

It is satisfactory to note that the efforts of the Department in catering for week-end and picnic traffic and special events have resulted in an increase of £14,992 in the revenue from passengers carried at reduced fares.

Freight revenue totalled £4,846,125, an increase of £165,990, or 3·55 per cent., as compared with the figures for the previous year. The principal increases were in grain, butter, cheese, wool, agricultural lime, soft coal, road metal, benzine, and artificial manures.

The live-stock traffic totalled 10,319,768 head, an increase of 560,311 as compared with the previous year.

The gross expenditure was £6,849,383, as compared with £6,685,123 in 1928, an increase of £164,260. The principal increases were in maintenance of rolling-stock (£43,439) and traffic transportation (£65,506). The increase in the former item is due to the greater provision necessary for renewals and overhead expenses in respect to the workshops reorganization, while the larger expenditure on the traffic side is due chiefly to the expense incurred in working the additional mileage taken over during the past year and the cost of providing additional services such as the night expresses in the South Island.

Immediately on my assuming office I took the opportunity of making myself personally acquainted with so much of the railway system as circumstances permitted.

In the course of my tour I received many representations regarding a variety of matters affecting the Department's operations—a large proportion of these had reference to improvements that were desired. So far as these requests involved the undertaking of new works, I found myself considerably restricted in meeting the requests by financial considerations. The very large commitments in which the Department was involved to carry out the extensive works that are now in hand and must be carried to completion absorbed practically the whole of the available finance. I deal more particularly with the works in hand in another portion of this present Statement.

I have also given very careful consideration to the question of the financial position of the Department.

Dealing with the position of the railways from an historical point of view, we start from the point that the railways, in the first place, were undoubtedly constructed as a developmental institution rather than as a profit-making institution. Indeed, it is scarcely possible to conceive that much of the mileage of the present railway system, even of the main lines, would have been constructed at all if at the time when their construction was decided upon the question as to whether they should be gone on with or not had been decided on a profit-making basis. As the years have gone on this policy has been continued. Nor has it been confined to construction only; it has extended also to operations, and many services and tariff concessions have been given in the past on the basis of the developmental aspect of the railway policy.

It is, I think, absolutely essential to a proper interpretation of the railway accounts that we should keep these facts clearly in our mind. More especially do I think it timely to emphasize this fact, as there has undoubtedly grown a tendency to regard the deficit as shown in the annual Statement as a "loss."

In the light of the policy as above enunciated this is quite unjustified. It is beyond the possibility of question that the country has reaped very material indirect return from the existence of the railways. This return, however, has not been reflected in the annual Railways Statements. It is none the less real. The whole question resolves itself into one as to whether the time has arrived when the country is paying through the deficit on account of the railway work too much for the indirect returns that it is getting.

At this point a very great difficulty is encountered. It cannot be denied that the railway position in this as in every country in the world has been very adversely affected by the introduction of road-motor transport.

If we take the passenger figures alone we find that as compared with pre-war the revenue is down some £600,000. Taking also the natural increase that took place in the Department's passenger revenue prior to the advent of the road motor we could confidently have expected that the passenger revenue alone, but for the