

In order to effect economies, and at the same time provide improved transport facilities for residents in the Tapanui-Kelso-Heriot district, the passenger accommodation on the Tapanui Branch trains was discontinued as from 1st January, 1934, and a departmental road motor service, connecting with main line trains at Waipahi was established. Goods transport requirements are met by a return goods service between Clinton and Edievale on four days weekly.

#### BRANCH LINES.

The operating revenue from branch lines totalled £300,021, an increase of £422 (0·01 per cent.) compared with the previous year. The passenger revenue increased by £2,613 (6·18 per cent.), and goods revenue decreased by £1,794 (0·80 per cent.).

The operating expenditure was £369,898, compared with £399,130 for the previous year, a decrease of £29,232 (7·49 per cent.).

A decline in traffic on certain of the branch lines necessitated a further curtailment of services, the train-mileage for the year totalling 784,385 miles. This represents a decrease of 20,400 miles (2·53 per cent.) compared with the previous year, and is a factor contributing to the decrease in expenditure. The net loss on branch lines after allowing for the feeder value of branch-line traffic was £4,562 compared with £44,591 in 1933 and £115,058 in 1932.

Interest charges amounted to £388,573 as compared with £412,125 for the previous year.

The total loss on branch lines for the past year, including interest charges was £393,135, or a decrease of £63,581 compared with the previous year. This loss represents 32·85 per cent. of the total deficit (including interest), while the mileage of branch lines was 26·63 per cent. of the total mileage of the railway system.

As the Board has stated in its previous reports, its policy has been one of constructive effort directed towards improving the financial position of the branch lines, in the hope of justifying their continued working and thereby avoiding the necessity of curtailing branch-line losses by the drastic alternative of closing the lines. This policy takes on two main aspects—namely, revenue and expenditure. Revenue is a matter which largely rests with the people in the districts affected, and this applies particularly with regard to the operation of competitive services in the branch line districts. The Board made its appeal to the people to do their part in the preservation of the branch lines by placing their business on the lines, since the business done is in the last resort the only real justification for continued operation.

Dealing with expenditure, the Board may fairly claim to have done its part. For the year ended 31st March, 1932 (this being the first year of the Board's operation), the operating loss on account of branch line working was £165,718. For the year ended 31st March, 1934, this loss had been reduced to £69,877, and this improvement in the net position of the branch lines has been brought about solely by the reductions which the Board has been able to achieve on the expenditure side. The revenue from branch lines has, in fact, not improved, as the following figures will show:—

	£				
Year ended 31st March, 1932	..	..	..	..	308,560
Year ended 31st March, 1934	..	..	..	..	300,021

No doubt some of this decrease can be ascribed to the depression in trade and industry which has resulted in decreased revenue over the whole of the railway system; but it is well known that there are many competitive services operating in districts served by branch lines which have had the effect of substantially decreasing the revenue from those lines, with, as the Board conceives it, no material advantage to the district. Taking as an example the Otago Central line, the service which this line is rendering to the Otago Central district is undeniable. Two of the principal types of traffic from the district are live-stock and fruit, and neither of these types of traffic could be adequately served by any other means of transport than the railway, and they certainly could not be served at the rates which are charged by rail. This applies particularly to fruit, an industry which has undoubtedly been built up on the cheap rates for transport which have been afforded, and are still being afforded, by the railways. It is found, however, that competitive road services, catering for the higher classes of traffic, are operating over very long distances in competition with this line. It is impossible to believe that there can be any substantial advantage in point of service from the operation of these competitive methods of transport, while it is equally undeniable that, from the point of view of the national interest, any advantage in service that might be claimed would certainly not justify the expenditure that is involved in this duplication of transport facilities. This line showed a net loss on operating (without interest) last year of £7,767, and the Board again desires to emphasize its appeal to the people of the district to do justice by the country in general, which is bearing this loss, in order to provide the railway service that is vital to the welfare of the district. Having regard to the fact that the line is so vital to the district, this loss might be borne by the general taxpayer without serious complaint if it were not for the fact that it is being made larger than it need be through the patronage afforded in the district to competitive services. A responsibility in this matter undoubtedly rests on the Transport Licensing Authorities but, in the last resort, the people of the district have it in their own hands in the sense that they have the power of determining how their transport shall be placed. The case of the Otago Central line has been cited as typical, but the Board does not wish it to be inferred that this is the only line to which the conditions as above described apply. The Board again earnestly appeals to the people in the districts served by branch lines to help the Board to improve the financial position of these lines so as to justify their continued working, and not force the Board to measures as regards services and charges which it would be loath to take, but which will undoubtedly be necessary if the people concerned will not voluntarily exert themselves to remove the inequitable position that at present so largely obtains.