



PROPOSED PURCHASE OF THE GREAT NORTHERN & CITY RAILWAY BY THE METROPOLITAN COMPANY

**A paper written by the Metropolitan Railway's General Manager
and dated February 1913**

For the reasons set out in this paper the Metropolitan Company has had in contemplation for some years past the acquisition of the Great Northern & City Company and has only been waiting for a favourable opportunity to purchase it at a low price.

The reasons for the acquisition of the line divide themselves under two heads, namely –

First, in order to protect the Metropolitan Company's interests in the large traffic passing over their line from the Great Northern suburban districts to the City, and

Second, in order to develop traffic between the districts served by the Great Northern & City Line, and the east end of the Circle Line and the East London Railway, and between the Great Northern system and the systems of the Great Eastern, the South Eastern, London Brighton & South Coast and South Western Companies.

So long as the Great Northern & City Line remains in an independent position it is a menace to the Metropolitan Company inasmuch as it is always open to the Great Northern Company to purchase it and to divert to it from the Metropolitan Line the passenger traffic now conveyed by the latter Company's widened lines between King's Cross Junction and Moorgate Street. This passenger traffic is worth to the Metropolitan Company £38,000 per annum and this is a net figure inasmuch as the Great Northern Company work the traffic themselves. If the Great Northern Company were to become the owners of the Great Northern & City Line they would be in a position to divert from the Metropolitan Line traffic to the extent of at least £24,000 per annum and it would be in their interest to do so inasmuch as the new route would be nearly a mile shorter than the existing route. As the figure quoted is a net figure this means that the Metropolitan Company would have to earn in other directions £48,000 per annum in order to make up the loss. In addition to the passenger traffic the Great Northern Company send over the Metropolitan Company's widened lines goods traffic to the value of £22,000 per annum net. In the event of the Great Northern Company becoming the owners of the Great Northern and City line they might very well extend it to a point in the south of London and make their goods depot there, as the Great Western Company have only recently done, and put in junctions with the southern lines and divert their goods traffic also from the Metropolitan Line. It would probably be in their interest to do this as they would save the tolls they now pay to the Metropolitan Company, which are on a high basis, to the extent named above and would get a larger mileage out of the through traffic. If this were done it would involve the Metropolitan Company in a further loss of £22,000 a year net or £44,000 a year gross to be made up elsewhere on the system. It must be borne in mind that this diversion of traffic would not mean any relief to the Metropolitan Company's widened lines as the Great Northern Company would still have the right to use them under their statutory agreement and the Metropolitan Company could not use them for other purposes of their own. It must also be kept in mind in this connection that the Great Northern and City tube is of such dimensions as will accommodate the main line stock of the Great Northern Company, having been originally constructed for that purpose.

The Great Northern Company have made several offers in recent years for the purchase of the Great Northern & City Line but the latter Company have always stood out for better terms. Recently the Underground Electric Railways Company London also opened negotiations with the Great Northern & City Company for the acquisition of their line. The Great North Company have at the present time under consideration the quest of the electrification of their suburban lines, their intention being as part of the scheme to purchase the Great Northern & City Line and to connect it up to their main line at Drayton Park and to make Moorgate Street tube station their City depot. Under these circumstances the Metropolitan Company felt it incumbent upon them in the interests of their shareholders to make a determined effort to acquire the line immediately and thereupon approached the Great Northern & City Company, having first decided in their own minds the price they could afford to pay for the undertaking. The price that has been agreed is the result of prolonged negotiations and is considerably less than the Board of the Metropolitan Company would have felt justified in paying, having regard to the importance of the acquisition.

Dealing now with the second of the reasons for the purchase of the Great Northern & City Line, the experience of all the underground lines in London during the past few years goes to show that the real competition of motor buses and trams is confined almost entirely to short distance traffic, i.e. distances of three miles and under. It is for this reason that the Great Northern & City Line has suffered so considered in the past as its total length is only three and a half miles and the distances between its intermediate stations and its termini are of course less than that figure. The Great Northern & City Company are well aware of this fact and have recognised for some time that they could not expect their traffic to expand unless they extended their line or got through running on to some other Company's line.

To connect the Great Northern & City Line with the Metropolitan Inner Circle line in an easterly direction will put an entirely new earning power on the former undertaking. A passenger from Drayton Park or Highbury wishing to get to the east end of London would hesitate today to book by tube to Moorgate Street and there have to take a bus or change by subway to the Metropolitan Line. If on other hand he could get a through train direct from his station to Aldgate or Whitechapel he would certainly use the railway route.

There is a distinct community of interests between districts served by the Greet Northern & City Line and those served by the East London Railway and there is no doubt what that the opening up of a through route between those districts will at once develop a very large traffic. Moreover, the putting in of the connecting line would at the same time placate passengers from the Great Northern & City district in connection, by a platform exchange at Whitechapel, with the whole of the districts served by the District and Tilbury Companies between Bow and Barking.

Another object of the purchase is to facilitate the interchange of passengers between the Great Northern system and the lines south of the Thames, namely, the South Eastern and Brighton lines. The Metropolitan Company today derives a very large revenue per annum from the conveyance of passengers and parcels between the various trunk line termini served by the Inner Circle, such as Paddington to Victoria and Charing Cross and Liverpool Street to Paddington, etc. A very convenient exchange would be opened up for Great Northern passengers going south, and for South Eastern and Brighton passengers going north by means of through trains run by the Metropolitan Company between Finsbury Park and New Cross and there is no doubt that in addition to the daily business of this character there would be a large excursion traffic developed by this route during the summer months.

The same remarks apply to an exchange of goods and coal traffic between the Companies concerned, the line the Metropolitan Company would have forming a most valuable connecting link between the lines north and south of the Thames. It would also be possible to make an exchange between the Great Northern and Great Eastern systems by means of an existing but at present unused junction at Liverpool Street.

The connection proposed with the Waterloo and City tube line of the London and South Western Company serves the double purpose of extending the Great Northern & City Line beyond its present terminus at Moorgate Street to the Bank, and also of putting passengers from that line and also the Great Northern system in direct communication by through trains with Waterloo and so with the whole of the London & South Western. This is a most important link and the advantages of it are obvious.

The cost of making the connections above referred to is estimated at about £500,000 and experience of traffic elsewhere in London proves that the through facilities such connecting lines would afford would induce such a traffic as to pay a handsome return on the outlay.

The terms of purchase so far as the stock and shares are concerned are as under and it will be seen that they have been so arranged that the taking over of the line does not impose any burden upon the Metropolitan Company until the extra earning power put upon the line by the making of the connections referred to above becomes operative.

1. The holders of the £504,216 Great Northern & City Debenture stock to receive a similar amount of the Metropolitan Company's 3½% 'A' Debenture stock.
2. The holders of the 8,500 £10 4% Preference shares of the Great Northern & City Company to receive £75,000 Metropolitan Railway 3½% 'A' Preference stock on which no dividend will be paid for the first three years.
3. The holders of the 78,000 £10 4% Preferred Ordinary shares of the Greet Northern & City Company to receive 75% of their holding in Metropolitan Ordinary stock, such stock during the first seven years only to participate in the dividend paid by the Metropolitan Company in excess of 2%.
4. The holders of the 78,000 £10 5% Deferred shares of the Great Northern & City Company to receive 50% of their holding in Metropolitan Ordinary stock, such stock during the first seven years only to participate in the dividend paid by the Metropolitan Company in excess of 2%.

The gross receipts of the Great Northern & City Company for the year 1912 amounted to £83,580 and this is the highest figure earned in the last four years. The expenses of working for the same year amounted to £42,423.

As part of the Metropolitan Company's system and with the whole of their organisation in the matter of through booking facilities, advertising, etc., to assist it there is little doubt that the Great Northern & City Line, without any extensions, could be made to earn a good deal more than it is earning to-day, but even assuming that the traffic during the next few years and until the connecting lines are made remains stationary, the Metropolitan Company will make an immediate profit out of it as the following figures show. On the taking over of the line savings will be effected as under:

£2,520 per annum the difference between 3½% and 4% Debentures.

£5,500 per annum in cost of current.

£4,000 per annum in the general working of the line.

£12,020

Against this saving of £12,020 must be set the £5,000 per annum which the Great Northern & City Company are earning short of their Debenture interest, leaving a clear profit to the Metropolitan Company of at least £7,020 per annum against which there will be no call whatever for the first three years and a call of only £2,625 per annum in respect of the Preference dividend for the next four years except for the payment of the dividend earned by the Company above 2% per annum to the Ordinary shareholders of the Great Northern and City Company. The amount of the Ordinary stock to be issued to the latter is £975,000 and the sum in question, namely, £7,020 would pay ¾% on that figure within the three years, so that until the Metropolitan Company pays 2¾% on its Ordinary stock it will have nothing to find in respect of the new capital. By that time the extensions should be completed and the line will without question be earning more than sufficient to meet all the increased liabilities.

The original cost of the Great Northern & City Line was £2,401,299 and the cash value of the stocks to be riven by the Metropolitan Company as the purchase price was, at the date of the Agreement, namely 24 October 1912, £3,112,598.

The Engineers to the Metropolitan Company have carefully examined the whole of the undertaking and report that the works, buildings, permanent-way, plant, machinery and rolling stock are in good order and have been well maintained.

General Manager. 5 February 1913

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