

of developing this traffic at present, as well as the curtailment of travel that is a result of the present depression, justified, in the opinion of the Board, the suspension of these trains. In the case of the ordinary express between Auckland and Wellington it appeared to the Board that the best service was not being afforded by this train, leaving Auckland as it did within forty minutes of the "Limited" express, and after going very carefully into the matter it appeared to the Board to be established beyond reasonable question that the balance of public usefulness so far as that train was concerned lay in the alteration to 3 p.m. for its departure time from Auckland.

As regards other aspects of service, where an improvement in the standard of service was called for, steps have been taken to effect the necessary improvement. On the passenger side this latter aspect has principally taken the form of continuing the policy of providing a higher standard of comfort in the cars. Since the Board assumed control, a number of new cars of modern design, and embodying many features making for a higher standard of service, have been completed in the Department's workshops and put into traffic. Many of the existing carriages have been improved particularly in the direction of improving the second-class accommodation. In connection with the goods traffic improvements in service have principally taken the direction of extending "door-to-door" facilities, and shortening the time of transport from place to place. The Board has continued to press along these lines with the objective of giving a service that will be adequate to the country's needs and will enable the Department to withstand the pressure of competition from other forms of transport.

The next phase of the administration of the Department's affairs has reference to the economics of the Department's position. The statute lays down that the service must be given at an economic rate, and this leads to a consideration of the revenue and expenditure of the Department. On the revenue side the principal factor with which the Board has found itself faced has been that which is affecting trade and industry generally throughout the Dominion, and, indeed, throughout the whole world—namely, the very severe depression that is now being experienced. The effect of this depression, and the impossibility of foreseeing its trend with any degree of certainty, has made any estimates of revenue exceedingly difficult to formulate. Figures regarding revenue are given under a separate heading later in this statement, but it will be sufficient to say in dealing with the matter generally, as is being done at this stage, that to the trade depression must be ascribed the difficult position that has resulted in the greatly reduced revenue of the Department. While the depression has tended to limit the total quantity of transport business that has been available, the question still remains as to the share which the Department is receiving of this business. In this connection the Board has continued the policy of maintaining very close contact with all sources of the transport business. The Commercial Branch has been maintained at full strength and activity, while the employees at the various stations have been encouraged in every possible way to take active measures to safeguard the interests of the Department in the matter of securing business. The position has been made much more difficult by the pressure on the Department's competitors which arises out of the present trade depression and the degree of unemployment that is existing. It is found that road operators are cutting rates to figures that are wholly uneconomic, and there is little doubt that in most cases this is being done by owner-drivers under a fear of unemployment. While individuals may be able to carry on their business for a time by such methods, it is not open to the Department to do so. In every case, however, where it was found that an adjustment of the rates for the carriage of goods was necessary to enable the business to be secured, and the circumstances were such that it was better for the Department to take the traffic, the Board has authorized the necessary rate adjustment. This has been the general procedure in regard to goods rates, and this procedure is superseding the method of general alterations in the railway tariff—as was the method usually adopted in times past with reference to the adjustment of the goods tariff—and the Board finds that the necessity for bargaining for traffic is, under present conditions, inevitably growing. The Board does not regard this as desirable, as tending to discrimination and instability in transport rates which, as a general principle, cannot be regarded as at all satisfactory from a general trade standpoint. This is one of the reasons which call for action to stabilize the transport industry, a subject which is dealt with later in this statement under the heading of "Co-ordination of rail and road transport."

The foregoing comment has particular reference to the goods traffic. With regard to the passenger traffic it was found that, some months before the Board commenced to function, an increase in passenger fares had been made as a result of the recommendation of the Royal Commission (1930). The Board realizes that it was very difficult for the Royal Commission or any other body to foresee with any degree of certainty what the effect of such an increase would be on the passenger business. It appeared to the Board on looking into the matter that the increase in the fares had not had the anticipated effect from the point of view of the business of the Department. There had been a sharp decline in the passenger business, which the Board felt would soon lead to a serious position if the decline could not be arrested. The procedure of raising the fares having been adopted, and, as appeared, having rather accentuated the decline in the business, the Board, after full consideration, decided to make a reduction in fares. The effect of that reduction was distinctly encouraging. This matter is dealt with later in this statement under the appropriate heading, and it is mentioned at this point only as bearing on the general policy of the Board. A further aspect of the passenger business that has had consideration has been the provision of services to cater for passenger business in the "mass" at cheap rates. Experience has shown that there is a very extensive demand for services of this kind. Practically all the trains which the Department has provided in this connection have been well patronized with the consequent beneficial effect on the Department's revenue.

On the expenditure side the Board found that much had already been done or was in hand in the direction of exploring every possibility that presented itself of curtailing the expenditure without a disproportionately adverse effect on the quality of service given by the Department.