

on the tariff had to be set aside for a time, and has accordingly been somewhat delayed. This work has, however, again been receiving attention, and matters are now in train which will lead to an early decision in regard to the tariff.

Seeing that the general expectation lies along the line of a reduction in charges, it is necessary to carefully examine the financial position of the Department in order to ascertain just how far it would be safe to go in reducing rates. It may be, of course, that some reductions may be made which, by bringing traffic to the railway, might to a greater or lesser extent recoup the loss involved in the reduction of the rates, but it seems safe at the outset at least to assume that reduction in rates will involve at the commencement and for some little time afterwards a direct loss of revenue. The problem, then, so far as it relates to finance, seems to take its commencement in the policy that will be laid down, and this has been dealt with in my remarks on finance. An examination of the returns for the last financial year shows that the net revenue resulting from the Department's operations was just sufficient to pay the policy rate of interest, and the gross revenue has not increased to a very marked degree. There appears to be nothing in the circumstances at present existing to warrant a belief that the position, so far as the natural increase of traffic in the country is concerned, and as indicated during the past few years by the comparatively small increase in revenue, will be materially different in the coming year. On the expenditure side the position is that the Department has cut its expenses to the lowest reasonable limit, and has even arrived at the stage where the public have commenced a demand for an extension of the services. This makes it safe to assume that the likelihood of any substantial reductions in expenditure during the coming year is very remote. It is believed, however, that such reductions may be made in the railway rates as may eventually bring such a volume of increased traffic as to counterbalance the loss involved in the rate reductions.

In the vicinity of large towns motor-vehicles are being increasingly patronized, and it is therefore desirable to make some adjustments in the suburban fares. During the war and post-war periods the passenger charges were increased by only 25 per cent. as compared with 40 per cent. in the case of goods, and, apart from considerations of competition, it does not appear that there is the same pressing necessity for reductions of a general nature in the case of the passenger-fares as in the case of the goods-rates.

In regard to the goods traffic, the position is that the total quantity of goods required to be carried in New Zealand has not very substantially increased during the last few years, and if the Department is to obtain the increased traffic which will enable it to recoup itself for reductions in rates it must obtain such traffic from its competitors.

Competition by sea has always existed, and there is no reason to believe that the proportion of goods carried by sea as against railway has increased very much of late years. From the reports received by the Department it cannot be found that the proportion of sea-borne goods has increased in any particular locality, while, on the contrary, it is found that the opening of the Otira Tunnel has diverted to the railway all but a negligible quantity of the traffic between Canterbury and the West Coast that formerly went by sea. Still, there remains a fair amount of sea-borne traffic, some of which might possibly be attracted to the railway, and which might, therefore, be taken into consideration when detailed proposals are being made along the lines of increasing the traffic to be carried by rail.

The road motor traffic is, however, of later development than the sea-borne traffic, and is becoming an increasingly potent factor in competing with the railways. Therefore in considering the question of increasing the railway traffic by attracting to the railways the carriage of goods now being transported by other means than the railways the motor traffic claims very serious attention.

The problem presents many difficulties. The comparatively free use of the roads which the motor carriers now enjoy, and the greater mobility of the motor-vehicle (enabling the goods to be transported from starting-point to destination without the handling involved in loading and unloading to and from the railway), are advantages which materially affect the position in favour of the motor. The first factor is not within the control of the Railway authorities. The second can, in