

a minimum, has enabled the Department to obtain that knowledge of the views of its customers on which alone could be based sound judgments on the many and intricate questions that arose for settlement in connection with the tariff. That the Department has been enabled to bring about that closer personal relationship is one of the most pleasing as it is one of the most useful results of the new policy. It has not only put the Department in a position to gauge with greater accuracy the wants of its customers, but has also resulted in the customers themselves getting a better understanding of the Department and the problems with which it is confronted. The policy is capable of very considerable expansion along the lines indicated, and will be actively prosecuted with the object of making the Department indispensable to the community.

The more intimate knowledge obtained of the trend of public opinion, which in turn has itself been influenced by closer acquaintance with the aims of the service, has enabled the Department to adjust its policy with confidence and to bring it into harmony with the public demand, although this required a radical departure from what had been previously contemplated. As was foreshadowed in my Statement of last year, the policy then in contemplation was one of reduction of the general rates. There was at that time a very substantial body of public opinion demanding this course of action, which was one of the effects of the commercial depression from which the country was then recovering. With a marked improvement in the financial position of the country during the last year the whole aspect in regard to railway rates has been changed, and the demand is now for improvements in the services.

It had, moreover, become more and more evident that the times required a closer assimilation of the Department to a business. The policy of running the Department on commercial lines has met with universal public approval, but such a policy required a largely increased revenue to meet the increased rate of interest to be paid, and to provide for renewals, &c., in accordance with sound business principles.

As a corollary, rate adjustments involving increases in certain directions became necessary. Care has been taken to distribute these increases as equitably as possible, and where, after discussions with representatives of the interests affected, it has appeared that further adjustments were desirable in order to avoid hardship or undue disturbance of business, such adjustments have been made without hesitation. Increases in rates cannot be made without protest or objection, but the adoption of the policy outlined has enabled the difficult problem of tariff revision to be satisfactorily solved.

In view of its magnitude, I have decided to present the tariff, with the reports thereon, as a separate parliamentary paper this session.

#### COMMERCIAL BRANCH.

During the year much valuable work has been accomplished by the officers of the Commercial Branch, and many important matters are now receiving consideration.

Probably the Branch's chief value is in connection with its activities in acquiring new business and regaining that lost to motor and sea competition. Business Agents are now continuously engaged in interviewing clients and prospective clients, attending meetings of local bodies, Chambers of Commerce, &c., and generally keeping in very close personal touch with all sections of the community to definitely ascertain their requirements and secure business. The success of the branch has fulfilled expectations, and there can be little doubt that the increase in the Department's goods business is due to its activities in this direction and the capable manner in which its proposals have been dealt with by the Board of Management and other controlling officers. Already many valuable services have been inaugurated, and the absence of dislocation in their initiation is an indication of the thorough manner in which details were arranged preparatory to the changes being brought into operation.

A system of through booking of passengers by rail and steamer between the North and South Islands was brought into operation on the 11th March, 1925, and