

### *Workshops Reorganization.*

Prior to my assuming the portfolio of Railways in 1923, attention had been drawn by the Department's responsible officers to the lack of up-to-date facilities in the locomotive workshops and, generally, to the inadequacy of the buildings and equipment. I recognized that a comprehensive review of workshops facilities was immediately necessary. In 1924 a complete scheme of reorganization was submitted to me by the Railway Board, entailing an estimated expenditure of over £1,500,000, to be spread over a period of three years. Details of the proposals were at the same time submitted to the Fay-Raven Commission and obtained full endorsement. It was found possible by extension to the existing buildings at Hillside and Addington to carry out improvements that would suffice for many years to come, but the provision in the two main North Island shops was hopelessly inadequate, and consequently land had to be acquired at Lower Hutt and Otahuhu, and modern shops constructed thereon. In carrying out works of this magnitude due consideration had to be given to the country's possible progress in the years to come. It was therefore decided to proceed with a bold and progressive construction policy that would meet the Department's needs for a considerable period.

Simultaneously with this decision modern workshops methods were inaugurated. These have led to very marked improvement in the carrying-out of work. Equipment of the most modern design has been obtained for all shops, and every possible facility and convenience has been provided to secure the highest efficiency and economy in operation. Indeed, economies in the working of the new shops were expected, in the course of about ten or eleven years, to liquidate the whole of the additional capital expended.

It is exceedingly gratifying for me to be able to say that this huge task is practically completed, and all four main shops will be in full swing early in the new year.

The scheme represents one of the biggest reorganization works ever attempted in the Department. It entailed the transfer of some eight hundred men, and the way the staff have met the position clearly illustrates the co-ordination that exists in this branch of the service.

Now that the new spacious shops are available for occupation, another very important phase of the general reorganization scheme can be proceeded with. I refer to the proposal to amalgamate or consolidate the whole of the Department's workshops operations. It is anticipated that the grouping of all these related activities will result in the saving of many thousands of pounds annually.

The Department will now be equipped with shops that compare favourably with any existing in other countries. It will be able to carry out the whole of its own maintenance requirements, and at more economical rates. The construction of locomotives and rolling-stock will be made possible at costs that will compare favourably with imported prices, and this will enable the capital to be kept within the Dominion.

Up to the present £4,900,000 has been expended on the workshops re-organization and the programme of works as outlined in my D.-2A report of 1924.

### FINANCE AND ACCOUNTS.

Under my administration a complete survey of the railway financial position was made in order to determine—

- (1) The total capital investment, including cost of raising and discounts on loans :
- (2) The actual amount of the annual interest burden :
- (3) The annual cost, including provision for depreciation and adequate financial reserves, floating capital, superannuation subsidies, and all other charges arising out of railway operation :
- (4) The annual revenue, including reasonable allowance for services rendered free of charge or at less than cost :
- (5) The additional revenue required to place the finances on a sound basis, and the best methods of obtaining such revenue :
- (6) The possibilities of reducing costs.

Investigation proved that if the railways were to meet interest charges at the actual rates (which were found to be £5 3s. 9d. per cent. on Railway Improvement Account loans and £4 2s. 6d. per cent. on Public Works Fund loans), pay the annual subsidy to the Superannuation Fund, and make adequate provision for depreciation and general reserves, an additional net revenue of £700,000 per annum was required.

A complete revision of the railway tariff was made, and it was found that, without casting any undue burden on industry and production, an estimated additional annual revenue of £300,000 could be obtained. The possibilities of obtaining additional revenue from new business were greatly restricted by motor competition, but the establishment of a Commercial Branch in 1924 ensured that every avenue of business would be actively explored.

A separate financial organization, with an accounting system on commercial lines, was set up as from the 1st April, 1925, since which date a separate Working Railways Account has been established. Systematic provision has been made for depreciation, with investment of surplus funds. The railway management has been made responsible for meeting all working-expenses and interest out of earnings, and has been given control (subject to parliamentary appropriation) of the railway reserve funds.

The costing, statistical, and stores control methods have been completely modernized, and a system of budgetary control of finance instituted.

After taking full account of the increased revenue that could be obtained by revision of the tariff and improved business methods, and the reductions in working-expenses that could be effected by sounder financing, judicious expenditure on improvements, and better operating methods, it became evident that the railway system could not be fully self-supporting. Judged purely on their revenue-earning capacity, and leaving out of account their economic value to the community and indirect contributions to the general revenue of the State, the railways of New Zealand are in much the same position as the railways of all other sparsely settled countries. More than one-third of the total mileage carries a volume