

Department throughout the remainder of the fiscal year. The line was worked as a separate section of railway, and fares and freights were computed accordingly until the 18th February, 1924, from which date passengers and goods were charged on through mileage for actual distance carried. This alteration in the method of computing charges resulted in an appreciable reduction of rates, and in the absence of any marked increase of traffic for the latter portion of the financial year would have a detrimental effect on the revenue. The results of operating are shown by the following statement, which covers the period 4th August, 1923, until the 31st March, 1924 :—

<i>To Working-expenses.</i>			<i>By Revenue.</i>		
	£	s. d.		£	s. d.
Salaries and wages	6,493	5 6	Passengers	5,792	6 3
Stores and material	3,880	8 1	Parcels and mails	794	5 0
Miscellaneous	3,352	19 11	Goods	19,716	6 5
			Miscellaneous	991	6 9
Total working-expenses	13,726	13 6			
Balance	13,567	10 11			
	£27,294	4 5		£27,294	4 5
<i>Net Revenue Account.</i>					
	£	s. d.		£	s. d.
Interest on approximate capital cost, £1,500,000, at $3\frac{1}{4}$ per cent. ..	38,373	5 9	Net earnings	13,567	10 11
			Deficiency	24,805	14 10
	£38,373	5 9		£38,373	5 9

It will be seen that a substantial loss was incurred notwithstanding the fact that from August to February the fares and freights were computed on separate mileage, and consequently at higher rates than those obtaining from February till 31st March and operative at the present time.

The capital cost of the Arthur's Pass—Otira Section is of itself a heavy burden, and when to this is added the cost of maintaining and operating the plant, machinery, and line, the only conclusion that can be arrived at, taking the most optimistic view, is that there is nothing to warrant the expectation that the line is likely to be other than a burden on the finances of the Working Railways Department for many years.

It is estimated that the loss on working during the ensuing years will not be less than £70,000 per annum. While, therefore, it must be recognized that the opening of the tunnel and the connecting of the East and West Coast Railway systems has a very important bearing on the economic and social life of the community, it is equally apparent that these advantages are being gained at the expense of the financial interests of the Railway Department.

RAILWAY TARIFF, AND ROAD COMPETITION.

The revision of the tariff has been in hand during the year, but has unfortunately been delayed owing to pressure of work in other directions which could not be set aside. The principal feature calling for an adjustment of the rates is that of road competition. A careful watch has been kept on the road traffic with a view to determining the extent to which the railway traffic has been affected thereby, and while it is found that in some localities the opposition to the railway has increased it seems more than doubtful whether even those immediately concerned have obtained any substantial advantage therefrom. The information gained by the Department from time to time indicates that the road motors are not in reality cheapening the cost of transport. The method by which they are enabled to obtain the traffic which would otherwise be sent by rail lies along the line of increasing the charges for carriage to and from the railway-stations to such a degree as to make the total charge for the transport of the goods forwarded by rail higher than that at which the motorist is willing to convey the goods for the whole journey. This amounts to nothing less than compulsion exercised by the motorist on the owners of the goods, but the latter seem quite unable to grasp this aspect of the matter. They are merely content to see that the charge by the motor for the whole journey is cheaper than the total charge that would require to be paid when the railway is used, but they quite fail to analyse this latter charge, and quite wrongly come to the conclusion that the railway charge is too high, and causes the use of the railway to be, as they conclude, more expensive than the motor. In the great majority of cases an analysis of the charges would show this to be entirely wrong, and would disclose that the motorist is not content to receive a reasonable remuneration as a feeder to the railway, but by taking advantage of his position in respect of that portion of the transport of the goods to and from the railway is enabled to extract from his customers a much higher charge than the latter should really be required to pay. The Railway Department cannot, and does not, object to competition, but it does take exception to the superficial view which impels unthinking persons to hastily conclude that they can obtain transport more cheaply by motor, and that the railway is to blame for this position through charging rates that are too high. I do not hesitate to suggest that if the position were gone carefully into it would be found in the great majority of cases that the owners of goods transported by motor are paying a higher rate than they are fairly entitled to pay, under compulsion from the motorists who will not transport the goods to and from the railway at a reasonable charge.