

influence of the road motors, would have approximated to the amount of the present deficit, and the extra revenue would have been earned with comparatively small increase in expenditure.

The question therefore arises as to what proportion of the railway deficit should be regarded as properly payable in respect of the developmental work of the railways. This obviously will depend on what the railways can be made to earn in the face of the fact that road-motor transport has now to be accepted as a permanent factor in the transport industry.

Before this can be determined it is essential that the respective spheres of railways and road transport should be determined and the fullest possible measure of co-ordination obtained. As matters are at present, it would be impossible to say with any degree of certainty what the railways are worth as a revenue-earning institution. The first step, as it appears to me, clearly is to so regulate the transport industry that the true value of each method of transport can be made clear.

The policy of the Government in this connection has already been enunciated in the Budget and need not be here repeated. I desire only to emphasize my firm conviction that the carrying-out of that policy is the first and most essential step in the development of a policy for a solution of the financial problem in regard to railways.

WORKSHOPS REORGANIZATION.

The position in regard to the carrying-out of the scheme of the reorganization of the workshops is fully set out in the report of the General Manager. As I understand the genesis of this scheme, it arose out of two factors—(1) The unsuitability of the old workshops for the purpose for which they were being used, and (2) the direct financial benefit that was to be obtained from the undertaking of the scheme.

With regard to (1), there seems to be no doubt that with the age of the shops—and the fact that they had developed, as was unavoidable, on more or less of a patchwork system as requirements necessitated from time to time—they had arrived at the stage when their operation could not be carried on with a degree of convenience and comfort to the staff that one would wish for. This would in itself raise a question as to the desirability of undertaking some scheme for improving them, but it still remains to be determined whether the particular scheme that was adopted was the one that should have been undertaken.

This raises the second question—*i.e.*, the financial results that were expected to accrue from the expenditure that has been undertaken. Estimates on such a matter as that seem to me to hinge very largely on the question of the full utilization of the shops when completed. This in turn will depend on the future requirements of the Department and the ability of the country to provide the finance necessary to enable the various works to be undertaken. Whatever the position in regard to these matters may have been when the scheme was formulated and decided upon, it is undeniable that at present it is obscure. The future expansion of the railways can hardly be as great as it has been in the past, while the pressure of other State activities on public finance will tend to make it more difficult to provide money for the railways on the same scale as has been done in the last decade. What the actual financial result of the reorganization will be is a matter that lies very much in the future and depends on factors that cannot in present circumstances be determined with any real degree of certainty.

One of the salient features of the workshops-reorganization scheme was the centralization of the heavier varieties of work. There seems to be some misunderstanding as to the question to which the work of centralization is being carried. All running repairs and the lighter types of work to rolling-stock will be undertaken at the various centres, much as has been the case hitherto. It is only the heavier repair work that is being centralized. This work requires the provision of up-to-date machinery. This machinery is expensive and requires to be worked to its maximum capacity, in order that the full economies of its installation may be obtained. It would not be economical to duplicate it, as there is not enough work in either Island to keep more than one set of the heavy machinery employed.

Another aspect of the question of centralization that I would like to touch on is that of the haulage of rolling-stock that requires to be dealt with at the centralized