

Nationalisation of Railways and Dispute over Reconstruction to Standard Gauge

Mitsuhide Imashiro

Railway Nationalisation Policy and Establishment of Railway Construction Act

After the opening of the first Japanese railway between Shimbashi and Yokohama in 1872, the Meiji government wanted to construct and run a national railway network for itself. However, because modern government was still young and suffering from financial difficulties, it could not construct sufficient lines to meet the demand in various districts. Therefore, the government approved construction of railways using private funds. Following the opening of the Japan Railway Company, various private railways opened in quick succession.

At the end of the 1890s, the total kilometers of railway in service had reached 2250 km, 60% of which was shared with private railways. In July 1899, Masaru Inoue, the Director of the Railway Agency, announced "Matters Concerning Railway Policy", insisting that railways must be controlled and constructed systematically by government and that the government should buy up the private railways. Approving his opinion, the government framed two bills: one to sell national bonds for funding the buying of private railways and the construction of railways, and another for buying private railways. These bills were introduced at the 2nd Diet session in 1891.

However, the opposition criticised the bills saying that private compa-



■ Morioka Works Employees Celebrating Nippon Tetsudo Nationalisation (Transportation Museum, Tokyo)

nies could construct and operate railways more cheaply and do business better than government enterprise. The bills were finally rejected.

Although the railway nationalisation plan was rejected by the Diet, the business world and local governments, which were suffering from the 1890 stock panic, presented successive petitions to help private railways by nationalising them. Public opinion was divided into advocates of railway nationalisation, and those for private railways. The matter was hotly disputed throughout Japan. In 1892, the government re-introduced the same two bills to the 3rd Diet ses-

sion, where they were approved after amendment, and were promulgated as the Railway Construction Act. There was another later (newer) Railway Construction Act, so the first act is called the 'Old' Railway Construction Act and the 'New' Railway Construction Act to avoid confusion. The 'Old' Railway Construction Act stipulated which lines would be constructed by the government, the raising of national bonds, buying of private railways, and the establishment of the Railway Conference. The Railway Conference consisted of representatives from the army, the Ministry of Finance, the Ministry of Agriculture

and Commerce, the Ministry of Communications and the Railway Agency. When necessary, it was to examine in which order to construct railways and the amount of national bonds to raise.

Nationalisation of Railways as National Policy after Russo-Japanese War

Although the 'Old' Railway Construction Act exemplified the principle of constructing railways by the government, when the 1890 stock panic disappeared and the Sino-Japanese War ended, the Japanese economy became prosperous, leading to a sudden boom in private railways. This was the second boom, the first one being before the stock panic in 1890. Although the 'Old' Railway Construction Act promulgated railway nationalisation, in reality, it was impossible for the government to construct all the planned lines because of financial restrictions and the government could not help but approve construction of trunk lines by private companies. The economic situation had a strong influence on establishment of private companies and the construction of private railways. Advocates of privatisation dominated in boom times led by speculation fever, while advocates of nationalisation dominated in recession.

The military authorities had realised the strategic importance of railway transport from the experience of the Satsuma Rebellion, a civil uprising after the Meiji Restoration, and re-realised its importance in the Sino-Japanese and Russo-Japanese Wars, where railway transport was used to the fullest extent. The military was strongly interested in railways; they insisted on reinforcing transport capacity by reconstructing railways to a broader gauge, but soon came to insist on nationalising and unifying railways to reinforce military transport.

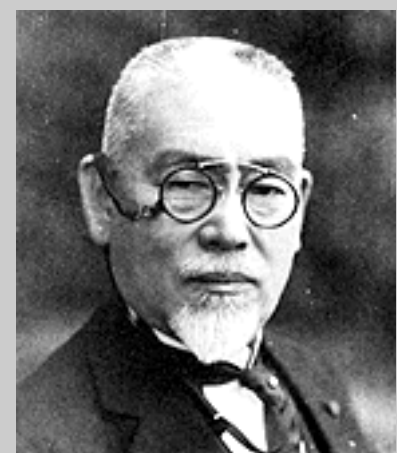
At first, Eiichi Shibusawa, representing the voice of the business world, criticised the demand for nationalisation of railways which appeared in economic depressions as a way to relieve private companies. But, as the Japanese economy shifted towards heavy industry after the

Russo-Japanese War and domestic freight transport volume expanded rapidly, he changed his opinion and approved nationalisation from the viewpoint of reinforcing the domestic distribution network.

During the Russo-Japanese War, the government framed the railway nationalisation plan with a view to post-war economic management. The purposes of the railway nationalisation plan were: (1) smooth domestic transportation, (2) cheaper freight rates and (3) re-arrangement and integration of railway facilities. Its effects on business were to be: (1) reduction of general administrative costs, (2) reduction of transportation costs, (3) reduction of facilities, (4) reduction of stores and (5) increased operational convenience. The railway nationalisation plan also aimed to prevent foreigners holding stocks in private railways as well as to make it possible to mortgage the assets of the national railways as a whole when the government wanted to raise foreign loans. The railway nationalisation plan was recognised by the government as an important policy in rationalising the domestic distribution network with the aim of developing national wealth and reinforcing national power.

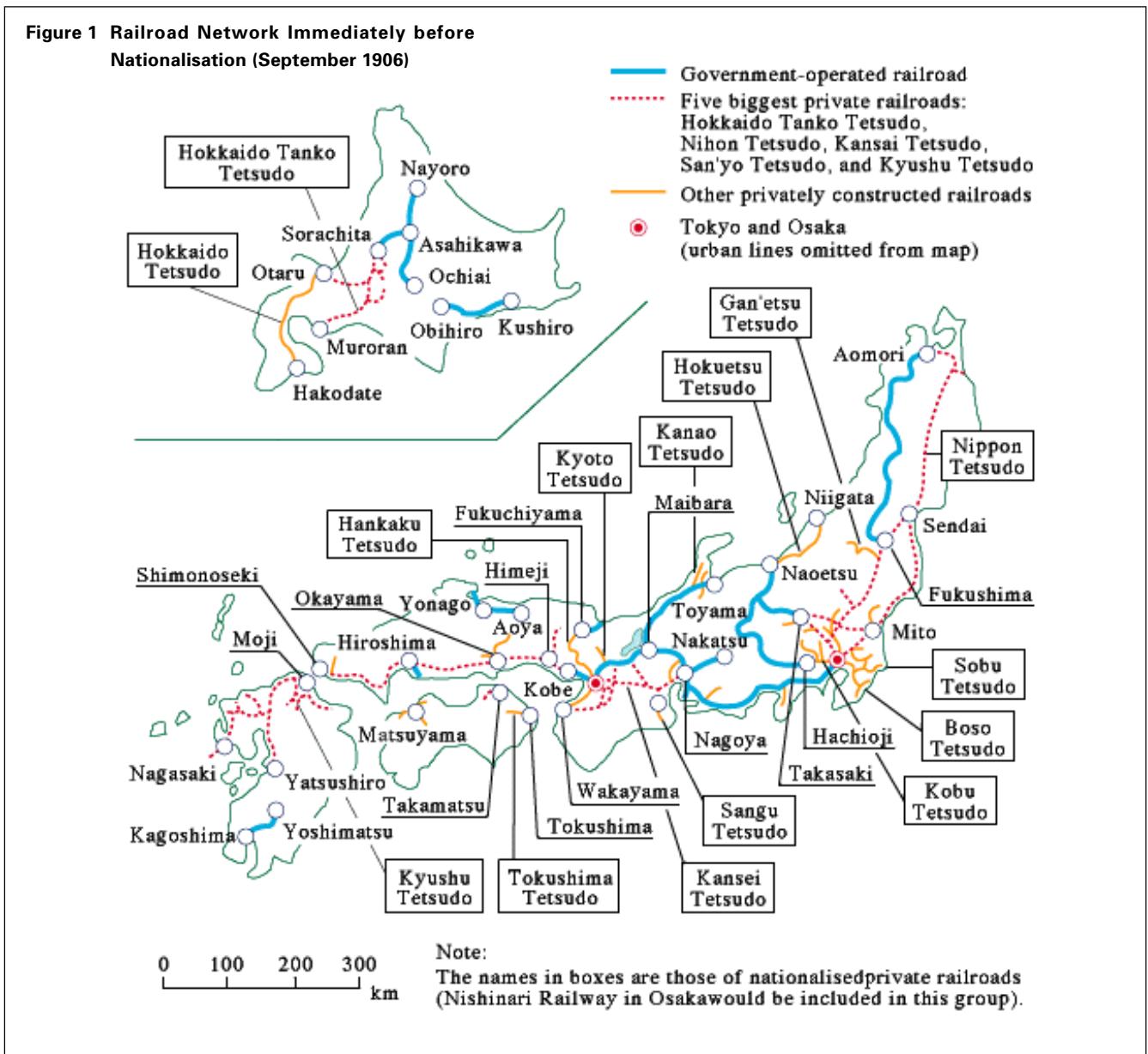
The Railway Nationalisation Bill was introduced to the House of Representatives in March 1906. It passed unchanged, but was amended in the House of Peers and sent back to the House of Representatives. The amended bill finally passed the House of Representatives at the end of a Diet session that was in such an abnormal state that deliberation was omitted and all opposing members walked out. Although this bill stipulated nationalisation of 17 private railways within 10 years, the government had plans to buy them as soon as possible, and all 17 were nationalised within 2 years (1906 and 1907). The purchase price was set at a comparatively high level and the nobility, plutocrats, landowners and other investors who obtained national bonds in exchange for the stocks of these private railway companies found new objects of investment in heavy industry which was showing rapid growth. The his-

tory of Japanese railways clearly shows that the wealth of the nobility, or the ruling class of the old feudal society was invested first in private railways and then in heavy industry. On the other hand, the comparatively high purchase price became a financial burden on the nationalised railways for some time.



■ Shinpei Goto (1857-1929)
(Transportation Museum, Tokyo)

Shinpei Goto came from Mizusawa in the Tohoku district. He graduated from Sukagawa Medical School, and entered the Ministry of Home Affairs. After serving as Director of the Health Bureau of the ministry, he participated in the quarantine of the army during the Sino-Japanese War, and was then appointed Director of the Public Welfare Bureau of the Governor-General of Taiwan. In 1895, the Ching Emperor had ceded Taiwan to Japan as a result of the Sino-Japanese War, and Taiwan became a Japanese colony. After proving his ability to run the colony in its early years by suppressing revolts and fostering industry, Mr. Goto was appointed first President of the South Manchuria Railway in 1906. The company carried out national policies that played a central role in Japan's advance into the Chinese mainland. Mr. Goto also showed his ability in the early years in China. In 1908, he was appointed Minister of Communications as well as first Governor of the Standard of Railways. At that time, the national railway was no more than a collection of strangers because it had been so recently nationalised. Mr. Goto advocated philanthropy and the principle of a "Large Family" as the basis of a spirit of unity. He also made efforts to establish decentralised management by attaching importance to field work and responsible personnel. The principle of a "Large Family" became a psychological mainstay of JNR staff. On one hand, Mr. Goto asserted reconstructing railways on the standard gauge and, on the other hand, he actively participated in many projects, such as establishment of railway training centers, railway hospitals, the mutual aid association for non-clerical workers, construction of Tokyo Station and the improvement of electrification of the Tokaido Line. He participated in dispatch of troops to Siberia as Foreign Minister, as well as in the reconstruction and planning of Tokyo after the Great Kanto Earthquake in 1923 as Minister for Home Affairs and Governor of the State for Restoration of the Capital.



Establishment of National Railways and Standard of Railways

With railway nationalisation, the national railways suddenly expanded the route kilometers from 2500 km to 7150 km and the market share from less than 50% to 90% or more, almost monopolising the railway business in Japan. Naturally, there were counter reactions to the railway nationalisation plan led by railway bureaucrats such as Masaru Inoue and the military authorities and supported by businessmen such as Eiichi Shibusawa. Mitsubishi, which ran

private coal transport railways in coal-mining regions was opposed to the nationalisation plan. There was an impressive scene when Takaaki Kato, Foreign Minister and a relative of the Iwasakis who owned Mitsubishi, resigned to protest the plan.

Although the 'Old' Railway Construction Act stipulated that railways would basically be owned by the government, railways related to local traffic were allowed to remain private when approved by the government. This situation continued for more than 80 years until JNR was privatised in 1987.

The nationalisation led to a sudden expansion of staff because the national railways took over as many as 48,000 employees from private railways, which was more than the number of original employees (approx. 30,000). The railway authorities used their monopoly to establish nationwide uniform freight rates and a rationalised system for employing and managing staff in a large and integrated organisation. In 1908, the Standard of Railways Imperial Decree was promulgated, and the railway authorities, which had been merely an agency of the Ministry of Communications became an indepen-

dent organisation, the Standard of Railways (Tetsudo-In), under direct control of the prime minister. Shinpei Goto, the first governor of the Standard of Railways, advocated the principle of a "Large Family" so that all staff would have a spirit of unity. In 1909, the Imperial Railway Account Act was emended to separate the railway account from the general account, assuring the independence of the national railways.

Dispute over Reconstruction of Railways to Standard Gauge

The reason why Japanese railways use narrow gauge (1067 mm) is not clear. But, considering that the railways constructed in New Zealand in the same period by British engineers are also narrow gauge, there may have been a policy of some sort. The opinion to change from narrow to the international standard gauge (1435 mm) had been expressed since 1887 by the military authorities who wanted more efficient military transportation. A proposal for standard gauge railway construction passed the Diet, and a Gauge Investigation Committee was established in the Ministry of Communications to investigate the matter further. However, in 1898, the military changed its policy from standard gauge to nationalisation, and the issue was left untouched for a while. Railway nationalisation meant unified management and operation of railways throughout Japan, which led naturally to unification under the narrow gauge system.

After nationalisation, Shinpei Goto was active in proposing reconstruction of railways to the standard gauge, and the dispute over standard gauge blew up again. The government introduced the 1911 budget which included funding for reconstruction to the standard gauge, but the opposition led by Takashi Hara opposed the bill, completely eliminating the funding for reconstruction. The opposition Seiyukai Party asserted that investment in railways should mainly be for extending local lines and opposed the plan to recon-



■ Mixed-Gauge Test Track near Tokyo

(Transportation Museum, Tokyo)

struct trunk lines to standard gauge asserted by Mr Goto. The Seiyukai assertion had a strong political tint for pursuit of the opposition party's benefit. On the other hand, the Standard of Railways wanted to reconstruct the Tokaido and Sanyo Lines connecting Tokyo with Shimonoseki to standard gauge in order to increase the transport capacity which was becoming tight. Although the Tokaido Line now plays a major role in domestic transport in Japan, in those days, it played an even more important role as a trunk line connecting Tokyo to the coal mining and steel manufacturing region in northern Kyushu and on to the Korean peninsula and Chinese mainland by rail ferry.

Because of opposition by the Seiyukai, the government could not make the issue of standard gauge national policy. When Shinpei Goto was appointed Governor of the Standard of Railways for the third time in 1916,

he instructed Yasuzaburo Shima, a bureaucrat of the Standard of Railways, to take the lead in experimenting with various methods of reconstruction to standard gauge. He intended to show the possibility of reconstructing to standard gauge at low cost and thus roll back the opposition. However, in 1919, the new Seiyukai Cabinet under Premier Hara formally rejected the standard-gauge plan. The 1067-mm narrow gauge remained the standard in Japan until JNR opened the Tokaido Shinkansen Line at the international standard gauge in 1964. ■



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Professor Imashiro was born in 1949 and graduated from Seikei University. After completing a doctorate in business administration at the graduate school of Seikei University, he joined the Institute of Transport Economics. He was subsequently appointed full-time lecturer and then assistant professor in the Department of Economics of Daito Bunka University. He is also guest professor at Stirling University in Britain. He has been a professor in the Department of Economics of Daito Bunka University since 1990.