Railway Company for damage to a consignment of furniture through the alleged fault of the defendants' servants.

Then it has further been represented that, under the present conditions, claims are rejected indiscriminately, but this allegation is not confirmed by the fact that out of 294 claims made against one English railway company in a given period, in respect to traffic carried under the owner's risk note, no fewer than 112 were paid. Out of 2,003 claims made on owner's risk traffic carried during a period of three months, 717 (or 35 per cent.) have been met; and of the £2,402 claimed, £772 (or 32 per cent.) was paid. In Germany nothing like these proportions would have had any chance of being met if similar claims had been made by traders there in regard to traffic carried under the special declaration.

SELF-INSURANCE.

While, as I have shown, the German trader gets no reduction in rate when he accepts owner's risk, and has to insure

if he wants to avoid loss, the saving which the British trader effects on "O.R." as against "C.R." rates is practically a self-insurance, the difference between the two rates far exceeding the loss sustained as represented by the claims disallowed. To illustrate this fact I may give three specific instances in regard to firms whom I will indicate by the letters "A.," "B." and "C." :—

	A.	B.	C.
Saving effected by firm during a stated period by consigning at O.R. instead of C.R.	£6,000	£1,572	£360
Percentage of above to total amount paid to railway ...	39 p.c.	21 p.c.	20 p.c.
Claims made by firm and disallowed, during same period	£4	£60	£14

It is, further, a mistake to assume that the difference between the reduced and the ordinary rate is due entirely to the risk being undertaken by the owner instead of by the company. In the fixing of the precise amount of these exceptional rates the question of risk is generally only one of various factors. The tendency in certain quarters is to regard the owner's risk rate as the standard rate, and to say that, because 5 per cent. is considered sufficient to cover claims, therefore the company's risk rate should be only 5 per cent. above the owner's risk rate, whereas it may be, and often is, considerably more. But the actual position is the other way about. It is the company's risk rate that is the standard rate, and if it be argued that 5 per cent. is sufficient to cover claims, then an owner's risk rate should not, in turn, be more than that amount below a company's risk rate. In point of fact, exceptional rates for the encouragement of traffic (especially when passing in large quantities) have been given with reductions as low as 30, 40, or even 50 per cent., below the ordinary rates ; but, assuming that 5 per cent. might still cover the risk of which the company were saved by the trader, the remaining difference of 25, 35, or 45 per cent. would be due to other considerations altogether. The traders get the lower rates, without which, they

consider, certain classes of traffic could not be consigned, but they obviously secure, also, a good "insurance" margin with which to cover the ordinary risks of transport.

Altogether, it certainly appears to me that the British trader is better off than the German trader in regard to this question of owner's risk and of claims in general. The reader may suggest, however, that the German trader is, nevertheless, in the superior position because of the lowness of the rates at which he can transport by rail. This point, and the differences between the German and the British system of rail transport, I will consider in Part II.

PART II.

TRANSPORT CONDITIONS IN GERMANY AND ENGLAND COMPARED.

SERVICES, CLASSIFICATION AND RATES.

WHAT the Germans pride themselves on most in regard to the operation of their State railways is its undeniable simplicity, as compared with the complications of our own system.

They have two services for their goods traffic: "Eilgut," or express goods, equivalent to "grande vitesse" in France, and "Frachtgut," or ordinary goods, equivalent to "petite vitesse" in France, and very much slower than the goods service in England. Here the provision of two distinct goods services, fast and slow, would be impracticable, from the point of view alike of the railways, with their crowded lines, and of the traders, with their absolute reliance on quick delivery.

The "Eilgut" service is subdivided into (a) fast goods trains, the rates for which are double those for slow goods trains; (b) fast goods with special tariffs for fish, milk, fruit and other perishables carried at ordinary rates; and (c) express passenger train ("courier"), the rates by which are fourfold those charged by slow goods train.

The "Frachtgut" service is the ordinary slow goods service. For this the classification is (a) "Stückgut" (consignments in less than wagon loads), with special tariffs for particular commodities; (b) wagon loads in 5 or 10-ton lots (grouped or otherwise) in various classes, and also with special tariffs; (c) "sperriges," or bulky goods, such as timber; and (d) raw materials.

The rates are based upon distance, irrespective of direction, and traders can obtain books which will show them the particular class into which certain goods fall, and the rate per 100 kilos. that the transport of such goods, in such class, for the stated distance, will cost.

British traders may be disposed to envy the simplicity of this classification and rate basis. It must, however, be borne in mind that the complexities and anomalies of our own system are, to a great extent, due to (1) the peculiar conditions under which our railways came into being; (2) the attempts made by Parliament from time to time to regulate railway operation on other than strictly commercial lines; and (3) to the efforts made by the railway companies to adapt their classification and rates to the requirements of traders by the concession of reductions or of increased facilities.

The German system has greater simplicity, but far less elasticity, than the British. It is based on principles akin to those on which the laws of the Medes and Persians were established. Instead of being elastic, it is, rather, cast-iron. Our English railway companies aim, more or less successfully, at adapting the operation of their lines to the needs of the traders. In Germany, the traders must adapt their requirements to the fixed principles of the railway laws and regulations. In England, if a trader went to the chief goods manager of a railway company, and said, "I propose to start a bacon factory in (say) Cornwall, but I cannot get my produce on the London market to compete with that from places very much nearer unless you quote a lower rate for bacon from my town," the officer would be able, and probably willing, to make the concession at once, if he found the conditions desirable and if his own line alone were concerned, or after consultation with other companies who might also be interested. The same conditions would apply to a trader who wanted to start a lime works in a place from which lime had not been sent before, or who desired a lower rate for the consignment, say, of 1,000 tons of traffic from one point of a company's system to another. Such

concessions have introduced complications, anomalies and elaborations which may well seem to the average trader to be wholly lacking in logic or consistency. The position might, and probably would, have been materially improved, as a whole, if Parliament had left the railway companies with a greater degree of freedom to work out a simpler system. Even though, for example, they are free to reduce rates as much as they please, they are bound to show prudence in making experiments in this direction, because of the difficulty that may arise in putting reduced rates back to their original level, should circumstances so require. All the same, it cannot be denied that concessions of the type referred to above may have been of material advantage to the particular classes of traders who have applied for them.

In Germany such things as these would be practically impossible. The reply there would probably be, in effect : "Here are our rates ; they are the same for you as for anyone else, and if they don't suit your business, so much the worse for you." Alternatively, if a combined effort were made by the traders of a particular district to secure a lower rate, their request would first be considered by a district advisory committee, consisting of railway officers and local representatives of commerce, industry and agriculture. This committee would investigate the matter with characteristic German thoroughness, and report to a central advisory committee, similarly constituted. From the central advisory committee the matter would go with a recommendation to the responsible Minister, who would give the final decision, probably within six or twelve months of the time when the application was first made. The Minister has, however, the power to decide at once in a matter of real urgency.

Extreme care in the granting of special concessions is unavoidable in a State system where so many interests are concerned, and the welfare and possible objections of one set of traders have to be so guardedly balanced against the wishes of another set, while political factors of various kinds may be concerned in Germany in what British railway managers would regard as strictly commercial questions. The effect,

again, of equal mileage rates is, among other things, to make it difficult for traders located at a distance from an important consuming centre to hold their own against competitors located within a narrower radius.

As against the apparent advantages of the German system there are these and other drawbacks which must be obvious to the British trader, and it is really doubtful if that person would be content to see the said system transplanted here (when he once fully realised all it involved), however complete may be the assumed satisfaction of the Germans themselves in regard to conditions to which they have adapted their trade. But even in Germany the "fixed rate" principle has been repeatedly departed from, alike for goods and for passengers. The various special tariffs for the former, and the return tickets, *rundreise* tickets, tourist tickets, Sunday tickets, season tickets, etc., for the latter, are all divergences from rules which could not possibly be carried out to their logical issue. There is even a party of reformers in Germany which insists that many of what they consider the serious defects of their railway system are directly due to the cast-iron rates and regulations which other would-be railway reformers in our own country regard as "simplicity." There is another party which never fails to remember one material fact which the British trader generally manages to forget—that, even if the rate per ton per mile for a certain commodity be less in Germany than in the United Kingdom, the German trader may still be heavily handicapped by a greater length of haul from the point of production to the point of consumption or of embarkation. The actual mileage to be covered may, from the point of view of trade competition, completely nullify any advantage the German trader secures from a lower rate per ton per mile as against the British trader. What the German has really to consider is, not average cost per mile, but the sum total of the carriage to be paid before he can get his goods from, say, an inland town to the coast, such sum total being the amount by which they will be handicapped by the time they arrive on the market. From this point of

view one has only to compare the distance from Dresden to Bremen, or from Nürnberg to Hamburg, with those from Birmingham or Sheffield to London, Liverpool or Hull.

COLLECTION.

Apart from the fact that in Germany most of the railways are State-owned, while in the United Kingdom the railways belong to private companies, the fundamental difference in the actual operation of the two systems (especially from a trader's point of view) is found in the fact that German State railways confine themselves to rail transport only, the rates charged being all "station to station," whereas in the United Kingdom the railway companies undertake much more, so that in many cases their rates include services which in Germany have to be paid for separately.

Nothing could be easier and less troublesome than the consignment of goods by rail in our own country. Should the trader be in a large way of business, railway carmen will call on him every day, or even two or three times a day, to collect such goods as he may wish to forward by train; or, in the absence of a general arrangement, he need only put a card in the window to attract the attention of a passing carman. The goods in question are pointed out to the carman, to whom, also, a consignment note should be given, though this the railway people are often left to write out themselves. Assuming that the goods are safely delivered, the trader is troubled no further until he is called upon for payment. Should he not be a regular sender or on a carman's line of route, he will probably find a railway "town" office not far away, to which goods can be sent without any need for taking them to the railway dépôt.

In Germany the collection of merchandise is not done by the railways. This branch of the transport work is left to forwarding agents. If, in a large city, some trader should write to the railway, "Please collect so-and-so from me," the instructions are transferred to an officially-recognised firm of agents or carriers who are bound to do the work according to a fixed scale of charges. In some cases, if the trader

applied direct to the firm they might decline to collect, because of the distance being too great or the consignment too small; but if the request be made through the railway the carriers are bound by the terms of their contract to comply. In any case, however, the collection is not done by the railway itself. Where the trader has his own horses and vehicles, and can use them conveniently for sending goods to the railway, he dispenses with the forwarding agent, and does his own cartage; but otherwise the services of the forwarding agent will generally be called into requisition.

FORWARDING AGENTS.

There are other reasons, apart from the collection of goods, for employing the forwarding agents, who have a very strong hold upon the miscellaneous traffic in Germany, and with whom a vast proportion of the traders alone come into contact.

To illustrate the general position in the large towns, I take the case of Berlin. In that city there are about sixty firms of forwarding agents. The largest of these will each have, in Berlin itself, a staff of 200 or 300 clerks, carmen, stablemen, etc.; 100 or more horses; many drays or other vehicles; extensive warehouses, and so on, while some have branch establishments in other towns and in other countries. One firm, whose premises I was permitted to see, employ, altogether, in Germany or elsewhere, 1,000 persons.

These sixty firms in Berlin have formed a combination for the joint purpose of fixing rates and making up profitable loads. Under the first head they check excessive competition and any "cutting" of rates. The trader who thinks that one forwarding agent is charging him too much, and goes elsewhere, will find the charges still the same. Under the second head the combination receives at central depôts the consignments collected by its members, and makes them up into 5 or 10-ton lots, for which lower terms can be obtained from the railways than if the individual consignments were forwarded separately by the senders. It is claimed that in this arrangement there is a benefit both for

the senders and for the forwarding agents, the senders paying less than they would to the railway for single consignments, while the forwarding agents gain their profit from the balance of the difference in charge between a small consignment and a 5 or 10-ton lot. Thanks to the combination of agents, 5 or 10-ton lots can generally be made up daily for leading towns; but in the dull season the despatch may take place only two or three times a week, goods being kept back a day or so, if necessary, to allow of the 5 or 10 tons being completed. Should a certain proportion of the consignments from such places as Berlin, Cologne, or Hamburg, be going to a small town, say, on the other side of Dresden, they will form part of a 5 or 10-ton lot to Dresden, and be sent thence to destination at the ordinary goods rate.

Forwarding agents also play a leading *rôle* in the consignment of goods to foreign countries. An average collection of the tariffs to which reference may have to be made in regard to consignments of this class runs into between 200 and 300 volumes, and most of the German traders prefer to have such transport complications solved by specialists rather than deal with them in their own establishments. Of the facilities offered by forwarding agents in the way of warehousing, I shall speak later.

The charges made by the forwarding agents in Berlin in respect to collection of general merchandise work out at 25 pfennigs for every 50 kilos., and, to begin with, this charge must be added to any German railway rate in regard to which the corresponding rate on an English railway would include, at least, collection. In fact, taking the case of Berlin alone, the substantial expenses of the sixty firms of forwarding agents, together with such profits as their businesses may yield, have all to be met out of the payments made to them by traders. In other words, the cost of this elaborate organisation must, in great measure, be added to such payments as are made to German railways for rail transport alone; although, as a rule, it is only the latter that the average English critic takes into consideration in the comparison he makes between German and English railway rates.

Commodities moving in large quantities, such as coal iron, eggs, etc., would not go through forwarding agents.

TIME ALLOWANCE FOR TRANSPORT.

The official time for the transport of goods on the German State railways is drawn up on a generous scale, from the point of view of the railways themselves. It does not necessarily follow that the said official time is fully occupied, and, in practice, goods will generally go from station to station well under the legal limit. But that limit leaves what a British railway company would regard as a wide margin for contingencies, and, unless it be exceeded, no claim for damages owing to delay can be enforced. Whereas, on the one hand, the railway accepts the principle that a trader is entitled to compensation for delay, on the other hand the time limit is such as once more to reduce the risk of the railway to an almost absolute minimum.

The day on which the goods are received by the railway does not count. The legal limit begins with the following day. Thus, if consignments are handed over to the railway at 10 a.m. on Monday morning, the railway need not start operations in regard to their despatch until 12.1 a.m. on Tuesday morning. Should the day following the one on which ordinary goods ("Frachtgüter") are presented be a Sunday or a public holiday, the legal limit begins twenty-four hours later. Even then there is an allowance of either one or two days (according to the service) for getting the goods ready. The number of days for the actual rail transport is according to the distance the goods are carried. In effect, and excluding the day of handing in, the time allowance works out thus:—

EXPRESS Goods ("Eilgüter") :—

	Days.
Despatch	1
Each 300 kilometres (186 miles)	1

ORDINARY Goods ("Frachtgüter") :—

Despatch...	2
When the distance does not exceed 100 kilometres (62 miles)	1
When the distance exceeds 100 kilometres : for each 200 kilometres (124 miles)	1

This legal limit, one should further bear in mind, expires, not with the delivery of the goods to the consignee, but with their arrival in the railway station to which they are sent, or with the despatch of an intimation, by post or by messenger, to the consignee that they are at his disposal. Should they thus arrive before midnight of the last day allowed they will be within the time limit, although the consignee may not be able to obtain them until the following day.

To take a concrete case, we will assume that a certain consignment of general merchandise is handed in at Berlin on a Monday morning for a trader in Cologne, 590 kilometres (366 miles) distant, the transport to be by ordinary goods train. The first day, Monday, would not count; Tuesday and Wednesday would be allowed for loading, etc., and the actual rail transport must begin on Thursday morning. According to the time-scale they would have an allowance of three days for the journey, reaching Cologne on Saturday night. The following day, Sunday, would also not count, so that if the trader in Cologne obtained his goods on the Monday he could make no claim against the railway for delay. In other words, a full week might be taken for the conveyance of goods a distance of 366 miles. Not only are unavoidable hindrances thus provided for, but opportunities are given for keeping goods back a day or so in order to secure better loading.

Incidentally, the fact that "the first day does not count" increases, I think, the tendency to late working in German warehouses and other business places. In England, where the first day does count, there is every inducement for the trader to hand over his goods to the railway carmen as early in the day as possible, since he knows that they are not likely to be kept on hand longer than is absolutely necessary. As a rule, too, the carmen do not collect after half-past six o'clock for the night trains. In Germany a good deal of the collecting (by the forwarding agents) is done late in the evening, and the reception of goods at their depôts, in preparation for the rail transport, goes on principally at night. A representative of one of the leading firms of

forwarding agents in Berlin informed me that they had even been called on, over the telephone, to fetch a consignment from a trader as late as 11 o'clock at night!

Comparing the German official times given above with the actual rail transport of ordinary merchandise in the United Kingdom, we get the following examples of the latter :—

Stations.	Miles.	Train Service.	Time occupied.
			h. m.
London to Edinburgh .	399	8.12 p.m. to 7.50 a.m.	11 38
" " Dublin .	333	2.42 " " 6.20 "	15 38
" " Liverpool .	199	7.12 " " 2.45 "	7 33
" " Birmingham	111	8.27 " " 1.35 "	5 8

In each of these instances consignments, however small, handed in one afternoon or evening, a short time before the departure of the train from London, would be actually delivered to the consignee somewhere between 9 and 11 o'clock the following morning.

I do not suggest that all British goods train services are equal to the examples given above ; but the running of express goods trains, with vacuum brakes, at passenger train speed, is now an ordinary feature of goods traffic in the United Kingdom. Many "specials" are also run for the transport of cattle, meat, wool, bananas, fruit and vegetables, fish, milk, etc. The companies are further expected to carry many descriptions of owner's risk traffic with the same expedition as company's risk traffic, e.g., heavy consignments of meat carried at the reduced or owner's risk rate are sent from Scotland to London, and receive the same transit as if carried at company's risk, claims actually being preferred for delay in the event of delivery being effected in the market by, say, 5.30 a.m. on the day due, instead of by about 2 a.m. or 3 a.m., when the salesmen expect delivery.

The fact that British railway companies thus give what is practically an "express" delivery at ordinary rates has had a remarkable influence on the development of retail

trade. As I have already related in my book on "Railways and their Rates," a large number of traders no longer keep on hand large stocks of particular articles, but order fresh supplies from the manufacturer or the wholesale house by telegraph or telephone as needed, in absolute confidence that the railway will bring them to the door the next day. To such an extent is business now built up on this system in England that a trader has actually been known to send in a claim to a railway company because a certain consignment was delivered to him one hour later than usual! Claims for two, three or four hours' delay are very numerous.

Wholesale houses, again, would run a risk of losing a good deal of business unless they could guarantee delivery the following day. If they could only say, "The goods shall be sent by rail, and you may expect them in four or five days," the reply would probably be, "I cannot wait."

A further result of the system has been to facilitate the operations of large trading concerns which have, throughout the country, any number of branches up to 200 or 300, but keep there only sufficient stocks to cover immediate requirements, supplementing them from day to day from some central dépôt, and relying on the prompt service of the railway companies. They save, in the first place, on the value of their stock, because if the supplies sent to the different branches took three or four days instead of one to reach their destination—that is to say, if they went by a slow goods service instead of a fast one—the traders in question would always have a much larger proportion of their goods *en route*, and therefore lying idle. In this way there is a saving on capital. There is a further gain on the amount of accommodation required at the various branches, and, therefore, on rent, rates and taxes; and with this double saving the concerns in question are able to conduct a greater number of shops, and thus do a larger amount of trade than would otherwise be possible. There is the advantage, again, of such traders being able to buy up supplies in substantial quantities—as, for instance, 200 tons of bacon—in the cheapest market, and promptly distribute

them thence to the local branches according to requirements.

Incidentally, one further effect of these conditions has been greatly to reduce the average weight of and the average receipts from the consignments handled by the railways in this country. Taking the ordinary merchandise traffic, the average weight per consignment in London, Manchester and Birmingham would be from 2 cwt. to 5 cwt., and the average weight of the packages comprised therein may be put at between 2 qrs. and 4 qrs., while the average receipts per consignment on all traffic handed in and out of London by one of the companies which is in a specially favoured position in regard to length of haul is only 6s. 6d. In these circumstances the cost of handling must be calculated, in the United Kingdom, not per ton, but per consignment. The larger the number of individual consignments in proportion to the sum total of the traffic, the larger must be the clerical staff employed, and the more, therefore, is the proportionate cost of handling swollen.

Although, as I have said, the transport in Germany would generally be less than the legal time limit, one may nevertheless assume that if the German trader wanted to make absolutely certain of a service as prompt as that secured by the British trader, he would either have to consign by an express goods train, the rates for which, as already mentioned, are double those for an ordinary goods train, or else pay "courier" rates, fourfold the ordinary goods rate, for consignment by certain specified passenger trains. Apart from shopkeeping, if goods sent by a Berlin merchant to Hamburg for shipment by a particular steamer did not reach that port until after the steamer had left (although he had allowed what he regarded as a reasonable time for transport), he would have no claim whatever against the railway if the full period of time allowance had not been exceeded.

The German trader can, if he should think fit, and if his commodities will bear the increased cost, insure with the railway against delay. In that case the liability of the railway towards him is increased, provided that the delay in

question has not resulted from some cause for which the railway is not responsible or which it could not have prevented. In either of those cases the liability becomes non-existent. Otherwise it is as follows :—

I. WHEN THERE HAS BEEN NO INSURANCE OF DELIVERY :

(a) Without proof of actual loss sustained : when the delay has exceeded twelve hours the railway rate which has been paid is to be returned in the following proportions :— One day's delay, one-tenth of the rate; two days, two-tenths; three days, three-tenths ; four days, four-tenths ; over four days, five-tenths.

(b) With proof of actual loss : compensation up to the return of the whole of the rate paid.

II. WHEN THE TRADER HAS INSURED FOR PROMPT DELIVERY :

(a) Without proof of actual loss sustained : double the amount stated in I. (a) should the delay exceed twelve hours.

(b) With proof of actual loss : the amount of such loss, though not exceeding the sum for which the trader has insured, as indorsed on the consignment note.

This insurance of delivery counts as still another "extra," over and above the ordinary railway rate ; but, owing to the additional cost, it does not seem to be resorted to, except in special cases. The average trader prefers to save his money and take the risk. As a rule he would order consignments at longer notice, and reckon on the railways taking longer time, instead of expecting goods to be rushed through the country at the speed which is regarded as a matter of course in England.

There is a still further alternative open to persons trading in Germany in the lighter classes of merchandise, the resort, namely, to the parcel post. With this I shall deal later on.

DELIVERY.

General merchandise is, in Germany, delivered to the consignee by officially recognised carmen, empowered to

charge according to a fixed scale ; but the trader is at liberty to give notice to the railway that he will himself send to the station for his goods, no further charge being then made, provided that the consignment is taken away within a specified number of hours. The usual charge for delivery is at the rate of 5 marks per ton, with a minimum of 40 pfennigs ; but this is for delivery to the consignee's door only. Should the carman be asked to bring the consignment into a hall, room or yard, or to take it into a cellar, and should the consignment be one that he can handle by himself, he is entitled to do this, and to ask for 10 pfennigs per 50 kilos. additional.

Here, again, the German charge for delivery must be added to the German railway rate when it is compared with an English rate which includes delivery.

DEMURRAGE.

In Germany consignees may be allowed twenty-four hours in which to remove ordinary merchandise from the railway dépôt after notice has been given to them of its arrival, and, generally speaking, twelve hours in which to unload wagons containing 5 or 10-ton lots ; though, of late, there has been a tendency to reduce the latter time-allowance to ten, eight, or even six hours, owing to the shortage of wagons. The notice of arrival is generally given to the trader by means of a post card, which must be produced when the goods are claimed either by the trader or by the forwarding agent whom he instructs to collect for him. This card, in addition to giving time of posting and particulars of the consignment, informs the trader that unless he removes the goods by a specified hour he will have to pay for the space occupied, for detention of the truck, or for delivery by a carman (should the railway send the goods on). He is further told that, alternatively, the railway may hand the goods over to the official carrying firm to be warehoused by them at the trader's cost and risk. For consignments under cover a penalty of 10 pfennigs per 100 kilos. for each twenty-four hours (or 4 pfennigs per 100 kilos. if in the open air) must

be paid. For delay in unloading (as also in loading) wagons the penalty is 2 marks per wagon for the first twenty-four hours, 3 marks for the second, and 4 marks for each following period of twenty-four hours.

Here, once more, much greater liberality is shown by the English companies. They allow two clear days to discharge wagons containing "station to station" traffic—that is to say, if the wagons arrived on a Monday the two following days would be allowed for discharge. Should the allotted time be exceeded, the trader is liable to demurrage. The generally recognised charge on this account is 3s. per truck a day; but the penalty is very often not enforced at all, or, where it is, the matter is mostly compromised. In South Staffordshire demurrage is strictly maintained, but even there the charge is reduced to 1s. 6d. per truck a day after three clear days. Many British traders systematically use the railway wagons as warehouses, not unloading them for weeks together, until it suits their convenience, or until the commodity they contain has been disposed of to some eventual purchaser who is willing to accept delivery. Lime is invariably kept in the railway wagons until it is wanted, and a consignment of grain or hay may be sold many times over on the market before it is finally removed from the railway wagon. Much latitude in these respects has been shown by the railway companies here, and the traders have benefited greatly therefrom, though the privileges granted have been much abused. In Germany the traders are allowed no latitude whatever, and any delay—to say nothing of abuse—involves penalties which are strictly enforced.

WAREHOUSING.

The railway warehouse plays an important *rôle* in the daily operations of many an English trader. In Germany it plays no *rôle* at all. The railway warehouse, as a place for regular storage, practically does not exist on State lines, whose only purpose it is to carry commodities and persons from one place to another by rail.

In this country what is known as collection and delivery

traffic is often entitled to a week's free warehousing. On shipping traffic a fortnight's free warehousing is often given, and that period is extended to a month in the case of certain commodities, such as textile fabrics, earthenware and provisions. Beyond the periods mentioned a charge is made, either at the rate of so much per ton or a rental for an allotted space. A very large number, indeed, of our traders, especially in the principal commercial or industrial centres, rely exclusively on the railway companies to do their warehousing, and many of them so arrange their regular consignments from the manufacturers that they do not exceed the "free" period at all, and therefore pay nothing beyond the ordinary collection and delivery rate.

All that such traders want, in addition, is an office where they can receive persons, show samples, and write letters. They require no warehouse beyond that which the railway companies place at their disposal, and, though it may be said that they really pay for the "free" accommodation through the railway rate, it is certain that if this rate were one purely for transport from station to station, the trader would not get the same accommodation elsewhere for anything like the difference that could be made between a "C. and D." and an "S. to S." rate. Nor for the amount of rent he pays when he exceeds the free period would he be likely to secure equal advantages elsewhere. In either case, again, the railway people will go through his warehoused stock for him as often as he desires, and deliver portions thereof to different customers according to his instructions.

Manufacturers, especially in Lancashire, who send large consignments abroad, further avail themselves of the free storage period to despatch their goods to the railway warehouse at the port as they are ready, there to be stored until they can be shipped, thus saving space and avoiding inconvenience at their own factories.

Allied to warehousing is wharfage. A coal merchant, for instance, can have his supplies stored on the railway sidings, paying a small rent in the country, but no rent at all in

London, and he may work up a good business with only a small office, in addition, where he can receive orders. The same conditions apply to a builders' merchant who gets "wharfage" on a railway company's property at a nominal rent. In all such cases there is a substantial saving in establishment charges.

Should anyone ask what the State railways of Germany have done to provide like facilities for German traders, the reply in respect to warehouses is—"Nothing." All they do is to arrange for sufficient space, etc., for the reception and despatch of consignments. They have left to private enterprise the supply of warehouses, and traders who require such accommodation must pay for it independently altogether of the cost of rail transport. Their wants are generally supplied by the forwarding agents, the largest of whom have extensive warehouses where they not only receive and arrange for the consignment of collected goods, but store them as well, if desired. Generally speaking they will keep their patrons' goods for forty-eight hours without charge. After that they expect to be paid at the rate of 3 marks per ton per month for warehousing. The British railway practice of an alternative rental for an allotted space is not much followed in Germany, except in such cases as that, say, of a wine dealer who takes cellarage for a stated period.

The German forwarding agents, like the British railway companies, doubt if the warehouses really pay, but they also agree in thinking that such accommodation brings business. Whereas, however, in England the free storage is taken full advantage of by traders, those in Germany are less anxious to avail themselves of warehouses which must be paid for as an extra, and there is a greater tendency in that country for the traders to do their own warehousing, whenever possible.

Bonded store accommodation is provided by the leading British railway companies at their principal stations, so that rail-borne traffic can be kept in bond on the spot, every requirement being fully met without the traders having to pay the duties until they are ready to clear the goods out of bond. Such bonded warehouses are to be found in

German ports. But they have not been provided for the traders by the State railways.

In regard to wharfage the German railways certainly allot space on sidings to coal merchants or other traders; but the rent charged is often so high that I heard in Berlin of coal dealers who had had to remove from the sidings because they could not make the business pay. Sites alongside the lines may also be obtained by forwarding agents and others for warehouses; but here, also, the rent charged is high and the conditions are very exacting, since the trader, however much he has spent on the buildings, may have to clear out at very short notice—ranging from a fortnight to three months—should the railway suddenly decide that it wants the site for itself.

LOADING AND UNLOADING.

In many cases in England these services are performed by the railway companies without charge, even when the traffic is carried at "station to station" rates. In Germany if the rate charged throws the obligation to load or unload on the trader, he must pay extra should he desire the railway men to do this work for him. He may, in fact, be called on to do his own loading of a consignment in any way of a substantial character. If he were sending even a dozen iron pipes he might be required to put them in the truck himself, though he would have so to pack them that the truck could be used for other commodities as well. Should a sender arrange for a 5 or a 10-ton load, the truck will be weighed after he has completed the loading, and if it is found that he has exceeded the quantity stated on the consignment note, he has to pay what amounts to a heavy penalty.

OTHER FACILITIES.

The facts already recorded fully justify the conclusions: (1) That there is a far more intimate relationship between railway companies and traders in the United Kingdom than there is between State railways and traders in Germany;

and (2) that an English railway rate may include many terminal services which would be excluded from the German railway rate, and the cost of which must be added thereto. Besides, also, such inclusive services, as rendered in England, there are others for which low, if not nominal, charges are made by the companies in order to encourage traffic or to facilitate cheap delivery. These include: Lighterage; insurance, at a fixed premium, against fire, of goods stored in railway warehouses; taking out bills of lading, etc.; clearing services for bonded goods from the Customs; the letting-out of hampers and cloths for the conveyance of meat and poultry traffic to the principal markets; the placing of facilities at the disposal of agents for the casing, cording and marking of packages of tea on the railway companies' premises, to insure the safe transit of the traffic; provision in some instances of potato or general markets adjoining railway stations; and the lending of corn sacks to traders desiring to have the use of them.

CREDIT ACCOUNTS.

An important feature of the British railway system is that traders get credit in the form of monthly ledger accounts, a porter's monthly account, or short credit. Those having ledger accounts may, in effect, often have from six weeks to close on two months' credit, sums due from them, say, in the early part of January not being paid until the end of February. One cannot say that it is altogether a good system for the railways. They are kept waiting for money which ought to be producing revenue in other directions, and they make a certain proportion of bad debts. But from the point of view of the traders the arrangement has many advantages. It enables them to do business with the railway company's money, and there is no doubt that some of them, whether companies or individual traders, would hardly be able to carry on but for the credit they thus secure from the railway companies.

In Germany, on the other hand, the State railways are operated on the principle of not trusting the traders at all.

It is held that, just because they *are* State railways, they must run no risk. Private railway companies can do as they please; but State railways should not hazard possible losses, which might prejudice the proprietary interests of the community. Generally speaking, therefore, the cost of consignment must be paid for at once, either by the consignor or forwarding agent at the time of despatch, or by the consignee when the goods are handed over to him. The only exception is in the case of traders whose business with the railways exceeds £15 a month. These are allowed to open a monthly account, on condition that they first hand over securities equal in value to one and a half times the total of their average monthly payments to the railway. Should the business done exceed the amount of such deposit, the trader must either forward additional securities, or, alternatively, pay at once for such consignments the charges on which would raise the total above the deposit. Should the trader omit to pay up at the end of the month, and especially if he should fail in business altogether, the railway can realise the securities, or portions thereof, keep the amount due, and give the balance to the trader. Otherwise the railway collects dividends and interest on the securities deposited, and credits the trader with the sums thus coming to him.

All the same, the effect of this deposit system, as compared with the credit account system in vogue in England, is that an enormous amount of traders' capital in Germany is so far locked up that they cannot invest it directly in their own business. There are many firms whose payments to the German railways amount to £5,000 a month, and I heard of coal merchants in Berlin who do business with the State railways to the extent, probably, of close on £50,000 a month. But not even traders of this type would get any credit from the railway unless they fulfilled the stated conditions in regard to a deposit.

When to the free warehousing or to the wharfage already referred to, one adds the advantages of this credit system, one sees still further with what a very modest sum a man might start business in England. It is obvious that, if

he had a small office, a desk, a chair, some bill-heads and a pen and ink, he could practically work for a time with a railway company's capital for the remainder of his requirements. But he would not be able to do this in Germany.

COMPARISONS OF RAILWAY RATES.

The facts already given show, I would submit, how absolutely illusory comparisons of British and German railway rates may be when they are regarded solely from a mileage point of view, and leave out of calculation the material difference between a slow and a fast goods service, and the various advantages to the trader, over and above rail transport, which may be included in the British rate, as against the exclusively station to station rate of the German State railways. One authority in Germany with whom I discussed this matter—a gentleman well acquainted with British as well as German conditions—even went so far as to say: “I consider that if the cost of the various services included in your railway rates were added to ours, the German rates would be found higher than the English.”

Much of the misapprehension which has arisen on this point is due, however, not only to the disregard of subsidiary services, but also to the fallacious comparison of German export rates with English domestic rates. To encourage German commercial and industrial interests, and, also, to meet the severe competition of Dutch and Belgian ports, the German State railways grant exceptionally low rates to Hamburg and Bremen for commodities intended for export, such rates being substantially less than those for like quantities of the same goods going to the said ports for local consumption. If these export rates (which, again, will be station to station rates) are compared with our own domestic rates (especially if the latter be collection and delivery rates), there may well be a substantial difference.

Here I may remark that Germany is not alone in conferring on her traders the advantage of special export rates. Similar rates are granted by English railway

companies in respect to our principal ports, as the following examples show :—

From.	To.	Description of Traffic.	For Town.	For Foreign Export.
Man-chester.	Liver-pool.	Cotton and linen goods in bales, boxes, cases, packs, or trusses.	per ton. 11s. 8d., collected in Man-chester.	per ton. 8s., collected in Man-chester.
Man-chester.	Bristol.	Ditto.	35s., C. & D.	25s., C. & D.
Man-chester.	Glasgow.	Ditto.	32s. 6d., C. & D.	25s., C. & D.
Leeds.	London.	Woollen, worsted, and stuff goods in hampers, bales, or boxes.	43s. 4d., C. & D.	32s. 6d., C. & D.
North-ampton.	Liver-pool.	Boots and shoes, in cases, casks, or boxes.	32s. 1d., collected in North-ampton.	23s. 4d., collected in North-ampton.
Glasgow.	London.	Cotton, linen, and woollen manufactured goods in bales, packs, or trusses.	72s. 6d., C. & D.	50s., C. & D.

"C" stands for collected; "D" for delivered.

Rates for export only apply when the goods are consigned direct to ship or dock for foreign export.

The only really fair comparison is between German and British rates based on like conditions in regard to whether they are for exports or otherwise, and including precisely the same services and advantages, allowance being, alternatively, made for the cost or value thereof so far as these may not be covered by the one or the other.

Even then, there would be other things to take into account as well. There is the heavy expenditure incurred by British railways in regard to Parliamentary proceedings,

and in meeting the, perhaps quite reasonable but, nevertheless, costly requirements of the Board of Trade. There is the greater cost of haulage in England as the result of those improvements in speed for goods traffic from which the traders have directly benefited. There is, again, the question of the cost of construction in the case of German and English railways respectively. Between the Hook of Holland and Berlin, the railway does not pass through a single tunnel (there is, in fact, not a single railway tunnel in the whole of North Germany), nor does it pass through a single deep cutting, or along a single high embankment. Bridges and viaducts across rivers are the only engineering works of special importance that have had to be undertaken.

How very different, this, from the construction of railways in an undulating country like our own, where, apart from other considerations, tunnels, cuttings and embankments (with bridges and viaducts as well), have done so much to swell the total cost! Nor should the rate at which goods could be profitably conveyed a distance of twenty miles in, say, Silesia, be compared with the rate for conveyance of a like quantity of the same commodity from a place ten miles on one side of London, where land is of such enormous value, to a place ten miles on the other side.

Assuming, therefore, that the addition to a German domestic rate, for a certain distance, of the value of all the supplementary services and advantages included in an English domestic rate, for a like distance, left the German rate the lower of the two (notwithstanding the views of the authority quoted above), there would still be this important consideration as to the difference in the cost of construction of the two systems, and, also, in the cost of transport on level plains and steep gradients respectively. So, again, would there still be the difference in the weight of the financial burdens that have to be borne by the two systems.

LOCAL TAXATION.

Under a law passed in 1853, the private railways then in existence in Prussia were required to pay a tax, the proceeds

from which would accumulate to form a fund for the eventual purchase of the lines by the State. In 1859, the receipts from this source were diverted, and applied to general State purposes. When, subsequently, the railways were taken over by the Government, it was thought there was no need for the State to tax them in its own interest, taking money out of one pocket to put into another. But the State railway, nevertheless, pays local rates in the cities, towns, or districts through which it passes. The assessment is based on the number of persons employed on or in connection with the railway in such city, town or district, the theory being, apparently, that the number of employés indicates sufficiently the amount of business done. No system of assessment could possibly be simpler or less costly. Nor is the amount paid in respect to such local taxation at all burdensome. The total length of the Prussian State railways is about 36,000 kilometres (22,356 miles), and their annual payments in regard to local taxation are only £750,000.

Comparing these with British conditions, I find that on 22,847 miles of railway in the United Kingdom the amount paid for "rates and taxes" (mostly local rates) in 1905 was £4,933,000. That is to say, whereas payments for local rates work out at £33 per mile of railway in Prussia, they represent £216 per mile of railway in the United Kingdom, where, again, the annual increment is from £200,000 to £250,000. Nor is this all; for while, as we have seen, the method of assessment in Prussia is extremely simple and inexpensive, in England the assessment of railways is a matter of great complications and often of very substantial cost—with or without the appeal proceedings that may follow the imposition of what are regarded as unjust demands—thus adding materially to the sum-total of the requirements which British railway companies have to meet, directly or indirectly, in regard to local taxation. This sum total, again, naturally swells the items of working expenses which can only be covered out of the fares, rates and charges imposed on the patrons of the railways.

It is true that in 1906 Imperial taxes were put throughout

Germany on railway consignment notes for 5 or 10-ton loads, and also on passengers' tickets; but these additions still keep the taxation of railways alike in Prussia and in the other German states far below the extremely heavy demands that are made on the railways of the United Kingdom, and this difference should certainly be borne in mind in any comparison of the rates charged to traders in the two countries.

PARCEL POST.

In order to ensure quick delivery of their goods at comparatively small cost, and to avoid paying heavy "express" rates on the railway (by which alone they could hope to secure quick delivery by rail transport), many traders in Germany practically discard the railways altogether, and transmit entirely by parcel post. This is especially the case with those who deal in fancy or other light goods. In this way the German parcel post does a vast amount of the small parcels business which in England is done by the railways. There are certain firms in Germany who receive three hundred or more parcels by parcel post every day, and despatch an equal number.

Parcels can be sent up to 50 kilos (110 lbs.), and the rates are certainly very low. The country is divided into six zones. Within the first of these a parcel weighing 5 kilos (11 lbs.) is carried for 25 pfennigs. Beyond the first zone a parcel of the same weight will go to any part of Germany for 50 pfennigs,—that is to say, an 11-lb. parcel will be taken from the Dutch frontier to the Russian frontier for sixpence. For each further kilo beyond 50 kilos the charges are:—1st zone, 5 pfennigs; 2nd zone, 10 pfennigs; 3rd zone, 20 pfennigs; 4th zone, 30 pfennigs; 5th zone, 40 pfennigs; 6th zone, 50 pfennigs. But there are anomalies in these rates of which German traders readily take advantage. To send a single parcel, weighing 20 kilos, from (say) Cologne to Eydkuhnen, on the Russian frontier, costs 8 marks; but if the trader divides the one parcel into four, of 5 kilos each, he can send these at 50 pfennigs each, or a total of 2 marks.

He thus saves 6 marks for himself, while increasing four-fold the amount of work done by the Post Office.

Two considerations, however, present themselves in regard to parcel post rates in Germany.

In the first place, they do not include delivery. If the postman brings a parcel to the house, or place of business, he is entitled to charge 10, 15 or 20 pfennigs for so doing. An addition of from a penny to twopence-halfpenny must thus be made to the rate when the Post Office delivers. Large firms generally give notice that they will collect, thus saving the cost of delivery, and space will be allotted to them, if necessary, in the parcel post room, where parcels addressed to them will be regularly placed for their messenger.

Secondly, the Post Office is able to carry parcels of such dimensions and at such low rates, partly because of the nature of its relations with the railways. The obligation on the German railways to carry postal matter, either without charge or at very low rates, goes back to the year 1835, this being one of the conditions on which the private companies by whom the lines were originally constructed obtained their concessions. At the time there was some suggestion that the railways would simply be giving the Post Office an "equivalent" for the surrender by that institution of the rights to carry passengers by mail coaches! Be this as it may, the arrangement, with varying conditions, was enforced against German railway companies in general, though it was taken into account in the purchase-money when the lines—together with the obligation in question—passed over to the State.

In 1875 the position was more clearly defined by a Prussian law, which enacted that with each train forming part of the ordinary services the railway should, whenever so required, attach thereto one postal van (provided by the Post Office) free of charge. This van might contain (as free consignments) letters, newspapers, and "other postal matter," provided that the weight of each separate packet or parcel did not exceed 10 kilos (22 lbs.). The railway

was also to carry, free, such Post Office servants as it might be necessary to send in charge of this postal matter, and, further, was to bring them back again, without charge, when they returned from duty.

So far, therefore, as one large mail van in each regular train would accommodate (in addition to letters and newspapers) parcel post packages not over 22 lbs. each in weight, the Post Office was to pay nothing to the railways. Should one van not suffice for a certain train, then the Post Office would have to pay in respect to a second van, though even here the payment actually made is little more than nominal. The railway must also be paid in respect to parcel post packages exceeding 22 lbs. in weight. But in his book, "Die Deutsche Reichspacketpost," Dr. C. H. Hull calculates that parcels exceeding the free limit of 22 lbs. represent only 4 per cent. in number, and 16 per cent. in weight, of the total amount of parcel post matter in Germany. For reasons given above, the traders who make regular use of the parcel post for the despatch of their consignments will divide a large into several small ones; and, as typical of what is going on, Dr. Hull refers to a certain mail van which contained between 400 and 500 parcel post packages of woollen goods, each of them not exceeding 5 kilos (11 lbs.) in weight, so that it might be carried to any part of Germany for sixpence. But, considering that the Post Office pays nothing for the transport of each single van load of such parcels, and inasmuch, also, as it charges extra for delivery to domicile, it may well afford to do the work for the money it charges.

In January, 1905, a curious controversy arose in the Reichstag in regard to these relations between the Prussian State Railways and the Imperial Post Office. The railway administration asserted that, while in 1903 the payments received by them from the Post Office amounted only to £455,148, their expenses in connection with the postal service had been £1,960,327, leaving a deficit of £1,505,179. The Secretary of State for the Post Office retorted by casting doubt on these figures, "which had been calculated without

the co-operation of the Imperial postal authorities," and stated, moreover, that the Post Office had carried, free of charge, for the Prussian Government an amount of official correspondence which ought to have paid £735,000, and that their gratuitous co-operation in the workmen's insurance scheme represented a further loss of £220,000.

Not only is the railway working for the Post Office at a heavy pecuniary sacrifice, but it further suffers a loss of traffic in consequence of the preference naturally shown by the public for the cheap parcel post over the costly Eilgut, or express, service. When a parcel goes by the latter, the railway gets a good fee; when it goes by the former, the railway does the same work but gets nothing. In the circumstances the Post Office may well have an advantage over its competitor, and secure a patronage out of all proportion to any increase in the small-parcels business done by the railway.

The doubtful point is if the arrangement is really to the economic interest of the nation as a whole. It means that one set of traders, who are able to make use of the parcel post, are practically subsidised by the State in being assured an express transport at less than cost price, while another set of traders, who deal in heavy or bulky goods, and are bound to send by rail, must pay double rates if they themselves want to secure any approach to so quick a delivery as that which the Post Office can offer to their more fortunate rivals.

PART III.

THE "GREATEST SATISFACTION" STORY.

I COME now to that part of Mr. Lloyd-George's statement in which he said he met some German traders from time to time and they had impressed on him "their greatest possible satisfaction with their railway system," adding that, from what he heard from Germany, people there were "very satisfied with their railway system," such being, as far as he could see, "the feeling throughout the whole of Germany."

In deciding as to the precise value to be attached to the information thus obtained by the President of the Board of Trade, much depends on the type of trader with whom he has been in contact. If they belonged to the class of general merchants, one must bear in mind that somewhere about 90 per cent. of such merchants in Germany would arrange their transport mainly through forwarding agents, and would practically have no direct dealings with the railways at all, except as railway passengers. If the individuals in question were engaged in foreign trade (and this may have been the case, as Mr. Lloyd-George apparently met them in England), then they probably enjoyed the full advantage of those specially low export rates which have been conceded by the German State railways for the purpose of fostering German commerce. If they belonged to neither of these classes, I would still suggest that the average German (whatever his private convictions) would not be likely to admit to a Minister of the Crown in another country that the slightest fault could be found with any established institution in Germany!

When I myself called the attention of a large trader in Berlin to Mr. Lloyd-George's remarks on this point, he replied: "Satisfaction with our system *as a system*—yes;

but, satisfaction with the way in which that system is being operated—no.” This was the key-note of much that I learned subsequently.

PRUSSIAN RAILWAY POLICY.

As against the testimony of the somewhat vague and unsatisfactory authorities to whom Mr. Lloyd-George refers, I would set the views of the “Centralverband Deutscher Industrieller,” an organisation formed of representatives of the greatest industries in Germany, including coal, iron and steel, metal wares, textile fabrics, paper-making, provisions, glass, chemical productions, pianofortes, and many other branches of trade.

On October 15th, 1906, this important body sent to the Minister of Public Works (who has supreme control over the Prussian State railways) a memorial in which there is much interesting information. It begins by pointing out that when the Prussian railways were originally taken over by the State, this was done with the idea of furthering the economic development of the country. In confirmation of this view, an extract is given from the official memoranda, issued on October 19th, 1879, setting forth the details of the proposed scheme. Herein much stress was laid on the relationship of railway rates to industries, and on the absolute need which existed that the State should effect a reduction in such rates, especially in regard to the transport of raw materials of low value.

The memorialists fully recognise the fact that many reductions in rates have been made in respect to general merchandise, raw products, exceptional rates, etc., but they go on to say that—

“Wide circles in the German industry, we might even say the entire industrial interests of Germany, are of opinion that the development of the Prussian railway policy in regard to railway rates has not proceeded in the direction originally set forth. It is quite right that the authorities of the State should not ‘permanently dispense with the payment of interest on the capital expenditure,’ and we will not

dispute the fact that contributions should be made from the net profits of the railways to the State Treasury, for general State purposes. But we view with concern the fact that contributions from the railway surpluses for these general State purposes are assuming ever-increasing proportions."

REVENUE OR TRANSPORT?

Figures are next given which show that in 1885-6 the working of the Prussian State railways left a deficit (after making due allowance for interest, etc.) of £455,000; but since then the amounts taken from the railway receipts for general State purposes have been as follows, for the years stated:—1890-1, £2,155,000; 1895-6, £7,109,000; 1900, £10,148,000; 1905, £14,238,000. In proportion to the amount of capital invested in the railways the sums thus appropriated for the general purposes of the State show the following percentages: 1890-1, 0·67 per cent.; 1895-6, 2·03 per cent.; 1900, 2·54 per cent.; 1905, 3·11 per cent. The result of this steady increase in the demands made by the State on the railway balances is (the memorial proceeds) that the State railways cannot grant those reductions in rates for goods traffic which are urgently needed in the economic interests of the industries. But industry, say the memorialists, has no influence with the State railway system in the fixing of rates, and they can only hope that a gradual reduction of the "unreasonably high rates" will be brought about in the interests of the country. The memorial proceeds to set forth in detail the various respects in which, it is thought, modifications in the rates and charges should more especially be effected.

On this question of the application of State railway balances to general State purposes, I might also allude to some remarks made by Professor Dr. Arthur Böhtlingk, president of the Süddeutschen Eisenbahnreform-Verein, in a pamphlet (published 1900) entitled, "Unsere Deutschen Eisenbahnen." After speaking of conditions in Baden, he goes on to say:—

"Still worse is the position in Prussia. Here the nationalisa-

tion of the railways was taken in hand by Bismarck towards the end of the seventies, and carried through. The point of view he then put forward was the same as that which had once been advanced by Nebenius and Genossen. 'I consider that railways,' said the Chancellor, in a speech he delivered on April 26th, 1876, 'in the main, are not intended to compete with one another in the securing of financial benefits. Railways are, in my opinion, meant far more for the interests of traffic than for the interests of finance.'

"Even the words of such a voice as this were spoken without effect. As the hundreds of millions of marks began to flow into the State treasury from the railway profits, so influential a member of the Prussian Government as the Minister of Finance could not resist the temptation to use those millions for covering all possible expenditure in other departments. Thus it came about that the greater part of the total expenditure in these other departments was covered by money coming from the railways. The Minister for Railways was not only obliged to keep the tariffs as high as possible, at the cost of the traffic, in order to give direct to the Minister of Finance every year as many millions as he could, but he had to effect economies in any and every possible direction! Such was the state of things brought about, in regard to construction, that before long the responsible Minister had nothing to fear more than a possible increase of traffic to such a degree that he would be unable to cope with it. That Minister, Maybach, who had shown as much energy as skill in carrying through the nationalisation of the lines, eventually found himself in such a situation that he could no longer bear the responsibility, and at the beginning of the nineties he resigned so anxious an office. His successor, Von Thielen, with Von Miquel as Finance Minister, nevertheless followed in the same path. Not until a few years ago, when accidents due to inadequate equipment and insufficient staff succeeded one another in so terrible a fashion that public opinion was aroused, and, also, when the scarcity of wagons became every year greater, were steps taken in order, at least, to mitigate these crying evils. Meanwhile

the Finance Minister had obtained new sources of income, and was able to allow the Railway Minister to expend a portion of the railway balance on betterment.

"But the *system* has remained the same. . . . Although his Excellency, Von Thielen, has not once been able to provide sufficiently for the demands for rail transport, and although he has repeatedly declared that the railways had reached the limits of their capacity, he seems to have thought less than ever of making them equal to such demands by means of additions and improvements. The 'relief' of the railways was to be sought, rather, in the construction of canals."

It was sought therein so effectively that, in an article recently published in the *Baltimore Sun*, on the State ownership of railways in Europe, Senator Isador Rayner (who mentions that he has been studying this subject for years, with all the statistics he could gather), says:—"Germany to-day, with its agriculture, its manufactures and its trade, rests upon the waterways, and not upon the railways. The Government has reduced the railways as feeders to the rivers and canals."

The reason for seeking relief in this particular direction was, I may here remark, sufficiently obvious. Had large sums been spent on betterment of the railways, the balances which the Finance Minister controlled would have been seriously reduced, whereas the Prussian Parliament was quite ready to vote money for waterways.

THE SHORTAGE OF WAGONS.

It will have been seen that reference is made in the above extract to a shortage of wagons on the Prussian State railways. It is in this direction that the results of undue economy in the management of the lines—combined with the desire to make as much money out of them as possible in the interests of the national exchequer—have been especially apparent. Other shortcomings may appeal to British or American railway engineers, some of whom, indeed, have affirmed that the Prussian State lines have been nothing like so progressive as lines owned by private companies in England or the United States. Be this as it may, the wagon shortage

is undeniable. In this respect, at least, the State railway has failed to keep pace with the requirements of traders, especially in view of the recent commercial expansion in Germany. The supply of wagons may have been sufficient for ordinary times, but when, in the autumn or early winter, extra wagons have been wanted, alike for the movement of coal and for the beetroot and potato harvests, the results have been little short of chaos. In the Rhenish-Westphalian coal-mining centre the shortage of 10-ton trucks during the last four months of the year 1905 was (as I learn from a report to the British Foreign Office by Mr. Consul-General Schwabach, Berlin), from 249 to 4,415 per day. In one week during this period there was a shortage of no fewer than 26,000 trucks. "The mining industry," says Mr. Consul-General Francis Oppenheimer, Frankfort-on-Main, referring to the same subject, "was at times compelled to work in intermittent shifts because there was no possibility of despatching the out-put. In a similar way the scarcity was felt in the iron industry, by agriculture, in the traffic of piece-goods, etc." Dr. F. P. Koenig, British Consul at Düsseldorf, says, also, in a report made by him to the Foreign Office, on "Agriculture in the Rhenish province," in May, 1906:—

"It is a matter of fact that the German State railways are no longer able to cope with the increasing amount of goods transport, and that something will have to be done to alleviate the pressure on the railroads, especially so on those of the Westphalian coal and iron districts, and on those of the Rhenish province great industrial centres."

In the course of my own inquiries, I was assured by those in a position to know that the evils here spoken of had affected almost every industry in Germany; and it is tolerably certain that if any such experiences had been suffered by traders in England, there would have been a vigorous movement set on foot for the arm-chair economist's panacea for all railway grievances—nationalisation! The Prussian Government have made, from year to year, some totally inadequate additions to their rolling-stock (as though

reluctant to check, more than could be helped, the flow of railway profits into their treasury), and the "free" time allowance for the unloading of wagons by traders has been reduced, in many cases, to six hours—a policy by no means favoured by the managers of steel-works, who would have only that amount of "free" time to empty, say, a long train of coal-wagons coming into the works. Such measures, however, could only be temporary, and by 1906 the position was such that the Government at last decided on spending £10,000,000 for the provision of additional wagons and locomotives.

THE RESORT TO WATERWAYS.

Many of the German traders have been led of late years to depend more and more on water in preference to rail transport, and, for reasons already indicated, they have been encouraged in that idea by their Government. It may, however, and does, from time to time happen that in a dry season there will not be sufficient water, for months together, even in such a river as the Rhine, to meet requirements, and a large amount of additional traffic will then be thrown on the railways, making confusion there still more confounded.

It would seem, also, from some remarks made by Herr Franz Ulrich, in his "Staatseisenbahnen, Staatswasserstrassen und die deutsche Wirtschaftspolitik," that there are other reasons for criticising the policy in regard to the State waterways. Upon the improvement of rivers, for navigation purposes, and the construction of canals—mostly linking-up these rivers—enormous sums of public money have been spent in Germany (as everybody knows), with the result that the traders get what is, in effect, a State subsidy in the matter of transport. But Herr Ulrich points out that, while the entire community pays for the work thus done, only certain sections thereof really benefit. Navigable waterways are naturally found only on the plains, where the wealthy cities are established, and the mountainous districts, such as the Eifel, Thüringen, Erzgebirge, etc., which are among the very poorest districts, derive no advantage from the rivers and

canals, and have to depend on the railways. Then, even in the plains, the west of Germany benefits more from the waterways than the east, since the rivers run mainly to the west or to the north ; while the increasing size of the vessels used for inland navigation has led to their going to or from, or calling at, large towns only, not stopping at smaller places *en route*, partly to save the cost of delays, in the delivery of small consignments, and partly because the expense of constructing harbours to accommodate vessels of such magnitude (an expense out of all proportion to that of a wayside railway station) would be too great.

These conditions would seem to suggest that one class of traders, who can use only the railways, are taxed in order that another class may be provided with water transport under cost price. On the other hand it is significant that, although the Rhenish-Westphalian district is specially favoured by waterways, it is precisely in this district that the industries have suffered most from the shortage of wagons on the railways.

A BUDGET OF GRIEVANCES.

Reverting to the report of the “Centralverband Deutscher Industrieller,” I learn further therefrom that the Kaiserliche Reichseisenbahnamt, which is at the head of all the railways in Germany (practically all of them being now State-owned), recently submitted to the association the draft of a revised edition of those Railway Regulations with which I have already dealt in Part II., inviting comments on the Regulations in general, and especially on such alterations as it was proposed to make. This draft had been considered by the association, in combination with the “Centralstelle für Vorbereitung von Handelsverträgen” and the “Bund der Industriellen,” and the statement giving their joint comments, complaints, and counter-propositions, in regard only to general merchandise, occupies no fewer than 26 pages. I cannot attempt, here, to deal with all the questions discussed in the statement, but there are one or two which should be mentioned, in view of what has already been stated.

Among other things, it is asked that there should be a reduction in the legal time limit for the despatch and transport of goods, as given on page 28. It is proposed that the allowance for despatch should be reduced from one day to half a day in the case of express goods, and from two days to one day for those sent by ordinary goods train, the transport allowance for the latter being also altered to one day for each 200 kilometres, instead of one for the first 100 kilometres, and one for each subsequent 200. The Joint Committee point out that when goods are handed in to the railway on Saturday morning the Saturday does not count, the Sunday does not count, and the railway then also has Monday and Tuesday in which to prepare the goods for despatch, so that four days may elapse from the time they are given to the railway before they are actually started on their journey. "It seems to us unreasonable," say the Joint Committee, "that when goods are handed in early in the morning the first day should not count at all."

It is further asked that there should be a substantial reduction in the time allowed for goods the punctual delivery of which, within such time, has been insured with the railway. Inasmuch as the railway benefits from the amount of insurance paid over and above the ordinary rate, it is thought only reasonable that the traders should have a corresponding advantage. The Joint Committee lay stress on the point that "the prompt delivery of goods is far more important for industry than the granting of compensation for loss," and they consider that delivery within the specified period would be more certain if the railway were allowed only a shorter period for despatch. Especially is it asked that when the day of handing in is followed by several "feast-days"—Sunday and holidays—the time allowance for the despatch of piece-goods should not exceed twenty-four hours.

On page 6 I have pointed out, in regard to the limitation of the liability of the railways, that the list of exceptions is followed by a general clause, to the effect that if the damage done to certain commodities might have arisen from one of the causes specified, it shall be assumed that such was the

case. This general clause, say the Joint Committee, has aroused among those engaged in industry the most active dissatisfaction. "It is undeniable," they remark, "that such a *presumption* is favourable for the railway, but in the highest degree unfavourable for the trader, whom, in certain circumstances, it may render absolutely helpless." Inasmuch, however, as the clause in question has been adopted from the "Handels-gesetzbuch," the Joint Committee recognise the hopelessness of expecting that it may be deleted from the Railway Regulations; but they nevertheless express a hope, in effect, that the different railway administrations will be as considerate as possible in its application.

The Joint Committee next bring forward a proposal which, they say, has for years engaged the attention of the most important industrial circles in Germany, the making, namely, of an arrangement by means of which the traders could insure with the railways against loss by the damage of their consignments during transport. The Association of German Ironfounders ("Verein Deutscher Eisengiessereien"), after making close inquiries among its members, has proclaimed itself strongly in favour of such a form of insurance. The inquiries in question have shown that the loss sustained by the damage of iron castings, consigned as piece-goods from the various foundries in Germany (and carried on the special declaration), amounts to about £2,000 a year.

Similar conditions and like desires are thought by the Joint Committee to exist in other industries. Hence the scheme for which they invite support. In their opinion, the best form of insurance would be an addition to the railway rate; and this addition, they think, should be, at the outside, from 2 to 5 per cent. of the rate itself, though they suggest that the premium should be based on a sliding-scale principle, in order that it may not be oppressive to works consigning goods for considerable distances. The Joint Committee add, on this subject:—

"The investigations carried out by the Association of German Ironfounders show that in the case of 100 firms the average number of instances of damage per annum would be

seventy-seven, while the experience of some of these firms was that out of every twenty-eight consignments they despatched by rail one was damaged. Commenting on these conditions, the official organ of the Association said:—‘If any further argument were needed to enforce the necessity for the proposed insurance, it will be found in these figures. It is only necessary to point out, in addition, what a mass of unnecessary correspondence results in each case of damage, and what a continuous source of vexation the making of claims must be.’ Other branches of industry also complain of the damage done to their goods in rail transport. Quite recently the Union of German Manufacturers of Perambulators and its associated branches have warmly supported a proposal that the railways should make an addition to their rates of 1 or 2 pfennigs per 100 Kg. as a premium for insurance, so that a fund might be accumulated out of which the receiving station could at once pay compensation for whatever damage occurred. A system of transport insurance of this kind, says the Union, would with one stroke do away with all difficulties.”

It is, however, thought that the system should be optional, and in no way compulsory, there being many commodities (including some forms of iron castings), sent by rail, in respect to which the risk of damage would be either small or practically non-existent; though it is held that, where the question of damage did arise, much trouble would be saved were the suggested insurance scheme adopted. The proposal has, therefore, only a partial application; but the fact that even important sections of German traders, getting no reductions in rate when they take the risk, should be willing to pay on a higher scale in order to effect insurance, is significant in view of the position taken up by certain British traders on this phase of the question, and especially in view of the proposals contained in the Bill now being promoted by Mr. Hooper.

CONCLUSION.

The facts here narrated should suffice to give the reader a better idea of the German railway system, and of the lines

upon which it operates in its relation towards the trader, than he may, perhaps, have had before. I approached the subject, as already explained, from a British point of view, and it may well be that certain of the matters with which I have dealt would not be so noticeable to a German trader, who, in building up or in carrying on his business, has adapted himself to the exigencies of the German transport system. To such a person it may, perhaps, appear that I have been unduly critical. But when the occupant of so important an office as that of President of the Board of Trade in this country sings the praises of the German railway system to a deputation of British traders with a grievance; when he represents, in effect, that Germany is a sort of "happy land" where traders throughout the whole of the country are very satisfied; and when he foreshadows early legislation with a view, apparently, of bringing about a reign of equal content here, one may well ask whether or not such a presentation of the case is really warranted, and, if so, what the reasons are for this remarkable attitude on the part of a class of people known all the world over for the keenness with which they criticise railway operation.

It must, however, be obvious to anyone who has read my outline of facts that the knowledge of the transport conditions in Germany possessed by the President of the Board of Trade is of the most elementary kind, and is almost as erroneous as it is elementary. Instead of there being no owner's risk in Germany, as he represented to the deputation, owner's risk exists in Germany in a far more acute form than it does in England. Instead of the German State railways being more amenable to claims from traders, they are far less so. Instead of the alleged greatest possible satisfaction, it is perfectly certain from the evidence I have adduced that the contrary is the fact. It is unfortunate that a member of the Government should have conveyed impressions so misleading, without awaiting the results of the inquiry which he has instituted, and being quite sure that his opinions were well founded. It is equally unfortunate that a responsible Minister, who is supposed to represent and to protect all

interests, should have been led by his inadequate knowledge of the facts to draw invidious comparisons between German and British railways, calculated to prejudice the latter in the eyes of those who may not have been acquainted with the realities of the position.

Whatever the merits or the demerits of the much discussed question of owner's risk may be, it is certain that Mr. Lloyd-George can derive no encouragement from German conditions in his strong leaning towards the views of the traders, and, unless the Bill he promises to bring forward at the earliest possible moment is based on a surer foundation than the speech I have here ventured to criticise, it will require to be received with, at least, a good deal of caution.

On the imperfect information placed at his disposal, Mr. Lloyd-George is, apparently, convinced that the traders who approached him had made out a case for a grievance in regard to this question of owner's risk. Everybody must sympathise with the British trader who, to get a cheaper rate, consigns at owner's risk, and finds that his goods, for some reason or other, have sustained serious damage, for which he can get no compensation from the railway. But, in view of the facts I have adduced, I am sure that Mr. Lloyd-George would not now deny that the Englishman is really in a better position than the German. The one generally gets a lower rate on account of the risk, and the other does not; the one may have a chance of obtaining something from a railway company even on an owner's risk note (as the statistics I have given show), while the other has no chance of extracting anything out of a State railway, once he has signed the special declaration, unless he can accomplish the almost impossible feat of proving "gross carelessness."

I am bound to say, therefore, that, if Parliament is to be induced by Mr. Lloyd-George to bring about radical changes in regard to the liability of British railways on the owner's risk note, no arguments in favour thereof will be gained from the position in Germany. I could much more readily conceive that the German traders will one day demand to be placed on the same footing as the British—that is to say,

that when they are forced by the railway to sign the special declaration, they should be granted, at least, a lower rate, in order that they could insure themselves against loss. Considering that they are prepared to pay a higher rate, if the railway will insure them against loss, it must be assumed that if, on the other hand, the railway would accept a lower rate, when the traders themselves must take all risk, they would be quite content to regard such reduction as equivalent to insurance. If, I consider, either has ground for complaint on this question of owner's risk, it is the German trader rather than the British.

Nor is a comparison of the conditions in other respects really to the disadvantage of our own system, whatever its inherent defects and shortcomings may be. If goods-transport by rail costs more in England than it does in Germany, that fact may be due largely to physical, parliamentary or economic causes over which the railway companies have no control. But does it really cost more? That is to say, does it cost more when the comparison is based on identically the same services and facilities? I have shown that if a German trader wants a service as quick, say, as that from London to Dublin, he must pay, not the ordinary slow goods-train rate (which the average English critic generally takes), but the "express," or even the "courier" rate—twice, or fourfold, the amount of the other. I have shown that if he wishes to have his goods collected, warehoused (temporarily) or delivered, he must pay extra for these services, though they are included in an English C. and D. rate. I have shown that unless the receiver of a wagon-load empties the wagon in, it may be, six hours, demurrage begins at once, any suggestion of traders systematically using railway trucks as warehouses being scarcely conceivable in connection with a German State railway. I have shown that coal merchants in London get free wharfage at railway sidings, while coal merchants in Berlin have been driven away from the railway sidings by reason of the heavy, if not prohibitive, charges. I have further shown that, while, in England, the trader may settle with a railway company at the end of the month following

the one in which the debt is contracted, the German trader gets no credit unless he makes a deposit equal to one-and-a-half times the amount of his average monthly payments.

The commercial value of all these, and various other, facilities must really be borne in mind in any just comparison of the railway rates and conditions of the two countries. To take merely the rates themselves for a given distance, and ignore everything else, is absolutely fallacious. If, on the other hand, the British trader bears in mind all the considerations here presented, when he contrasts his own position with the actual position of the German trader, he will, I trust, be disposed to agree with me in thinking that, after all, he is not so badly off as he may hitherto have supposed.

Finally, in regard to British railway rates in general, I would point out that the present position thereof is the result of legislation which has followed in the wake of Royal Commissions and of protracted enquiry by a joint committee of both Houses of Parliament.

Section 31 of the Railway and Canal Traffic Act, 1888, provides that if any trader is of opinion that a railway company is treating him unfairly, or in an oppressive or unreasonable manner in any respect, he may complain to the Board of Trade. Yet, notwithstanding all that has been said and written in recent years against railways, attention is again drawn, in the ninth report by the Board of Trade of proceedings under this section, to the continued "marked falling off in the number of complaints against the railway companies." The total number of all kinds for the two years 1904 and 1905 was only 146; not a few of which were groundless and not proceeded with.

Here, be it remembered, there is no suggestion of instituting costly proceedings before the Railway and Canal Commission. It is a matter simply of addressing a complaint to the Board of Trade; and yet the number of traders making such complaint is insignificant in the extreme, compared with the total of those who have dealings with the railways.

With these striking figures Mr. Lloyd-George's reported statement, "I have been very much impressed since I came

to the Board of Trade with what one speaker has called the great and growing discontent with the whole system," is in complete disaccord.

It might, with all due respect to the present occupant of the post of President of the Board of Trade, be suggested that he should not thus ignore the published records of his own department, and that, following in the footsteps of his predecessors, he should refrain from being led away by *ex parte* statements by interested persons, and preserve, rather, an open mind upon matters affecting such enormous interests until they have been investigated by an impartial tribunal.

Mr. Lloyd-George might further be reminded that quite recently there was a somewhat similar agitation with regard to alleged preferential rates, said to be given in the case of foreign produce coming into this country; but, after a long enquiry by a departmental committee of the Board of Agriculture, this allegation was held to have no foundation in fact.

Naturally, all traders like to pay as little as possible in the way of railway rates. But the present agitation in reference to owner's risk rates was initiated, in one district, by a comparatively small number of traders, who have, however, managed unduly to magnify the question by obtaining the assistance of Chambers of Commerce, and, through them, that of the Mansion House Association. The officials of these bodies are, no doubt, eager to justify their existence by helping to maintain a continuous flow of grievances against the railway companies, and, with a "sympathetic" President of the Board of Trade, such a task is rendered all the easier of accomplishment. But the fact that the average rate of dividend of the British railway companies on their paid-up capital—which amounts to the stupendous total of £1,282,800,935—is only 3.43 per cent., hardly suggests that the railways are making abnormally large profits out of the traders, the majority of whom, probably, would be very much dissatisfied if they could not themselves show a much better return on their operations.

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