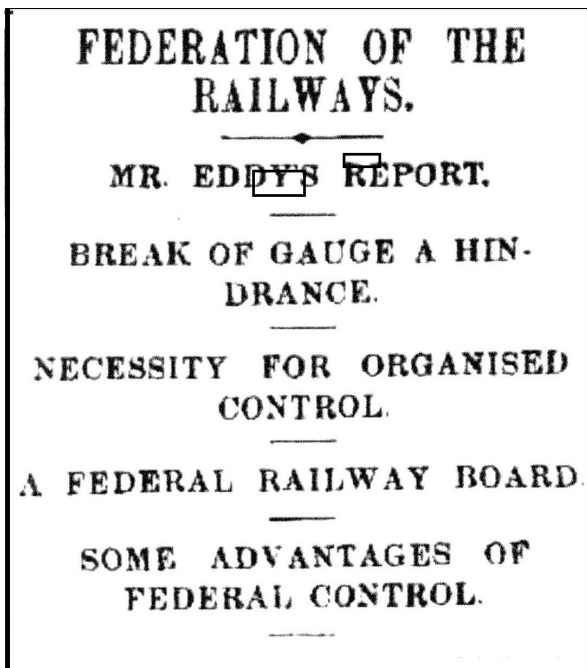


## APPENDIX B CHIEF COMMISSIONER EDDY'S REPORT

FROM THE *DAILY TELEGRAPH*  
27 AUGUST 1897

If I was convening a conference in 2024, to be attended by the States and the Commonwealth to sort out Australia's gauge problem this document, despite being more than 120 years old, would be at the top of my list of mandatory pre-reading.



In answer to Mr. Schey, in the Legislative Assembly on Wednesday, Mr. Bruncker stated that Mr. Eddy's report to the Premier on the Federation of the railways could not be obtained in the Government Printing Office; that the copy had been returned to the Chief Commissioner, and the type distributed. To put it plainly the answer meant that the Government had no intention, or had not the opportunity, if they wished, of laying the document on the table of the House. It is a matter of great importance, in view of the present stage of Federation, that the public should know what the late Chief Commissioner of Railways had to say on the matter. Below is given Mr Eddy's report to the Premier, just as it was sent to the Federal delegates representing New South Wales. The copies of the report were all numbered, and special precautions taken to prevent any of them getting astray : —

FEDERATION.

Office of the Railway Commissioners of New South Wales, Sydney, 16 March, 1897.

Sir, — The working of the railways is a matter to be seriously considered in connection with the Federation project. It may become apparent that some common concerted action between the railway systems of the different colonies is absolutely required for the conduct of intercolonial traffic;

but the imperfection of the present state of things is shown by the difficulty experienced in obtaining a settlement of questions of importance and the impossibility of conveying a single passenger or a ton of goods without change of vehicle between even regulating interstate; any two of the four adjoining colonies, except as between Victoria and a portion of South Australia.

It must be very evident, that the break of gauge at the various borders would not only greatly impair the promptness with which a military force could be concentrated at one point for defence purposes, but that the hindrance and delay to the transport of goods and passengers which would greatly increase in years to come represent money and time spent needlessly, and, therefore, wastefully. The laws of both Great Britain and the United States distinctly recognise the principle that any hindrance to public communication is a public loss, and those laws under certain conditions oblige all common carriers to accept and forward to destination any goods delivered by another carrier.

The United States by its Constitution prohibits any of its component sovereign States interfering with or even regulating interstate commerce; and any law dealing with railways, canals, navigable rivers, or bridges across them generally, or with any work which may possibly prejudice interstate communication, can only be enacted by the Congress of the United States. While the individual States have large powers regarding matters affecting their own inhabitants, yet the power to deal with inter-communication between different States is, like the army and navy, and relations with other nations, reserved for the Federal Parliament.

While the duties and authority of the Interstate Commerce Commissioners in America are defined and supported by Act of Congress passed in 1887, and amended in 1889, the railway companies themselves had found many years previously that it was necessary for conferences of various kinds to be held with the view of uniform action being taken upon all questions of general interest. In Great Britain an elaborate system of organised conferences between the various railways exists in connection with the railway clearing house, the principal object in view being to ensure uniform action in all matters of importance.

It has also been found necessary in Great Britain to confer upon the Government department known as "The Board of Trade" various important powers in connection with the railway interests.

It will, therefore, be seen that in other parts of the world the railway interests placed in similar circumstances seem to have experienced the necessity for organised control, and have found it advantageous to deal with subjects of general interest and importance by a supreme body, in some cases voluntarily created, and in others created by the State, whilst still leaving full liberty of individual action in matters which do not interfere with inter-communication between different States or railway systems.

The Constitution of the United States (A.D. 1787), article I, section 8, states; — "Congress shall have power to regulate commerce among the several States and establish post roads."

Article I, section 9: — “No preference shall be given by any regulation of commerce or revenue to the ports of one State over those of another.”

Article VI: — “This Constitution shall be the supreme law of the land, anything in the Constitution or laws of any other State to the contrary notwithstanding.”

The advisability and even the necessity for Federal control, more or less complete, therefore appears to have been fully recognised, and it is for this reason that in some countries the Governments are steadily buying up railways originally constructed by private enterprise.

The welfare of the whole continent is largely dependent upon the economical and efficient working of the railways, the greater the efficiency and economy of administration, the greater the ability to reduce rates. Waterways being practically non-existent, the railways of Australia become, to a greater extent than elsewhere, the main arteries of communication.

If the Federation of the Australian colonies be realised, it may become absolutely necessary — at least for the States connected by railway communication — to have some kind of Federal railway control; the principal objects in view being—

To ensure uniformity of policy, efficiency of management, leading in many ways to economy, and the affording of greater public convenience and advantage. To minimise to as great an extent as possible the friction and unfair competition now existing in the border districts for the trade of adjoining States. To bring about as speedily as possible at a minimum of cost a uniform gauge on those sections of the State railways where desirable.

As it appears to me there are two ways in which this Federal control might be carried out —

1st. By vesting all the railways in a “Federal Railway Board,” responsible to the Federal Parliament, this board to be absolutely of a non-political character.

Under this arrangement the Commonwealth would have to assume the whole responsibility of the financial results.

2nd. By each State retaining its own railways and all the financial responsibilities in connection therewith.

Under this latter state of things it will be of much advantage to the Federated States to create a non-political Federal Railway Board—

(a) For the purpose of dealing with all questions of border traffic

(b) Interstate commerce rates and facilities, which would in all probability become an important factor in the railway business so soon as all barriers were removed at the borders. This would be dealt with by an organisation somewhat similar to the English Railway Clearing House.

(c) Uniform gauge.

(d) Exercising somewhat similar functions to the English Board of Trade, in regard to investigating serious accidents, and for insuring the provision of all needful appliances for securing the safety of the travelling public and the staff.

(e) To advise the separate States in regard to important questions of policy and administration so as to ensure to as great an extent as possible the good results that would be gained by an actual Federal administration.

I should, however, point out that under either of the proposals it would be necessary to enact in the Constitution that—

(1) In fixing rates for the conveyance of traffic upon the railways, rates for traffic carried partly by water and partly, by rail, or partly by road and rail, or road, rail, and water, no advantage should be given to the ports of one State over those of another State.

(2) No differential rates to be given for the traffic of a neighbouring State for the purpose of drawing it away from its own State; the scale of rates applicable for like distances for traffic of a like nature for the general traffic of the State only shall apply.

(3) Rates that are of general application in any district of any State not to be deemed differential rates if they reasonably harmonise with the rates for like traffic in other parts of that State.

(4) “Competitive district traffic,” i.e., the traffic which is competed for by adjoining States, to have equal rates to and from the ports of the State owning the territory as exist to and from the ports of a neighbouring State.

As there appears to be a general impression that under Federal control of the railways, a uniform mileage scale of rates would be adopted, it may be desirable to point out that such a system would not be wise or practicable without seriously dislocating trade and also affecting the financial position.

Broadly, a uniform mileage scale has been found in other parts of the world to be injurious, and where such experiments have been tried an early abandonment or modification of such rates has followed.

The local circumstances in connection with much of the Australian continent call also for exceptional consideration. The local conditions of trade and commerce in the various States are materially different, and no uniform scale of rates could wisely, at the outset, be introduced. For a long time to come it will be found most judicious to continue the present scale of charges in existence in each State (subject to the abolition of the discriminating rates which would be prohibited in the Constitution, and the modification of any local rates affected thereby), and as speedily as possible, bring about a uniform classification of goods, so as to simplify the interstate traffic working, and then, as the profits increase, gradually reduce the rates to a uniform level.

No heroic handling of rates with a restricted traffic can be faced without very seriously affecting the financial position.

The main principle to animate the policy of rate-fixing to be that all traffic originating in adjoining States shall be carried over the railways of other States at rates entirely in harmony with the rates applicable to all traffic of like character for like distances in such States.

One of the greatest difficulties in connection with the fixing of the rates and conserving the interests of the districts served by one or more States will be the question as to what should be the basis upon which rates for the Riverina country and any territories of a like nature are to be fixed.

In the first place, I suppose it will be admitted that the people in all districts must have conceded to them, the advantages of their natural position, and that no obstruction to the free flowing of traffic in its natural channels is to be allowed.

Again, it will be seen that under the conditions which have been brought into existence by the necessities of the existing systems of State administration large expenditures have been incurred by the States in providing for the wants of the people in the way of communication to and from the seaboard.

These interests have spread further and private enterprise has supplemented State facilities. All these matters will doubtless receive careful consideration, and it would appear to me that the best way to harmonise them will be to carry out the suggestion made that "competitive districts" shall be granted equal rates to the ports of the State owning the territory as exist to the ports of a neighbouring State.

As regards the fixing of rates generally, the interests of each State would probably be best served by leaving the arrangement of the same in the hands of the respective States, subject to the approval and revision of the border or interstate rates by the Federal Railway Board.

I think, therefore, that the various States should reserve their liberty to make and establish tariffs, subject to the approval and revision of the border and interstate commerce rates by such tribunal as may be constituted.

If Federal ownership of the railways were decided upon, individual States should have the right to initiate new railway lines; but should the Federal Railway Board not recommend the Federal Parliament to take the lines over as part of the Federal railway system, because the prospects of traffic appeared insufficient, or from any other cause, it should be open to the State to require the line or lines to be constructed, upon guaranteeing to the Federal railway revenue any deficiency there might be in meeting the interest and cost of working of such line or lines. In regard to the construction of new lines, no line to be constructed by the Federal Parliament that may have the effect of diverting the traffic from one State to another, without the consent of the Parliament of the State whose traffic would be withdrawn being first obtained.

If the railways be vested in the Federal body or otherwise, a bill would require to be drafted defining the powers, duties, and responsibilities of the "Federal Railway Board," the details of which need not now be discussed beyond saying that if the railways be vested absolutely, the Federal Railway Board would have to appoint, in each State, one officer to be responsible for seeing that the whole of the duties delegated to the State railway management were properly carried out. All the local working of the traffic in the various States would remain unaltered, the only change being in charging the Federal Board with the higher branches of administration, viz.: — (1) Control of the expenditure of all kinds; (2) bringing about the best financial results; (3) raising the general conduct of the business and facilities afforded to the highest possible standard.

Under either system of Federal control, the accounts of revenue and expenditure for the railways of each State should be kept, and in case any deficiency should arise in any State this could be provided for out of the surplus moneys belonging to each State in the hands of the Federal Government. So far as the railways themselves are concerned, it would perhaps be directed that the policy of not attempting to make high-interest returns, but to reduce rates to as great an extent as possible consistent with the railways not burdening the general revenue, should be followed. If it be decided that the railways are to be taken over by the Federal body, the details would be matter for discussion. There are many questions of great importance in themselves, but of minor consideration at this stage (which I refrain from entering upon in detail, so as to keep this paper within reasonable limits), such as the capital value of the lines, and what, if any, sums should be paid out of the individual State funds for placing the lines and rolling-stock in an efficient condition, so that all the lines at the commencement of Federal control should be practically at one standard of efficiency, the constitution of the proposed Federal Board, its powers, etc.

One of the advantages connected with a Federal control would be the possibility of placing such considerable orders for plant of various descriptions as would in all probability lead to the establishment of works of various kinds which could not be entered upon when the requirements of individual States only have to be considered. The creation of works of this character would in all probability also lead to Australia being able to secure some of the trade on this side of the world now controlled by Great Britain and America.

There appears to be pretty general unanimity regarding the desirability of vesting the postal and telegraphic services in the Federal body; but the great importance of the railways in connection therewith does not appear to have been considered. In the first place, a large proportion of the telegraph posts and wires are on railway property, and so far as New South Wales is concerned all such telegraph posts erected on any lands by the Railway Act of 1888 vested in the Railway Commissioners are vested in that body.

When the question of mails has to be considered, it will be seen that the railways constitute the greatest element of transportation, and any State, if the slightest friction arose, might entirely dislocate the interstate mail services. Intercolonial mail services, too, may require arrangements to be made which would not always be exactly in accord with local services, and would for the purpose of definite settlement require a Federal decision so as to ensure the general interests being secured. It may, perhaps, be deemed desirable to charge the Federal Railway Board with the duty of supplying Parliament with all the evidence necessary to enable it to give its decision upon the suggested construction of new lines.

I have the honour to be, sir,

Your obedient servant,



Chief Commissioner