

APPENDIX II.

Wellington, 23rd August, 1934.

The Right Honourable the Minister of Transport, Wellington.

SIR,—

COMPETITIVE TRANSPORT : UNFAIR CHARGES.

We have the honour to report that on your instructions we have carried out an inquiry into the question of competition between various forms of transport, particularly with regard to the rates charged by them. We have heard evidence from the New Zealand Government Railways, the Shipping Federation, the Harbours' Association, the Overseas Allotment Committee, the New Zealand Road Transport Alliance, and the Master Carriers' Association, and have also given consideration to various facts brought under our notice by the Commissioner of Transport.

Without considering air transport, which is still in its infancy, there are three mediums for transport from place to place in New Zealand at the present time. These are—(1) Sea and rivers ; (2) Railways ; (3) Roads. Prior to the introduction of mechanical transport on the roads, and for some time after, the respective spheres of sea, rail, and road transport were sufficiently clearly defined, though special rates were charged by the railways from port to port to enable them to compete with cheaper sea transport in many places. With the advent of the commercial motor, part of the trade which was formerly carried by rail was transferred to the roads, and the tendency has been for this part to increase in proportion to the whole. To cope with the increasing competition of road services the New Zealand Railways Board embarked on a policy of reducing freight charges on many of its lines, and this has had the effect of replacing the schedule of railway goods charges by special rates to many places, of introducing a truck-rate system on several sections of the railway, and of quoting special prices for conveyance from place to place of various forms of bulk goods. In addition, to make up for the loss of business to road operators, the railway has intensified its competition with coastal shipping by reducing special rates which certain ports and neighbouring places enjoyed, and has commenced new and low rates to other places.

Hitherto railway rates had been charged under a somewhat complex classification, with the object of placing on certain forms of merchandise or produce the maximum charges which they were able to bear, with a view to reducing the cost of conveyance of bulky but necessary items such as lime and manure and goods classed in the lower grades. Rates for road transport operate differently, a more uniform rate per ton being charged, and consequently the road haulier has taken revenue from the railway by transporting the higher-graded merchandise, in which classes he is easily able to compete, while leaving to the railway the bulky and less profitable lines. In the end, however, even the least profitable usually have to be carried to their final destination by road transport. It must be remembered, however, that a payment is made by the Department of Agriculture to the Railways to enable the low rate of freight charges on certain agricultural necessities to be maintained, while no similar subsidy is paid to road transport.

The rates charged by each of the three chief forms of transport are controlled by the three industries themselves. Charges by rail are determined by the Railways Board, and those for sea and land transport by the transporters themselves. It is in the power of transport Licensing Authorities to fix rates of carriage by road, but this power has not been exercised except in a few special cases, partly for fear of losing any benefit to the public arising from competition and partly because the competing forms of transport are outside the scope of the Transport Licensing Act.

The importance of the maintenance of sea transport in a maritime country is in itself very great. There are other considerations besides those of mere transport involved. Moreover, it has been contended, and has been generally admitted hitherto, that with ordinary facilities and over similar distances sea transport must be cheaper than carriage by land ; and the evidence submitted to us shows that this is correct. Also, it has always been necessary for other forms of transport to charge lower rates where sea routes compete with them, and this confirms our opinion. In spite of this, however, the railway rates on certain routes have been reduced to a point below that at which the shipping services can be made to pay.

The truck-rate system on certain sections of railway has almost eliminated competition by motor transport on parallel roads. We have had no evidence that any benefit to consumers has arisen by reason of the cheaper haulage provided by it.

As a general rule, competition in any business is desirable, and this applies in transport also. Where, however, it reaches a point at which destruction of capital is involved, especially public capital, it has gone beyond reasonable limits. This is always the case where rates charged become unpayable to all competitors. Our inquiries show that some of the smaller harbours and coastal shipping companies are threatened with destruction by special railway rates charged in some cases. To illustrate the matter, we take as particular instances those cases in which certain harbours are specially menaced :—

(1) *Whangarei*.—A special truck-rate is in operation on the railway on the line from Auckland to Whangarei, a distance of 130 miles, of £7 per truck. When loaded with 8 tons of goods, this is equivalent to a rate of 1-6d. per mile. It is immaterial to what class (A, B, C, or D) the goods on the truck belong—whether they are such as would normally pay a high rate or not. The classified rate in this case (classes A, B, C, and D) has been given to us as 59s. 10d. per ton, which is 5-5d. per ton-mile. The result is not only to destroy the former sea-borne trade to Whangarei from Auckland, but it has the further peculiar effect of causing goods for Dargaville to be carried at truck-rates to Whangarei and thence by road to Dargaville—a distance of forty miles. Goods for Dargaville formerly were