

these authorities, and the Board will be desirous of affording all relevant information and suggestions that may assist the Licensing Authorities towards a proper decision in each case. The Board, while endeavouring to discharge its primary obligation to safeguard the interests of the railways, will continue to take a broad national view of the position, which fundamentally means the delimiting as far as possible of the operations of the various forms of transport so as to enable each to give to the Dominion service of a kind and quality and at a price for which it is best adapted, having regard to all the factors bearing on the best interests of the Dominion as a whole.

A particular phase of this delimiting process is involved in the consideration of the problem of the branch lines and isolated sections. This matter has been dealt with under the last preceding heading.

TARIFF.

A decision of importance which the Board has made was in connection with the reprinting of the Department's tariff.

A large number of amendments had been made to the tariff since the last reprint in 1925, with the result that the tariff had become very difficult to follow, and the large number of amendments made for considerable uncertainty in the minds of those having occasion to refer to the tariff. The Board therefore decided that the tariff should be reprinted and all amendments duly incorporated therein. New copies of the tariff are now available, and the action of the Board in this connection has afforded much convenience both to the Department's clients and to members of the staff.

By way of general comment on the tariff the Board desires to deal with a phase of the tariff problem that has come before it in the course of its visits to the various districts. This refers to the suggestion that the railways should meet competition by cutting rates. That the railways might successfully do this so far as the matter might depend on the competitive resources of the railways and their competitors respectively there seems little room for doubt, but whether this policy should be adopted is one as to which important questions arise.

Dealing with the matter first from the point of view of the public as the owners of the railways it cannot at once be concluded—as many people seem disposed to do—that such a line of action would improve the railway financial position. This is largely due to the reflection on present business of the cut rates that might be provided to secure new business. It is very frequently overlooked that the railways already have quite a large business, and when a rate is cut in order to secure new business, it is inevitable that the reduction will involve some loss on present business not only directly, but also, indirectly, for experience has shown that the cutting of a rate always sets up a tendency for further requests for reduced rates. In short, the reduced rate tends to set the standard for all other rates on the same commodity and commodities more or less allied thereto. Indeed, the tendency is not even confined to that extent, as it is found that the fact that reductions are made in some areas has a tendency to prompt requests for a general reduction in railway rates in these and other areas.

Looking at the question of cutting rates to meet competition from the point of view of the community as a whole, the position is still more serious. It is stated from time to time that the classification of goods in a railway tariff is an undesirable feature, and should be abolished. The true position is that the fact that it has been found possible to classify goods according to their capacity to bear different rates is the very foundation of modern trade as the same has been developed by rail transport throughout the world. It is only the fact that some goods can be charged at a higher rate and still move that makes it possible for other goods which can only bear a lower rate to be carried at that rate. Applying this principle to New Zealand particularly, it is well known that practically since the inception of railways in this Dominion the policy has been adopted of keeping the rates on commodities which have a direct bearing on the development of the primary industries down to a low figure. The Board believes that this policy is sound, and is desirous of maintaining it and developing it as much as possible. It will be easily seen, however, that if competitive forms of transport are to be allowed to compete freely in the direction of taking only the higher classes of goods as it suits them, then the position that must develop so far as the railways are concerned leaves two alternatives only—

- (1) If the present policy of maintaining low rates as above mentioned is to be continued, then it must be at an increased cost to the taxpayer in the form of a larger railway deficit;
- (2) If the railways are to make the best they can of the financial position on the basis of free competition, then the policy above mentioned must inevitably be abandoned, and the rates on lower-rated goods of every kind must tend to increase.

As regards the first alternative, the opinion has already been expressed above that the Board believes that the policy of maintaining low rates, especially on commodities that closely affect the industries of the Dominion, is a sound one. The Board believes, also, that the deficit on account of the contribution of the railways to the payment of interest is greater than the Dominion can bear, and should be reduced, as the Board believes can be done, by a just and proper regulation of the transport position.

As regards the second alternative, a position of vital importance arises. If the railways are to lose the higher classes of traffic or only to have them at a decreased remuneration, then the capacity of the railways to maintain the lower rates is to that extent diminished, and, according as the field of the competition extends, the capacity of the railways to give the low rates contracts. The result is that many of the goods in the lower classes will cease to move, and the costs of production will increase. This must have its effect on the progress of production, which in turn means a shrinkage of the national income. Carrying the matter further, the result would be a decreased quantity of goods of the high classes requiring to be transported owing to the shrinkage of trade that must follow contraction of the national income. The net result, therefore, would be an increasingly depressing effect on trade and industry which would react detrimentally to the best interests of the Dominion.