

It will be seen that the financial position of this branch is extremely unsatisfactory, and the Board sees no reason for concluding that the extension of the line to Rangiahua would decrease the operating loss, while, on the other hand, the burden of interest charges would be very substantially increased.

The Board concludes that the completion of the line from Okaihau to Rangiahua is not justified.

### CONCLUSION.

In concluding this report, the Board feels constrained to make some observations of a general character which are suggested by the investigations that it has made into the various railways that have been dealt with herein.

A point that was frequently stressed before the Board in the course of its investigations was that, as a considerable portion of the total expenditure involved in constructing various lines had already been incurred, the spending of the balance in order to complete the line would be justified. Such a contention has to be considered with reference to section 20 of the Government Railways Amendment Act, 1931, which reads as follows:—

“The Board on being satisfied that any railway or part of a railway can continue to be operated only under conditions that will result in the net revenue therefrom being insufficient to cover the working-expenses thereof, or on being satisfied that the continued operation of any railway or part of a railway is otherwise not in the public interest, may cease to operate the same, and with the approval of the Governor-General in Council dispose of the land and all other property of the Crown in respect of such railway or part of a railway.”

Unless, therefore, the line shows a definite prospect of returning at least a reasonable amount of net revenue as a contribution towards interest charges, it appears to the Board that, notwithstanding what may have been already spent, the expenditure of any further moneys for the completion of any such line would not be justified. From a financial point of view the completion of a line which will not return sufficient to meet operating-expenses is simply creating a recurring liability.

References have been made during the Board's investigations to the adverse effect on employment that would result if no further construction on these railways were undertaken. While the Board fully appreciates the seriousness of the unemployment position, it feels strongly that the question before it is one of railways policy, and that the vital issues involved therein should not be confused by reference to the unemployment problem, which has been the subject of special legislation and which is under the care of the Unemployment Board. Since the Board has concluded that completion of the lines cannot be justified on the basis of sound railways finance and policy, it is impossible to justify such completion merely on the grounds that it would create employment or ease the present unemployment problem. To do so would be to confuse the real issue and place the national unemployment problem in a wrong perspective. Public opinion is turning towards the desirability of utilizing the Unemployment Fund in more productive works, and this has no doubt prompted the suggestion made in some quarters that further railway-construction on the lines under consideration offers a suitable means of utilizing relief labour in productive channels. The Board is unable to concur with this view, since it has reached the conclusion that further expenditure on these railways would not create a productive asset, but would in fact involve the Dominion in further financial obligations and recurring annual losses.

An important phase of the problem of construction of further railways that the Board fears is apt to be overlooked is the very radical change that has taken place in recent years in the transport industry. The development of the motor-vehicle in conjunction with the development of the roading system of the Dominion has introduced a factor which has a very material bearing on the necessity for further railway-construction. The North Auckland Peninsula affords a very striking example of the change in the position from the point of view of the necessity of railways as the means of meeting the transport needs of the district. Up till comparatively recently the roading system in that district was not well