

to in the table indicates that at least 21·43 per cent. of the total mileage of the railway system is being worked at a loss under the existing policy. But would any one suggest that these lines should be scrapped, or that higher rates should be charged to cover interest and working-expenses? They have opened up the country, increased production and consequently the wealth of the Dominion, and although the working results may not be satisfactory from a railway-finance point of view, there can be no doubt that the value of the service to the Dominion as a whole more than outweighs the lack of profit. As indicated in this report, I am hopeful that the action being taken by way of installing experimental motor-trains will result in improvement in the services on the branch lines referred to.

The extent to which the railways can be used for development purposes depends upon available finance. The concessions which can be granted after the policy rate of interest has been earned are necessarily governed by the general condition of the country's finance. When the country is prosperous and finances are buoyant much may be done in this direction. When times of depression and financial stringency have to be faced, concessions have necessarily to be withdrawn until circumstances permit of their being reinstated.

The war and post-war periods occasioned much anxious thought to those concerned with the control of the finances of the Dominion. During the war it was necessary to increase the railway charges in order to assist in providing the revenue required to meet increased expenditure, and in the post-war period the financial position of the country rendered it imperative that drastic economies should be effected in all Government Departments. But though much was achieved by the Department in necessary economies, it should not be concluded that all immediately unprofitable facilities and concessions have been eliminated; and in this respect it may not be superfluous to mention some of the directions in which the Department is extending benefits at the expense of its own financial returns.

Handsome concessions are being granted in the matter of fares to encourage people to live in the suburbs. At the present rates workers' weekly and weekly twelve-trip tickets and season tickets are unremunerative, while the concession to school-children results in an annual loss to the Department of some £25,000. In this latter connection it is noted that in some districts where train-loads of children are daily conveyed to school at concession rates parents travel by motor-bus. Many concessions may be quoted in the parcels and goods branches. For instance, the charges on New-Zealand-grown fresh fruit are obviously below a reasonably remunerative rate. Half a hundredweight of fruit may be carried any distance for 8d. Lime for farm lands is conveyed for distances up to 100 miles free of charge; empty fruit-cases, made from New Zealand timber, under certain conditions are carried free for distances up to 100 miles, and a similar concession applies to timber consigned for the purpose of making fruit-cases. Native brown coal is also carried at an extremely low rate. Native timbers are carried at one-third less than the rate charged for imported timbers. Returned-empty butter-boxes, cheese, egg, fresh-meat, fruit, nut, and vegetable packages are carried free, and others at very low rates. Stock, implements, dogs, horses, cattle, produce, &c., consigned to shows, horse-parades, dog trials, &c., are returned free of charge. Many commodities of New Zealand manufacture are granted preferential rates on the railways in order to protect and foster the industries of the Dominion. I think more might yet be done in this direction.

All these are cases in which immediate financial return is sacrificed to secure general advantage to the community, and, though it may not be possible to state specifically the extent of such sacrifice in the financial returns of the Department, its reality is beyond dispute.

Another important phase of the Department's operations is its policy of purchasing its requirements in the Dominion wherever possible. During the year under review, £1,865,212 was expended in purchasing stores and other material, of which amount £1,245,477 was circulated in the Dominion. Generally speaking, a very large proportion of the total expenditure of the Department in wages, stores, &c., is circulated within New Zealand.

TARIFF.

The tariff is probably one of the most important questions now calling for attention. It will be remembered that during the war period passenger-fares and parcels and goods charges were increased by certain percentages, and naturally it will be felt that relief should first be given in this respect.