

From : The Birmingham
Herald

March 9th, 1837

LONDON AND BIRMINGHAM RAILWAY.

We extract the following "Remarks" on the seventh half-yearly Report of the London and Birmingham Railway Company, from a long and highly interesting article in the MECHANICS' MAGAZINE of Saturday last.

The publication of this Report has produced a great sensation in what may be called the railway world - and, combined with the general depression which has lately prevailed in the money market, and consequent distaste for enterprise and speculation, has exercised, and, we fear, is still exercising, a most injurious influence on all railway projects. Whether the facts which it discloses are of a nature to warrant such a decline of confidence in the railway system, become, therefore, a subject of earnest inquiry - to all, at least, who think with us that there is more good to come to the country from the rapid and general adoption of that system, than from any other class of public undertakings whatever.

The grand fact promulgated by the Report - that which is in every one's mouth, and is disquieting and unsettling the minds of not a few - is, that "the contemplated works for the efficiency of the railway in the carrying department, as well as for the road itself," will require a sum of nearly two millions more than the sum originally estimated to be requisite. Certainly this is a large excess; but, before we leap to the conclusion (as is the fashion of the day) that we should therefore cease to have any faith in the safety and the eligibility of this or any similar undertaking, as a means of pecuniary investment, there are two preliminary questions which ought in all fairness to be carefully examined and disposed of (if so they can be) in the negative.

necessity of obtaining possession at an earlier period than by the provisions of

First. Is the excess accounted for on just and reasonable grounds?

And, *Second.* Will this excess increase the total expenditure to so disproportionate an amount that the railway will no longer yield an adequate return to the shareholders?

I. Now, with respect to the first question, let us see how the excess is stated in the Report to have arisen.

"Land and Compensation." - The Parliamentary Estimate under this head was £250,000; the actual cost has been £506,500. - more than double. The promoters of the undertaking had, we dare say, calculated that the owners and occupiers of the land required for the railway would, in consideration of all the rest of their estates being incalculably improved in value by its passing through them (to say nothing of the higher and purer consideration of the public good), have been content to accept of the *actual* value of the land taken from them, and a fair compensation for the actual loss otherwise sustained by them; or, at all events, with the double of such actual value and double compensation for such actual loss. Certain, at all events, it is, that the Parliamentary estimate for land and compensation must have exhibited the *full* amount which, in the judgement of competent persons, *ought to* have been paid under this head; for it is only upon evidence to such an effect and of such a character - *given, too, upon oath* - that the Bill for the undertaking could have passed the Upper House of Parliament. But all these reasonable calculations - these valuations on oath - not withstanding, we find the *actual* has been more than double the *estimated* cost! And whose fault is this? Not the Company's assuredly. The Directors state that they have been obliged to purchase 800 acres of land more than they laid their account with, and that the much higher price which they have been "compelled to pay" for it, was, "*in some degree*, extorted by the

the Act of Incorporation the company could legally enforce." But

how else extorted, they do not say; and for not speaking out a little more boldly, are, we submit, much to blame. We think the justice of the case demanded a full exposure of *all* the extortion to which they have been subjected, through *all* its degrees of enormity * * * * Eight hundred acres beyond what was wanted 1 Why this must be just about as much again as was required for the actual purpose of the railway - eight acres per mile being about the fair average. The doubling of this head of the estimates is thus at once accounted for. * * * *

"Contract Works for forming the

Road." - The excess under this head is £442,238, and the manner in which it has arisen is thus explained in detail by the Engineer (Mr. R. Stephenson):- The first cause of excess is stated to be "*an Increased width in the railway.*" How much this increase is the Report does not state; but we believe it to be not less than four feet upon twenty-six. We believe, also, that we are right in assuming that this increased width has not been adopted from any conviction of its necessity on the part of the judicious and intelligent Engineer of the Company, or even on the part of the Directors, but from a prudential regard for the theory lately propounded by the Engineer of the Great Western Railway, that the one proper width for railways is seven feet, (instead of from four feet eight inches to five feet) and the only proper circumference for railway carriage wheels also seven feet, (instead of from four feet six inches to five feet six inches) and from respect to the good opinion entertained of this theory in certain circles which are reported to exercise a great sway in all railway matters. Mr. Brunel may be in the right - all other railway engineers in the wrong; and, therefore, it is good policy to be provided against the contingency! * *

The other items of excess consist of an "*additional outlay,*" arising from the company having been compelled to take up the contracts for the Primrose Hill, Blisworth, and Kilsby Tunnels, which were all "let below the revised estimate" (of the engineer) and then thrown on the Company's hands, "in consequence of the great and unforeseen (and in the cases of the Primrose Hill and Kilsby Tunnels, *unprecedented* difficulties which occurred in the progress of the works." The Engineer cannot, of course, be to blame, that contracts, which were entered into at prices below his own estimate, were thrown up; nor the directors, that they accepted the lowest tenders which were made to them by respectable and competent parties. * * * * *

"Rails, Chairs, Blocks, Sleepers." - These articles are now estimated to cost £326,845. more than was originally anticipated; nor will the reader be surprised at this, when he is informed that the price of iron has risen in the mean while from £6. per ton to £10. per ton, and that instead of rails weighing from forty to forty-five pounds per yard, it has been found by experience, that rails weighing not less than sixty pounds per yard are requisite wherever (as in this case) heavy weights have to be transported, and heavy carriages, themselves far more than an ordinary load, have to be employed to transport them.

"Stations and Carrying Department." - The Parliamentary Estimate was £80,000.; the present estimated cost is £408,236. This great difference is stated to arise "from the (more) ample provisions made for the carrying department, and particularly with reference to the traffic to be expected from *other railways*, for which Acts have been obtained since the estimate was made." The more tributaries to the main trunk, of course the more "stations" required; and the larger the carrying department, the greater the requisite establishment of locomotive engines, carriages, waggons, Sc., and the greater the ultimate profit to the Company.

"General Charges." - The excess under this head beyond the Parliamentary Estimate is £222,791. No estimate of such a *generality* as this could possibly have any pretensions to accuracy; and, but that the forms of Parliament required an estimate to be made, none would probably have been attempted. One of the heaviest items under this head is the "Expenses of obtaining the Act of Incorporation," £72,869.

The total amount of the items of excess which we have now passed under review is £1,576,610; but to this there has to be added £255,722. on account of the Euston extension of the line, not at all included in the original estimates; making the entire difference between the original capital of the Company (£2,500,000.) and the present estimated cost (£4,332,332) £1,832,332.

Great as this difference is - and beyond all question, deeply to be regretted, not only on account of this particular railway, but of all railways - we think it must be allowed by every one who attentively and dispassionately considers the explanations offered by the Directors and their Engineer (not excluding the aid of such lights as the preceding

remarks may perchance have thrown over the debateable ground), that it is, upon the whole, of a sort that ^ could not well be helped - is attended by many circumstances of a large compensatory character - and involves, neither of necessity nor by fair inference, a single solid objection to the railway system in general. * * *

II. The most material question, after all, still remains to be disposed of, namely, whether this railway, at the increased cost of £4,332,332., is likely to yield an adequate return to the shareholders?

It is curious how studiously, in all railway cases, questions of this sort are slighted by most of those who take an interest in railway matters - railway executives always excepted. Talk of any estimate of cost being doubled or trebled (no matter how excusably), and there is instantly a universal hubbub - "What a shame!" - "What a disgrace!" - "How disastrous!" - "How damning!" But take the obverse of the picture - let a report get abroad that the published estimates of revenue of any particular railway are some two, three, four, or any number of times below the actual truth (concealed, as the "actual truth" too often is, from a fear of startling public belief by proving apparently too *much*), and that instead of paying 5 or 10 per cent, as at first supposed, it will in reality pay 15 or 20 - up go the shares instantly to double or treble the prices originally paid for them, and out go as many of the holders as prefer a bird in hand to two in the bush. One would think that there must be large room for thanks here, both from those who realise at once so handsome a profit, and from those who buy in with the hope of realising an equally handsome profit, only at some more distant day - that as the projectors of the undertaking are so unmercifully abused when the cost side of their estimates happens to be exceeded, so, on the other hand, they would be proportionally lauded when the profit side is in excess. But no such thing; every accession in the shape of profit or premium is considered as coming quite

of revenue may this Railway be expected ultimately to produce 1 According to the original estimates, there was to be a net or clear revenue of £369,346.; but when we consider how many other railways, that directly or indirectly will be tributary to this great inland trunk, have started into being since these estimates were framed - that the Grand Junction Railway in particular, which is to connect the Birmingham with the Liverpool and Manchester Railway, is already on the point of completion, and that the great

in the ordinary course of things, and pocketed in silence, without thanks to any one. We have heard of some shareholders in this very Birmingham Railway, who, by selling out *one half* of their original shares at 100 per cent, premium, made a clear gain of the other half - that is to say, have paid not a farthing for them - and yet are the loudest in their complaints against the Directors and officers of the company for the deficiency now made public. Could we but obtain an account of all the money which has been made by the sale of the shares of this Company, we feel confident that it would be found vastly to exceed the whole amount of that excess in the expenditure about which such an outcry has been raised. But we shall, perhaps, be told that one man's profit must needs be another man's loss; and that those, at least, who bought at a high premium, have just reason to complain of being deceived and disappointed. In many instances the maxim cited is true enough, but it is wholly without application to a case like the present, where it is yet a question whether any loss whatever will be eventually incurred. If a person has purchased Birmingham shares at double their original price, he must have done so on the faith either that they would yield double the profit which was originally anticipated, or that the interest of the original holder was worth purchasing for twice as much as he paid for it; and having done so, he can hardly have any right to talk of deception and disappointment, till circumstances arise (which we deny have as yet arisen) to justify him in considering all hope of his realising the profit on which he reckoned as for ever gone.

The question, therefore, narrows itself to this - What amount

bulk of the Irish passenger traffic to the metropolis (for which hardly any credit was taken) must ultimately fall into this line, we are well warranted in reckoning that the real traffic will be more than double. Our own firm persuasion is, that the net revenue cannot fall much short of a million. Let us take it, however, at only double the first estimate, or say £750,000., and suppose the total cost of the line to amount to as much as £5,000,000., (which is certainly the outside of the possible

cost) then the annual profit on the capital invested will amount to full 15 per cent. which, in the case of the older railway, with its unalterable allocation and

gradients, we can never hope to see attained.