

A commencement has been made with the erection of special telephone circuits for long-distance communication, and these services will be made available as the pole-lines are rebuilt; already the Christchurch to Rolleston Section has been completed.

The position in regard to communication facilities is tabulated below :—

Morse instruments	265
Telephones	2,414
Miles of wire	12,226
Miles of poles	3,052
Public-exchange connections	609
Railway exchanges—	
Automatic	5
Manual	5

Level-crossing Alarms.—Warning-signals have been installed at thirteen level crossings during the past year. A number of existing level-crossing alarms have been equipped with modern appliances and in some instances changed from bells to flashing lights. The total number of level crossings now fitted with warning-devices is 122.

Electrical Reticulation.—During the year a number of motor installations were completed at various workshops and locomotive depots. The installation of electric lighting was completed at fifty-eight stations, and twelve smaller installations were carried out at signals-cabins, offices, &c.

The Napier earthquake, which occurred on the 3rd February, 1931, damaged the communication services of the Department very considerably. Fortunately, some construction staff was in the district, and steps were immediately taken to endeavour to establish communication. Telephone communication Napier to Woodville was restored at 8.30 p.m. on Wednesday, 4th idem, and tablet completely restored on Thursday, 5th idem. Following this, as additional communication was required, it was decided to endeavour to rearrange the Morse circuits, and, by superimposing, it was found possible to give an additional direct line between Wellington and Napier; and this was brought into use during the afternoon of the 10th February. This additional communication proved of great value at the time, and has continued to give excellent service under normal working-conditions.

COMMERCIAL BRANCH.

Dealing with the activities of the Department on the commercial side, I would say, firstly, that the year has been a most difficult one. This has been due principally to the general depression and to the increased and increasing pressure of competition.

The adverse conditions being experienced throughout the Dominion, due to the world-wide depression and more particularly the decline in our primary-produce prices, have occasioned all classes of the community to seek reduced costs, and transport costs have felt the full effect of this tendency. This feature has resulted in the primary producer, manufacturer, merchant, and retailer adopting to a greatly increased degree the procedure of bargaining for prices. The effect has been that rail transport in its endeavours to hold its position has been compelled to make substantial reductions in its rates, to a greater extent than heretofore.

The result has been a substantial extension of our system of local rates for fixed lines of traffic between specified points. Apart from these measures, which in the aggregate are considerable, the extension of local rates for merchandise traffic from the principal trading centres to the inland towns served therefrom has similarly been extended, and it may now be said that local rates radiate from all centres carrying on a trade of any volume with other places distant up to 200 miles. In addition to the institution of local rates for the merchandise traffic, it has been necessary to provide for delivery services at the majority of the principal inland towns.

Reviewing the position in respect of the local rates provided to retain and secure the general merchandise traffic over the principal routes, I desire to say that a comparison of figures with the previous year's traffic would not substantiate any observation, favourable or otherwise, as to the general result accruing from such rates, as the general trade depression has obviously been affecting the three forms of transport—rail, road, and sea. We do know that there has been a heavy decline in traffic, but to what extent this is due to the trade depression on the one hand or to increased competition on the other would not be practicable to determine with any degree of precision. It can be said, however, that local rates have been effective in holding and regaining a volume of traffic, but, on the other hand, it is known that the intensive competition is responsible for a considerable portion of traffic being lost. The fluctuation in transport is inevitable under the conditions obtaining, due to the increasing competition of road-users not only with the railways, but also between themselves. Much of this competition is quite uneconomic, and I cannot foresee any improvement in the position unless some legislative method of control of transport is enacted and the principle of making the user pay adopted.

In conjunction with the introduction of local rates has been the establishment of local delivery services now in operation at thirty-five inland towns.

The delivery services have been instituted by reason of the increasing demand for a better transport service to the customer and to give equality, in a part measure at least, to that of the road motor service, otherwise a large volume of business would have been irretrievably lost.

The efforts made to combat road competition over the principal trading routes have had the effect of diverting the attention of the road operators towards the transport of a portion of the low-rated traffic, and, in consequence of this, together with economic conditions prevailing, the result has been that competition in the transport of the lower-rated commodities is now facing the railways. Whereas a few years ago it was generally concluded that road transport would not interfere with the conveyance of low-rated commodities, the circumstances have completely changed during the past two years, due to the rapidly changing economic conditions. The flow of these classes of traffic is principally to the