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THE DEVELOPMENT OF BRITISH RAILWAY ACCOUNTING: 1800-1911

Abstract: This paper concentrates on accounting aspects arising from the development of the railways. Railways in nineteenth century Britain had a major influence in reshaping some of the legislative procedures in parliament, the development of the capital market, and the economy at large. A background is provided to the first government regulations, introduced in 1840, and all subsequent major developments which led up to the Railway Companies (Accounts and Returns) Act, 1911. Why had it taken over eighty years (since the first commercial railway was established in 1830) to produce a standard presentation of accounts and financial reports?

Introduction[1]

While the intention of this article is to concentrate on accounting aspects arising from the development of the railways, it is also necessary to have an appreciation of the economic and political climate of the time. Railways in the nineteenth century had a major influence in reshaping some of the legislative procedures in parliament, the development of the capital market, and the economy at large. The first government regulations for the control of railways, as a whole, came in 1840 when the Board of Trade Railway Department was set up. This was the forerunner of the present Ministry of Transport which was established in 1919. Some twenty-eight years later, in 1868, the "Regulation of Railways Act" made it obligatory for all railways to render accounts half-yearly according to the forms prescribed in the first schedule of that Act. Many historians regarded the early and middle decades of the nineteenth century as being the heyday of *laissez-faire* for companies. Why then were steps taken to regulate the railways?

From 1800, many railways were built by private agreement with landowners, often as feeders to canals. Occasionally, canal owners

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would allow the public to pay a toll and use these lines. The first public railway, in its own right, was the Surrey Iron Railway; authorised by Act of Parliament in 1801, and opened in 1803. The first engine was developed in 1804 by Richard Trevithick and ran on the Pennydarren tramroad near Merthyr Tydfil. This was a time of rapid technological advance in the design of engines, rolling stock, and track. The Stockton and Darlington Railway, opened in 1825, became the first commercial steam driven railway, but with steam for mineral merchandise traffic only. Railways, at this stage, aroused little public interest outside their immediate locality. The *Yorkshire Gazette* thought the opening of the Stockton and Darlington Railway was only worth eight lines. Also at this time financial backing was localized, coming mainly from the new, sturdy liberal class of the industrial cities of the North and Midlands.

The end of this second decade saw the first large-scale awareness of the public to the age of the railway. On September 15, 1830, thousands gathered in Oldfield Lane, Manchester, to see the Duke of Wellington and to witness the opening of the first steam passenger service operated by the Liverpool and Manchester Railway. This company issued a first prospectus on October 29, 1824. Only after a stormy debate did the Liverpool and Manchester Act become law in 1826. Three subsequent Acts also became law which allowed for the raising of a loan, as funds were running short, and allowing for certain route deviations and extensions. The cost of these four Acts was estimated at £27,000. By the end of 1830, the line had carried 70,000 passengers. In the first eighteen months of operation, nearly ten times that number were carried. Net receipts from all traffic, by 1835, were about £80,000 per year; £20,000 more than estimated. Total costs of building and equipping the line had, however, exceeded the estimate of £800,000; the actual expenditure coming to about £1,200,000. The half-yearly dividend rose from £4.10s percent for the first half of 1831 to £5 for the first half of 1845 and the price of shares soon rose to £200, after having been issued at £100.

Promotion of a Railway Company and the Beginnings of Regulation

Each railway was formed by its own separate Act of Parliament so that from the start a joint-stock company was created with limited liability. This was necessary due to the very size of each project. The average canal in 1825 had a capital of £165,000, and employed a few score of lock-keepers and maintenance men. The average cost of constructing twenty-seven railways opened between 1830 and 1853 was nearly £2 million, and the average labour force in 1851, excluding construction workers, was upwards of 2,500.[2]

Private Acts for the creation of railway companies were often criticised on several counts.[3] Then, as now, the most important stage was the committee stage. Nowadays, the committee is a judicial body noted for its impartiality. Then, the committee on a private Bill was composed of all locally interested members, and the knowledge of local circumstances was the hallmark of a committee man. Committees were large, attendance was not compulsory and often members only attended to vote without having heard the evidence. Members were often canvassed by interested parties and were, in many instances, interested parties on their own account (either as proponent or opponent of a particular Bill). On one occasion, a Member's vote was disallowed on the grounds that he was a subscriber to the company whose Bill was under discussion. The Speaker took the line that it was wrong to victimize one, when so many offended in the same manner. Another pointed out that Members' names were often excluded from the published list of subscribers, as his own had been.[4]

It was not until 1844, that radical changes to this system were made; brought about because of the activities of railway promoters but effective on all future Bills whatever their concern. As O. C. Williams has stated, "it was the expansion of the railways that for the first time brought more clearly than ever before the consciousness of Parliament that in private legislation there was an aspect of public, as well as one of private interest, to which no government could be indifferent; and that the function of Parliament was, not merely to act justly as between parties, but also to consider and promote the interests of the public as a whole."[5] The main features of the new procedure, introduced experimentally in 1844 and made permanent in the following year were:

(a) large, locally interested committees were replaced by small, less partial bodies;
(b) Bills were grouped so that comparable schemes were referred to the same committee;
(c) attendance was made compulsory.

All through the 1830s, there had been lively debates in both Houses of Parliament concerning the control of railways. As early as 1836, James Morrison introduced a motion for railway legislation.[6] He was concerned with the monopoly situation of railways which he believed had led to excessive charging as a result of collusion between rival companies.

The reason that years of indecision occurred, concerning railway regulation, was the conflict between the capitalistic economic philosophy of the time and the fact that governments of the day were concerned that such vast amounts of capital that were invested (by the public) should be wisely invested. Many companies were large with paid-up capital of as much as £30-£40 million. Such contradictions can often be discerned from the reading of Parliamentary debates, editorials, and letters of the time. Poulet Thomas, a minister at the Board of Trade, summarised this view when he said at one point,[7] "It is by the Government not meddling with capital that this country has been able to obtain a superiority over every other country." Yet he had previously told the house that[8] "he was not unfriendly to the great works to which these Bills related, but at the same time, he felt bound from the situation which he held in government, to take care that the capital of the country was not improvidently or unwisely applied."

In 1840, Lord Seymour's Railway Regulation Act was passed, from thence forward all new railways had to be inspected and approved by the "Lords of the Committee of Her Majesty's Privy Council appointed for Trade and Plantations," or as it later became known, the Board of Trade. This Act, though much resented at the time by the railway companies, gave the government limited powers of investigation into the safe operating of various lines. Further important Acts came into being in 1844 and 1845 but these again concentrated mainly upon the regulation of railways with respect to maintenance and operation.

Railways: Their Effect on the Capital Market

One historian[9] has said "the buying and selling of shares, unimportant before the coming of the railways, was an essential part of the Victorian commercial structure." Railways were instrumental in enlarging the investment market by attracting hitherto large numbers of untapped investors. Such expansion was not always to the good. Some of the more unfortunate side-effects were:[10]

(a) speculation in shares which, at times, amounted to "feverish gambling, on a scale big enough to entail a financial panic and a national slump;"
(b) a widening gap between the ownership of companies and their management;

(c) following from (b) the opportunity for directors to mismanage shareholders funds.

"Being first in the field, the railway companies were open to all the temptations of unregulated competition in avarice and speculation: but they were also the whipping boys of public indignation and the guinea-pigs for the first experiments in parliamentary control and the development of modern company law."

There were three railway investment booms:[11] 1824-25; 1836-37 and (by far the largest) 1845-47. In 1824-25, schemes amounting to a total expenditure of nearly £22 million were put forward but, while these could be termed "main lines," few were proceeded with. In 1836, thirty-five railway Acts were passed, twenty-nine of them for new lines covering 994 miles at an estimated cost of approximately £17.6 million. The third boom period is often referred to as the "railway mania" of 1845-47. In November 1845, when the whole capital investment in existing railways amounted to £71 million, the *Times* estimated that the cost of 620 new railway schemes (not including 643 other companies which had not yet registered their prospectuses) came to £563 million, equivalent to over two-thirds of the National Debt.

This "mania" was brought to a close in 1846 when the Bank of England raised the bank rate in an effort to stop the drain on gold and credit. As a result of this intervention, the price of shares tumbled and thousands of shareholders found themselves holding paper script worth less than they had paid or promised for it, often with money they did not have. Gullible investors had been at the mercy of unscrupulous company promoters. Many instances occurred of fraud on a grand scale. Leopold Redruth, registrar of the Great Northern Railway, was transported for life in 1857. A more notorious character was George Hudson,[12] a former draper from the city of York, who became known as the "railway king" of the 1840s. Having succeeded to the chairmanship of several railway companies he was eventually unmasked as one who had "doctored the books" to improve balance sheets, had paid dividends out of capital, had bought and sold Great North of England shares on behalf of other companies in which he had interests and pocketed the difference, and had made contracts in his private capacity with these companies to his own personal profit. His alleged frauds added to a total of £598,785. In 1855, he was forced to move abroad to avoid lawsuits from his old companies.

Up until 1830, the London Capital Market was mainly involved with the dealing of Government stocks. In that year, only four railway companies, out of a total of 205 companies, had stock exchange quotations. By 1844, the number had increased to sixty-six railways out of the 705 companies quoted. These companies had the largest single block of paid-up capital, £47 million, compared with the £26 million of the joint-stock banks. By the end of the railway "mania" in 1847, the railways' capital had risen to over £200 million.[13] Also at about this time, stock exchanges began to operate in the provinces; notably in Manchester, Liverpool, Birmingham, Leeds, Glasgow, and Edinburgh. An early Liverpool share price list, dated August 9, 1836, named 71 companies whose shares were dealt in; thirty-eight were railways, and banks, the next largest class, provided fifteen companies. The remaining eighteen were miscellaneous insurance, ferry, and utility companies. Significantly, no canals were named, suggesting that business was mainly confined to "new" companies.[14] The development of these provincial centres re-emphasises the point mentioned earlier that much of the speculative capital did in fact come from areas outside London.

The Need for Accounting Legislation[a]

Prior to 1868, no precise form of accounts was prescribed for railway companies, although certain requirements with reference to accounts were placed on such companies as came within the scope of the Railway Regulation Act, 1844, and the Railway Clauses Consolidation Act, 1845.

The keeping of accounts was, however, obligatory on all railway companies (in common with other companies carrying on undertakings of a public nature) under the provisions of the Companies Clauses Consolidation Act, 1845. Section 115 of which provided that:

> The directors shall cause full and true accounts to be kept of all sums of money received or expended on account of the company by the directors and all persons employed by or under them, and of all matters and things for which such sums of money shall have been received or disbursed and paid.

While "full and true accounts" were required, the form in which such information had to be prepared was left very much to the discretion of individual companies. This led to a diversity of practices

[a]All relevant Acts can be found in the reference to Edwards, J. R., ed. *British Company Legislation and Company Accounts*, 1844-1976.

which not only rendered such accounts incapable of comparison but in many instances led to charges of deliberate deception.

Many nineteenth century writers argued that railway accounts were not merely badly drawn up, incomplete, and incomprehensible but that directors, either individually or in collusion, deliberately sought to distort presentation to investors and other interested parties. Writing in 1867, Joseph Lee Thomas said:[15]

> My own impression is that an impartial and complete investigation of Railway Accounts, would show that dividends have been paid which could not have been, had all the items strictly chargeable against revenue been so debited; the average working expenses of Railways would not, I fear, . . . [be] found to be much less than sixty per cent of the receipts.

Up to this time, accounting provisions had been contained within the individual private Acts which formed each company. Such provisions were extremely varied. The Act incorporating the Stockton and Darlington Railway in 1821 consisted of 104 sections. One section only (s.56) vaguely required the company to keep "proper Books of Account." The company was also empowered to pay dividends (s.38). Fourteen years later, in 1835, the Great Western Railway was established. Its Act contained 251 separate sections. It was provided that accounts be made up half-yearly and that they be laid before a half-yearly general meeting of the company. If shareholders at the meeting considered the accounts to be unsatisfactory, they could appoint a committee to examine them and make a report. Dividends could be made from "clear profits" of the company, provided that "no dividends shall be made exceeding the net amount of clear profit at the time being in the hands of the said company, nor whereby the capital of the said company shall in any degree be reduced or impaired." (s.146).

It could be said that with the progression of time, additional clauses began to appear in subsequent Acts. However, there was little guidance provided by the terminology used. What, for example, did the term "profit" mean? What were "proper books of account"? It would be useful today if we knew the thoughts of the draughtsmen of such Bills and Acts. The term "gross income" was partially regulated since each Act laid down maximum charges that could be made, and interest on loans was declared a prior charge. Sometimes part of the gross profit had to be reserved as a contingencies fund. An analysis of the Acts relating to twenty-six railway companies, contained in Appendix 31 to the Second Report, "Select

Committee on Railways," PP 1839, X, pp. 449-541, shows the extent of the variations in the enactments.

Much of the legislation was a direct result of abuse of one form or another. In 1844, the Railway Regulation Act (s.19) stated:

> And whereas many railway companies have borrowed money in a manner unauthorised by their acts of incorporation or other acts . . . upon the security of loan notes or other instruments purporting to give a security for the repayment of the . . . sums . . . and whereas such loan notes . . . have no legal validity . . . but such loan notes . . . issued . . . and received in good faith . . . in ignorance of their legal invalidity, it is expedient to confirm such as have already been issued. . . .

Prior to 1844, railway companies had often borrowed without any legal authority on the basis of loan notes; the holders of which had no legal remedy whatever for the recovery of their money, either against the company or the directors. Railway borrowing powers were included in the relevant Private Acts, and companies were most frequently empowered to borrow on a mortgage or by issuing bonds. A further common restriction was that borrowing powers were normally for use if the share capital proved insufficient. This latter condition was previously ignored by most companies. In practice, there developed a heavy reliance on loan capital during the years of construction as it enabled cash receipts to be matched more exactly to construction costs. Authorizing Acts invariably placed limits on the size and frequency of share capital and required notice to shareholders. Such practice also meant that, as revenue was not yet earned, interest payments had to be met from capital.

Bank credit was a common form of finance at this time, though it is difficult to judge from surveying company reports its exact accounting presentation. Were they merely short-term overdrafts on current account or were they perhaps longer term and an indication of financial weakness? Accounts of the Birmingham and Gloucester Railway in the 1840s show how there was in fact a reliance on bank loans once authorized borrowing powers had been exhausted.[16] Under sections 115-119 of the Companies Clauses Consolidation Act of 1845 a bookkeeper was to be appointed to "enter up the accounts . . . in the books," and the accounts were to be kept and books were to be balanced at prescribed periods.

> On the books being so balanced an exact balance sheet shall be made up, which shall exhibit a true statement of

> the capital stock, credits, and property of every description belonging to the company at the date of making such balance sheet, and a distinct view of the profit or loss which shall have arisen on the transactions of the company in the course of the preceding half-year.

The balance sheet had to be examined by at least three directors and signed by the chairman or his deputy. This balance sheet, together with related balanced supporting books, was to be available for inspection by the shareholders at the company's office at least fourteen days before a meeting. The balance sheet was also to be produced at this meeting. Auditors, holding at least one share in the company but without an executive appointment, were to be appointed. They, too, were to receive the accounts, for examination, at least fourteen days before the shareholders' meeting. By sections 101-108, a report or confirmation of the accounts had to be made by the auditors. While it was not a requirement that auditors should sign such a report in practice they often did. This Act was however not retrospective, although many companies who had not previously appointed auditors did so as a result of public concern arising after the crises and scandal of the late 1840s.

There were other Acts of Parliament which affected railway accounts. For example, the Railway Passenger Duty Act, 1842, required railway companies to keep books giving details of passenger receipts. Copies had to be sent monthly to the Commissioners of Stamps and Taxes. This was for the purpose of assessing liability for passenger duty. Matters were slow to improve and public concern led the House of Lords in 1849 to appoint "The Select Committee on the Audit of Railways" in order to "consider the possibility of providing a more effectual audit of accounts."

The Select Committee of 1849

As stated above, it was not until 1845 that there was any general legislation compelling the preparation of accounts. Writing in 1850, Dionysius Lardner said:[17]

> It is well known that on the presentation of each half-year's report, auditors are appointed by the meeting of shareholders to examine and check the balance-sheet. The witnesses produced before the House of Lords [in 1849], consisting of public accountants, eminent railway directors, and others, distinguished by special knowledge on such

subjects, were unanimous in declaring this system of audit destitute of all efficiency.

This report is interesting as it provides an insight into Victorian attitudes regarding the need for a uniform format of accounts; the need for an impartial audit and the division of expenditure between capital and revenue. The examination of three witnesses is briefly reviewed.

On March 12, 1849, Charles Russell, the chairman of the Great Western Railway (G.W.R.) was called as a witness. At the time the G.W.R. Bill came before Parliament he had been chairman of the select committee. He subsequently resigned his seat and became, first, a director and, two years later, chairman of G.W.R. In response to questioning, Russell stated that he would never contract business with another railway company on the basis of published financial statements alone. He was also wary of third parties (such as the select committee) devoting attention to his industry and claimed that railway accounts presented greater information than analogous modes of investment such as the Bank of England, the East India Company, and various canal stocks.

Another witness, W. Andoe, a government auditor was called before the committee two days later. He had been requested to examine several sets of accounts and found that there was little sign of uniformity between them. At this time, government departments probably had the most efficient audits and Andoe was strongly of the opinion that independent public accountants should be employed to fulfill a similar function for railway companies.

A pioneer of the late Victorian generation of public accountants, William Quilter, was likewise called to attend. He was a partner in the firm of Quilter, Ball and Co. (later merged with what has become Deloitte Haskins & Sells). He had been involved in examining the affairs of three failed railways; the Eastern Counties Railway, the South Eastern Railway, and the East Union Railway. He later became, in 1870, the first President of the old Institute of Accountants (London Institute of Accountants).[18] As with Andoe, Quilter was strongly in favour of a uniform presentation of accounts and the appointment of independent public accountants as auditors. In his words, "I should be unfit to enter upon the duties without I felt myself to be an independent man, not intending to show favour or affection to either parts [party]."[19]

These three witnesses typically reflect the views of many of those called before the committee. There were those who argued for the status quo and the maintenance of *laissez-faire,* perhaps more for their own individual interests. Others, indeed the majority, argued for uniformity and greater disclosure because they considered an injustice arose to the greater mass of investors. Despite the forceful arguments presented, it was not until eighteen years later that a statutory form of accounts became obligatory.

The Introduction of Statutory Regulation

The Regulation of Railways Act, 1868, made it obligatory for all railway companies to render their accounts half-yearly in line with the forms prescribed in the first schedule of that Act. Judged by present standards, the financial and statistical information contained in the pro forma accounts of the Act were extremely meagre. No machinery existed in order to decide the items to be included under the various headings. Companies still had the ability to enter results in order to suit their individual purposes. In the years that followed the 1868 Act, many railway companies diversified their interests into the allied areas of hotels, docks, and steamships. Although Section 3 of the 1868 Act provided that "the Board of Trade, with the consent of a company, may alter the said forms as regards such company for the purpose of adapting them to the circumstances of such company, or of better carrying into effect the objectives of this section," the power does not appear to have been exercised.

The 1868 Act was also the first statutory recognition of the "double-account system." The principal distinction between the double- and single-account system is the method of setting out receipts and expenditure on capital account. In the double-account system, separate statements are prepared, for capital and revenue expenditure and receipts. The capital account is a cash basis statement, showing, on one side, all moneys subscribed by share and debenture-holders, and, on the other, how such sums were expended in the purchase of fixed assets. The balance of receipts over expenditure, or vice versa, is carried to the balance sheet. There was, therefore, no pretence that asset figures represented market value; simply a statement of the disbursement of capital receipts on capital expenditure. It was very much a stewardship orientated system; and according to Dicksee[20] a system very much favoured by the Chancery Division.

With the double-account system, the assets charged to capital are not written down by reason of diminished value due to wear and tear or obsolescence, but where necessary, a depreciation fund is created by charging the revenue account with an annual sum and crediting the fund with a like amount. The original designers of the double-account system appear to have decided that a provision for depreciation would not be necessary, and that the periodic renewal of assets out of revenue would be sufficient to maintain the value of the capital assets. Under the form of accounts set out in the 1868 Act, no specific provision was made for depreciation funds.

In later years, the necessity for instituting proper depreciation funds became more apparent and the companies provided the funds for the replacement of track, rolling stock, etc. Such charges tended not only to equalize annual charges to revenue, but also to cover the expired life of assets falling due for complete renewal at a subsequent date.

In the late 1840s, and particularly following the intervention (in 1846) of the Bank of England in raising the bank rate, many companies found that they had to call a halt to their capital expenditure programmes. Several limited the amount of their capital expenditure to the unexpended balance on their capital accounts. Once these accounts were balanced-off, further capital was simply passed through the revenue account. Sometimes a suspense account would be opened and expenditure charged over several accounting periods. Owing to the large amounts required for expanding or maintaining the railways such a process meant that investors could suffer fluctuating dividends.[21] A leading text of the time had the following quotation which summarises the application of depreciation of which the authors much disapproved.

> In the case of most railways, for instance, the deterioration of the plant is taken to be adequately and fairly provided for by the current expenditure upon repairs and renewals which is debited to revenue account. This practice is defended on the ground that by the very nature of railway property the repairs and renewals must be at least equivalent to depreciation, and that an effectual check against any starving in maintenance is furnished by the certificates which heads of the spending departments periodically give as to conditions of the permanent way, plant, tools, buildings and rolling stocks.[22]

A further Regulation of Railways Act was passed in 1871, under Section 9 of which railway companies were required to render annually to the Board of Trade returns of their capital, traffic, and working expenditure in the form contained in Schedule 1 to that Act. Subsequently, under Section 32 of the Railway and Canal Freight Act, 1888, the powers of the Board of Trade were further extended to enable them to call for additional statements and to amend the returns rendered under Section 9 of the 1871 Act, in such manner as they deemed expedient. As with Section 3 of the 1868 Act, Section 32 appears not to have been brought to bear. Despite legislation it very often was the case that items suddenly appeared in, and just as suddenly disappeared from, the accounts; separate figures were given for items one year, and composite figures the next. Each company adopted its own method of ascertaining the results for embodiment in the statutory pro-formas.

Further Developments in Financial Reporting

The unsatisfactory condition of railway accounting, as governed mainly by the 1868 Act, led the Railway Companies Association to attempt to remedy these anomalies when, in 1903, they appointed a committee to devise a formula to secure some uniformity of practice. This committee was composed of accountants employed within the industry and had no outside (impartial) input. This committee held over fifty meetings and issued its final report in 1905. The report contained many decisions concerning the allocation of receipts and expenses but as there was a lack of unanimity among various companies, these deliberations served little purpose.

The Board of Trade set up a Departmental Committee in June 1906 with the following terms of reference, "To consider and report what changes, if any, are desirable in the form and scope of the Accounts and Statistical Returns (capital, traffic, receipts and expenditure) rendered by railway companies under the Railway Regulation Acts."[23] Sixty-seven meetings were held and the work of the 1903 working party was acknowledged. Their report was issued in 1909 and the recommendations contained therein were subsequently given effect in the Railway Companies (Accounts and Returns) Act, 1911.

The Railway Companies (Accounts and Returns) Act, 1911

The 1911 Act prescribed that, as from January 1, 1913, every railway company must prepare annually accounts and returns in accordance with the form set out in the First Schedule and submit them to their auditors in that form. The accounts were to be made up to the uniform date December 31 in each year; but power was given to the Board of Trade to fix some other date, if necessary, in the case of any company, or class of companies, to meet special circumstances of that company or class of company.

The obligation imposed on railway companies under Section 3 of the 1868 Act to compile accounts half-yearly was repealed, and companies were specifically exempted from the necessity of compiling accounts or balance sheets, or holding ordinary general meetings more than once a year. It was provided, however, that this should not relieve a railway company of any obligation in connection with a guarantee of dividend under any statutory provision.

Authority was also given to the directors of incorporated railway companies to declare and pay interim dividends, if they so desired, for the first half-year with no need for the accounts to be audited or submitted to the shareholders.

Section 3 of the Act empowered the Board of Trade to add to or alter the accounts contained in the First Schedule. Such intention was to be advertised in the London, Edinburgh, and Dublin Gazettes and provision did exist for appeal. The rights conferred upon the Board of Trade by Section 9 of the Regulation of Railways Act, 1871 (as amended by Section 32 of the Railway and Canal Traffic Act, 1888) were preserved under Section 5 of the 1911 Act, but provided that such returns would be called for on request.

The accounts and returns prescribed in the Act are framed on definite lines: Part I consisting of "Financial Accounts" (capital, revenue receipts and expenditure, and balance sheet), and Part II "Statistical Returns." Part II was arranged to illustrate statistically the operations dealt with financially in Part I. Provision was made, for the first time, for showing separately those operations which were subsidiary to the railway operations. As with the 1868 Act, this Act adopted the double-account system but special provision was made in the balance sheet for dealing with depreciation funds.

Government Control of Railways

The accounts of railway companies for the year ended December 31, 1913, were published in accordance with the provisions of the 1911 Act. In the following year, at midnight on August 4, owing to the outbreak of the Great War, the government exercised its power under Section 16 of the Regulation of the Forces Act, 1871, and took control of the railways. Broadly speaking the terms of compensation were such that each company was guaranteed, for each year of control, the net receipts of the year 1913, covered by the first seven items in account No. 8 of the First Schedule of the 1911 Act, this being the main Revenue Account. There were a few minor adjustments to this rule of thumb approach, for example, the introduction of works brought into use since December 31, 1912. There was also a discontinuance of settlements between one company and another. The Board of Trade (and from 1919, the Ministry of Transport) authorized, for the year 1914 and onwards, that the accounts be published in abridged form. This period was from 1914 to 1921 inclusive.

The railways never again existed in their former state. In 1919, control of the railways passed to the newly created Ministry of Transport. Two years later, the Railways Act (1921), provided for the reconstitution of the railways (with a few exceptions) into four great groups styled:

(a) The Southern Group (Southern Railway);
(b) The Western Group (Great Western Railway);
(c) The North Western, Midland and West Scottish Group (London, Midland and Scottish Railway);
(d) The North Eastern, Eastern and East Scottish Group (London and North Eastern Railway).

It had taken over eighty years (since the first commercial railway was established in 1830) to produce a standard presentation of accounts and financial reporting but by then railways were moving into another era devoid of the capitalistic ideals upon which they had been founded.

FOOTNOTES

[1]For a general history of British Railways see bibliography and references to Francis, Ellis, and Perkins.
[2]Pollins, p. 407.
[3]For a fuller account of the passage of these Acts see Parris.
[4]Parris, p. 20.
[5]Williams, p. 67.
[6]Hansard, xxxiii, p. 977.
[7]Hansard, xxxvi, pp. 1161-1162.
[8]Hansard, xxxi, pp. 684-685.
[9]Porter, p. 552.
[10]Perkin, pp, 179-180.
[11]Perkin, p. 180.
[12]A full account of Hudson's life is given by Lambert.
[13]Reed, pp. 162-183.
[14]The Liverpool Stock Exchange Centenary Book, p. 22.
[15]Thomas, p. 14.
[16]BTHR. BGR 1/1 accounts for years ending 31. 12. 1841 to 31. 12. 1844. Referred to in Pollins.
[17]Lardner, p. 510.
[18]Refer to biographical reference in Parker.
[19]In reply to Q2221 of The Select Committee on the Audit of the Railways.
[20]Dicksee, pp. 141-145.

[21]See, for example, the case of the London and North Western Railway referred to in Reed, p. 154.
[22]Fells and Garcke, pp. 95-96.
[23]Newton, p. 4.

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