1935.

NEW ZEALAND.

TRANSPORT CO-ORDINATION BOARD

(ANNUAL REPORT OF).

Presented to both Houses of the General Assembly, pursuant to Section 11 (b) of the Transport Law Amendment Act, 1933.

The Right Hon. J. G. COATES, Minister of Transport, Wellington.

WELLINGTON, 1st August, 1935.

SIR,—

In accordance with the duty placed on us by section 11 of the Transport Law Amendment Act, 1933, we submit our first report.

We have, &c.,

S. S. ALLEN, Chairman.
HARRY BELL S. JOHNSTONE.
LISLE ALDERTON.

INTRODUCTORY.

1. The Transport Licensing Act, 1931, came into force on the 11th November, 1931, and under it machinery was provided for licensing commercial road transport. Ten District Licensing Authorities (later reduced to nine) and one Central Licensing Authority were set up for the purpose, and an Appeal Board was constituted to hear appeals from the decisions of the District and Central Licensing Authorities. At first licensing was confined to passenger-services, but this was extended later to goods-services also by virtue of Part III of the Transport Licensing Act.

2. The Transport Law Amendment Act, 1933, which came into force on the 18th December, 1933, abolished the Transport Appeal Board and transferred its powers and duties to a new Board termed the Transport Co-ordination Board, and these powers and duties were extended beyond the hearing of appeals from the Licensing Authorities. The extent of the functions of the new Board will be set out in later paragraphs.

3. Further duties were entrusted to the Transport Co-ordination Board by the Transport Licensing (Commercial Aircraft Services) Act, 1934, which provided for commercial aircraft services to be licensed, and which constituted the Board the sole licensing authority for such services without a right of appeal.

4. The functions of the Board as now constituted are defined by the three Acts of Parliament mentioned above. They may be summarized under four headings as follows:—

(*a*) To hear and determine appeals from District Licensing Authorities and the Central Licensing Authority under section 43 of the Transport Licensing Act, 1931.

(*b*) To conduct inquiries and investigations directed by the Minister of Transport under section 11 of the Transport Law Amendment Act, 1933, and as a result of such inquiries and investigations to make such recommendations as it may think fit "for the purpose of securing the improvement, co-ordination and development, and better regulation and control of all means of and facilities for transport and all matters incidental thereto.

(*c*) To license commercial air services under the Transport Licensing (Commercial Aircraft Services) Act, 1934.

(*d*) To institute and conduct inquiries and investigations of its own initiative under section 11 of the Transport Law Amendment Act, 1933, for the same purpose as those directed by the Minister. Under this heading also may be grouped the routine work of the Board incidental to the performance of its duties under this and other heads.

APPEALS.

5. When the present Board assumed office a large number of appeals had accumulated, and as a result appeals from Licensing Authorities have occupied much of the Board's time during the year, and have involved a considerable amount of travelling. In the early stages of any legislation attempting to regulate a large industry it is inevitable that many appeals will be brought in order to obtain the most authoritative decisions possible. The intention of the Legislature has to be determined, and new principles laid down, and in the initial stages the law is sure to receive varying interpretations from the different bodies which administer it; and standard decisions have to be obtained from the Board hearing appeals, as guides to the lower authorities and in order to effect a uniform administration of the law throughout the Dominion. Appeals may be expected to diminish in number as law and practice become settled.

6. With regard to passenger transport licenses, the industry has now reached a stage of moderate stability. Few appeals are being filed against decisions of Licensing Authorities, and throughout the year the Board has not been called on to give any decision of more than local importance or of sufficient interest to need a reference in this report.

7. With regard to goods-services the position is different, because of the comparatively short time during which commercial goods transport has been subject to the licensing-system. The original Act, as regards passenger-services, began to be enforced early in 1932; but it was not until the first day of June, 1933, that goods-services became subject to the Act and regulations were made for their control. Passenger-services have therefore been under control for eighteen months longer than goods-services.

8. Although the position as regards goods-services is not the same yet as with passenger-services and the number of appeals during the past year has been large accordingly, there are signs of increasing stability which lead us to expect that the number of appeals will materially diminish during the current year.

9. The following table shows the number of appeals that have been heard during the year under review, and the nature of the decisions given:—

TABLE I.—DETAILS REGARDING APPEALS HEARD DURING YEAR ENDED 31ST MARCH, 1935.

Transport District No.	Number of Appeals heard.	Decisions.				Number of Appeals withdrawn.
		Decision of Licensing Authorities upheld.	Decision of Licensing Authorities reversed.	Decision of Licensing Authorities modified.	Adjourned.	
(a) Passenger-services.						
1	..	..	..	..	..	3
2	10	5	3	2	..	1
4	..	..	..	..	..	..
5	..	..	..	..	..	1
6	5	2	2	1	..	2
7	1	..	1	..	..	..
8	4	2	..	2	..	8
9	5	3	2	..	..	5
10	1	..	..	1	..	..
Central ..	2	1	1	..	..	2
Dunedin Metropolitan	1	1	..	..	..	..
Totals ..	29	14	9	6	..	22
(b) Goods-services.						
1	2	1	1	..	..	1
2	50	8	22	18	2	14
4	5	4	..	1	..	20
5	9	3	4	2	..	3
6	17	5	10	..	2	4
7	6	3	1	1	1	1
8	24	12	7	5	..	17
9	13	3	5	5	..	2
10	9	1	3	5	..	1
Central ..	6	3	2	1	..	22
Totals ..	141	43	55	38	5	85

10. Two decisions given by the Board relating to goods-services during the year appear to us to be of particular interest and importance. We refer to these as follows:—

(1) Appeals by Fox and Robins from the decision of No. 9 Licensing Authority affecting goods-services in Central Otago. These appeals were heard together and the Board gave a single decision covering both cases.

(2) Appeals by Hilder and Son and some twenty-five others from decisions of No. 2 Licensing Authority affecting goods-services in the South Auckland District. Here also the Board gave one general decision covering the principles involved in all the appeals.

11. The first of these appeals was by the operators named against a decision of No. 9 Licensing Authority which refused the renewal of both services, and we upheld this decision on appeal. Both services operated from Dunedin to Central Otago, via Roxburgh. The great majority of the residents in Central Otago appeared from the evidence to be adverse to these services being continued, and in fact only a very limited class of persons supported them. Both appeals were opposed by the New Zealand Government Railways Board. In view of the importance of the Central Otago Railway, which is essential to this district because no other form of transport at present could cope with its produce, and in view of neither service being of an essential nature, and because of the strong opposition to these services in the district, the Board considered their existence was not justified. The text of our decision is given in Appendix I to this report.

12. The second set of appeals mentioned was made by some operators in the Auckland District against a decision of No. 2 Licensing Authority which had the effect of preventing them from traversing the Great South Road from Auckland, and which confined some of them to small areas in the country, while preventing some from running altogether. The basis of this decision was the opinion formed by No. 2 Licensing Authority that the districts which these operators served could be adequately dealt with by the railway in conjunction with local transport, and that the only benefit to the public from the existence of long-distance road transport in this area was a certain extra convenience in the carriage and delivery of goods. The Licensing Authority in its decision in these cases distinguished between "convenience" and "necessity" of road transport, and held that on the ground of convenience alone in these cases the road services were not warranted. We found ourselves unable to agree with the District Licensing Authority, and we reversed the general decision given by it in these cases, and dealt with each individual case on its own merits. Our actual decision was not made public until the 6th April, 1935, which is technically not within the year under review, but as all the hearings took place before the 31st March, and it is impossible to describe the year's proceedings adequately without a reference to them, we venture to refer also to the decision itself. The full text of our decision is given in Appendix I to this report.

INQUIRIES AND INVESTIGATIONS DIRECTED BY THE MINISTER OF TRANSPORT.

13. During the year the Board carried out two special inquiries at the direction of the Minister of Transport.

(*a*) The first was an inquiry into the question of competition between various forms of transport, particularly with regard to the rates charged by them. The forms of transport considered were those operating by rail, road, and sea. No air transport was then established on a regular commercial basis, and consequently air carriage did not come into the inquiry. This inquiry was not held in public.

(*b*) The second was an inquiry into the taxation of road transport. The inquiry was held in public, and voluminous evidence was tendered by parties concerned.

14. In accordance with our statutory duty under section 11 of the Transport Law Amendment Act, 1933, the reports and recommendations which we made to the Minister as a result of these inquiries are set out in Appendix II of this report.

AIR SERVICES.

15. During last year attention was directed to the possibility of establishing regular air services in New Zealand. No doubt the Centenary Air Race to Melbourne did much to turn the minds of the public towards air travel and to cause them to realize its advantage as regards speed over all other forms of transport. Early in the year an attempt was made to promote a company to commence a comprehensive air service through New Zealand, but the project was not successful, and it was realized that some protection was necessary for such a service and the precedent of the Transport Licensing Act was followed in preparing an Act to regulate air travel on similar lines. Due regard was paid to the pioneer work done by the aero clubs, and they were placed by the Act in an advantageous position.

16. As a result of the experience gained by the licensing of road services, and with the approval of the aero clubs and others interested in flying, the Transport Licensing (Commercial Air Services) Act, 1934, was passed by Parliament and became law on the 31st October, 1934. Under this Act the duty of licensing air services was allotted to the Transport Co-ordination Board.

17. Since the Act came into operation the Board has dealt with numerous applications for licenses and the following table shows the result:—

TABLE II.—SUMMARIZED DETAILS REGARDING APPLICATIONS FOR AIRCRAFT-SERVICE LICENSES.

Kind of License applied for.	Number of Applications.	Decisions.		
		Granted.	Refused.	Adjourned.
Continuous	15*	6	1	6
Special (Aero Clubs)	11	11	..	..
Temporary	..	..	..	..
Total	26	17	1	6

* Two applications were considered as one; one application was withdrawn.

Cases where the application was adjourned are mainly those in which the applicant was not ready to proceed. The licenses granted include eleven licenses granted to aero clubs under section 21 of the Act.

18. The most important applications made to the Board were those for what has been termed a trunk service—namely, a service linking the chief towns in the Dominion on an air route between north and south. Three such applications were made, coming from companies either formed or in process of formation, and known now as Union Airways of N.Z., Ltd., Great Pacific Airways (N.Z.), Ltd. (to be incorporated), and N.Z. Airways, Ltd. These applications were heard by the Board in February and March, 1935, and aroused considerable public interest. The decision of the Board was finally announced on the 11th April, and therefore also does not properly belong to the period under review, but as the hearing was completed in March we venture to include the decision also in this report and to add an appendix (Appendix III) containing it. The result of the decision was to provide for the issue of a license to Great Pacific Airways (N.Z.), Ltd., subject to compliance with certain conditions, over the major route, and a license to Union Airways of N.Z., Ltd., also over a shorter distance. The principles guiding the Board are fully set out in the decision, and we think me need not refer to them further.

19. Other decisions given by us under the Act need no special comment. We think this sphere of the Board's activities is likely to be of growing importance in the future.

ROUTINE BUSINESS.

20. Besides the work which specifically devolves on the Board by statute, the Board may of its own initiative hold inquiries and investigations under section 11 of the Transport Law Amendment Act, 1933. No formal inquiry or investigation within the strict meaning of the section has been held, but the Board has carried out numerous minor inquiries of a routine nature into various matters connected with its work, or affecting the transport industry, for the purpose of collecting information and making a closer study of the

matters under its control. For these purposes and for the transaction of current business, the Board has held regular meetings in Wellington every four weeks. These meetings are additional to the sittings in various parts of the Dominion in its appellate jurisdiction, and do not include its sittings as a commission of inquiry acting under the direction of the Minister. The Board dealt with all matters brought before it by the Commissioner of Transport at its regular sittings in Wellington. We proceed to refer to some of the more important points to which we have directed attention.

21. In order to obtain the fullest information as to commercial road transport, its operation, and the extent of its co-ordination with other forms of transport, we commenced our duties by preparing questionnaires which we issued to the following:—

(1) Transport interests—
New Zealand Government Railways Board.
New Zealand Road Transport Alliance.
White Star Organization.
New Zealand Omnibus Proprietors' Association.
New Zealand Master Carriers' Federation.
New Zealand Shipowners' Federation.

(2) Industrial and Trade Organizations—
New Zealand Dairy Control Board.
New Zealand Meat Producers Board.
New Zealand Sawmillers' Federation.
New Zealand Warehousemen's Association.
New Zealand Fruitgrowers' Federation.
New Zealand Manufacturers' Association.

(3) Local Authorities—
All Harbour Boards.
All County Councils.
Electric Tramway Authorities.

The questions addressed to these various bodies and corporations were framed so as to obtain for us the most complete information available from experienced operators in all classes of transport, in addition to the views of local authorities and organizations particularly concerned with its use.

22. The answers received show that in many cases great pains were taken to supply the information for which the Board asked. The answers have been carefully examined, and the knowledge gained from them will be of value to the Board in its future work; and the Board desires to express its appreciation of the assistance it has received in this matter from all approached by it.

23. The Board has devoted much attention to the important question of co-ordination. As the transport legislation now stands, the Board controls services by road and air, transport by rail and by sea being outside its jurisdiction. We interpret the present form of legislation as a direction to the Board to explore every possibility of promoting a spirit of co-ordination and co-operation between all forms of transport by the adoption of conciliatory methods. With this object in view the Board has endeavoured to inaugurate the formation of district co-ordination committees presided over by the Chairman of the District Licensing Authorities. These committees were to be unofficial and would have no legal standing. The purpose in view is to bring about a spirit of co-operation and to arrive at a better understanding of the difficulties faced by various forms of transport and to improve their efficiency. All forms of transport have been invited to take part in the committees and to be represented on them. The Board believes the committees could perform very useful functions, but the success of their work must depend on the co-operation of all forms of transport, and so far this has not been attained. In fact, the response has been disappointing, and no useful result has been reached yet. The Board is unable to bring this matter to a final conclusion under the powers given it by the present legislation.

24. The term of all licenses for land-transport services—for both passenger and goods services—is one year only. The Board has given consideration to the question of increasing this term, and is of opinion that passenger-services have now reached a sufficient measure of stability to warrant an extension of the term. In the near future we believe

that goods-services will have reached the same stage. If the term of licenses is to be increased, legislative sanction will have to be obtained. We refer to this subject again in a later paragraph of this report.

25. The Board has given much consideration to the simplification of licensing procedure, with a view to making it cheaper and easier. The present procedure is not entirely satisfactory, especially since the attendance of applicants and witnesses is usually necessary even when there is no objection to the license which is desired. The Board has prepared a draft of a new procedure which has been circulated to District Licensing Authorities and to certain transport interests, and when replies have been received and any suggestions considered the Board will be able to make a definite recommendation which may need legislation to bring it into effect.

26. Regulations dealing with the hearing of appeals have also been redrafted and approved by the Board, and are now in force.

27. Representations were received from the Commandery of the St. John Ambulance that ambulance services be declared passenger-services under section 30 of the Transport Law Amendment Act, 1933, and therefore made subject to the licensing-system. The Board recommended that the request should be granted.

28. The area within a radius of ten miles around the Borough of Hamilton was formerly exempted from the operation of the goods-service regulations. Representations were made by local carriers seeking the abolition of this exemption, and after sitting in Hamilton to hear and consider evidence the Board recommended that the goods-service regulations should be made to apply to this area, and the exemption was abolished in November, 1934.

29. In order to carry out its duties under the Transport Licensing (Commercial Air Services) Act, 1934, the Board asked for a report on the condition of aerodromes and emergency landing-grounds in the Dominion. The report received was sufficient for the Board's purposes, but indicates that much work remains to be done on all landing-grounds before they can be regarded as safe and convenient for the larger machines which are about to be used for air transport. The whole question of the preparation of aerodromes and installation of the necessary ground equipment will no doubt engage the attention of the Government at an early date.

30. In addition to the points specifically mentioned, the Board has been engaged on much routine work in connection with its duties. Much time has been spent also in conferences with representatives of various transport interests and others concerned, and with deputations either coming direct to the Board or referred to it by the Minister of Transport. A series of conferences with representatives of the shipping industry and Harbour Boards was held in connection with fixation of rates for different forms of transport, following on the Board's inquiry into the subject already referred to. The following table indicates the number of conferences in which the Board has been engaged.

TABLE III.—CONFERENCES IN WHICH BOARD WAS ENGAGED DURING YEAR ENDED 31ST MARCH, 1935.

Body represented.	Number of Conferences.
1. N.Z. Master Carriers' Federation	2
2. Wanganui Chamber of Commerce	1
3. Wanganui Harbour Board	1
4. Hamilton Carriers' Association	1
5. N.Z. Road Transport Alliance	1
6. N.Z. Shipowners' Federation	1
7. Overseas Shipowners' Allotment Committee	1
8. N.Z. Government Railways Board ..	1
9. N.Z. Aero Clubs	1
10. N.Z. Harbours Association	1
11. Napier–Wellington Daily Transport Co., Ltd.	1
12. Concerns interested in Commercial Aviation	1
13. St. John Ambulance Association	1
Total	14

GENERAL.

31. The legislation governing transport licensing is to some extent experimental. Similar systems have been adopted in many other countries, but none of them has been working for any long time, and the experience gained in all countries has been too brief to provide any reliable guide as to their merits. In certain ways the existing legislation may appear to be inadequate and capable of improvement, but changes in it should only be made in the light of experience gained from time to time. There appear to be some minor defects in law which we recommended for consideration with a view to their amendment.

32. We direct attention to the following matters which would involve minor amendments to the Act in force:—

(*a*) *Term of Licenses.*—This has been referred to in paragraph 24 above, and needs no further explanation. If an amendment is made in the case of passenger-services, the same amendment can be brought into force later by an Order in Council for goods-services when the time is deemed appropriate.

(*b*) *Transfer of Licenses.*—There is no right of appeal from the decision of a District Licensing Authority to grant or refuse the transfer of a license. This seems to be an accidental omission, and we recommend that appeals should be permitted on any matter which is the subject of a determination by a Licensing Authority.

(*c*) *Simplification of Procedure.*—This has been explained in paragraph 25 above, and needs no further reference.

(*d*) Section 28 of the Transport Law Amendment Act, 1933, permits licenses to be granted to goods-services for the carriage of occasional passengers, but only where the vehicle used is designed chiefly for the carriage of goods. In rural areas it is not uncommon for light motor-cars to be used for the carriage of newspapers or for mail contracts, but these cannot be licensed under this section, although the service is a goods-service and passengers are merely an occasional adjunct. We recommend that this anomaly be removed.

(*e*) Under section 26 (2) (*f*) a Licensing Authority, when determining an application for a license, must consider "the transport services of any kind, whether by land or water, already provided in respect of the localities to be served and in respect of the proposed routes"; and, under section 26 (2) (*j*), must consider "any representations made by persons carrying on transport services of any kind (whether by land or water) likely to be affected." Although a right of appeal, under section 43, is given to every other class of person affected by a decision of the Licensing Authority, no right of appeal is given to the owner of a service by water. As transport by sea may be and actually is vitally affected by decisions given by a Licensing Authority, the persons carrying on such transport should also be given a right of appeal corresponding with that of other persons affected.

33. We pass on now to another aspect of transport licensing. Only two forms of transport—road transport and air transport—are under the jurisdiction of the Board, and the regulation of these two forms of transport by themselves presents no insuperable difficulty, and we believe has made substantial progress. There are more serious problems confronting the Board where road transport comes into competition with railways and shipping. As regards road transport, section 26 of the Transport Licensing Act, 1931, provides that the Board must take into account as regards any service proposed to be licensed "the transport services of any kind, whether by land or water, already provided in respect of the localities to be served and in respect of the proposed routes." There is a similar provision in section 8 of the Transport Licensing (Commercial Air Services) Act, 1934, relating to air services. Licensing Authorities have interpreted this provision in somewhat different ways so far as road transport is concerned, but the Board has endeavoured to place a fair and liberal construction on it as set out in the Board's decision mentioned in paragraph 12 of this report.

34. Whatever the extent of the restriction on road and air transport imposed by the sections mentioned, however, the problem of competition is not quite solved yet; and we do not even suggest that competition ought to be eliminated altogether, but merely kept within bounds to prevent wasted effort, and this must depend on the co-operation of all forms of transport. At present the Board is the final authority as regards road and air transport, the railways are controlled by the New Zealand Government Railways Board,

and coastal shipping services are uncontrolled altogether (except, of course, as regards the laws and regulations dealing with seaworthiness, working-hours, and kindred matters, and such domestic control as is exercised by the New Zealand Shipowners' Federation). A closer approach to a mutual understanding between all transport interests must be reached to bring about any satisfactory result. The desired end can only be attained by the adjustment of two factors—rates and time-tables. The adjustment of these two factors must ensure to the public the cheapest and most efficient form of transportation available, and must be subject to some form of control to ensure due observance and provide that stability which is so necessary in modern trading conditions.

35. Arising out of the question of competition we must mention the question of rates and charges for road transport. The Licensing Authorities have found it comparatively easy to fix fares and charges for passenger-services, and, as a general working rule, where road and rail services serve the same places, road fares have been settled at a figure corresponding approximately with first-class rail fares, and in no case falling below second-class rail fares. With goods-services there is much greater difficulty, and, in fact, except in a few minor cases, Licensing Authorities have not attempted to fix them. In view of the Board's limited powers of rate control, it is considered to be advisable to leave the charges under existing scales undisturbed, and anything in the nature of undue interference with rates should be avoided. The practical difficulty, however, lies in the fact that shipping-rates are subject to no control, and railway goods-rates are variable and do not depend on distance only, so it is impossible to settle a definite rate for carriage between any two places served by sea or rail without the agreement of all concerned. The possibility of settling any such scale of rates by agreement appears to be remote and the means of enforcement are entirely lacking.

36. Before leaving the question of co-ordination, we desire to bring to your notice an important aspect of the problem which we consider requires attention. We refer to the necessity of co-ordinating the activities of the various bodies which control the finance and construction of capital works in the transport field. We are of the opinion that any future major constructional work in the transport field should be examined from the standpoint of the economic effect on existing transport services. It is true that this step will not assist in the co-ordination of the existing facilities, but it will at least have the effect of preventing the perpetuation of past errors in the duplication of transport facilities, thereby inviting unnecessary competition with services which in many cases have proved to be entirely satisfactory. The most striking aspects of the existing financial control are the great diversification of authority controlling the expenditure of money in transport development and the lack of economic co-ordination between the various conflicting fields of transport construction. We refer in general terms to the construction of railways supplanting coastal shipping services, to the development of main highways promoting direct competition with the railway service, the development of small harbours at the expense of elaborately equipped major ports, and the projected expenditure on airports which may affect all other forms of transport. We quote the following observation of Mr. J. B. Eastman, the Federal Co-ordinator of Transport for the United States of America, after an exhaustive examination of the transport position in that country:

> "If no thought is given to the development of a well co-ordinated national system of transportation, and Government money is poured into the construction of new means of transportation without regard to the effect upon those which already exist in the greatest profusion, and if, on top of all this, competition between rival forms of transportation is allowed to run riot, there can be no ultimate end but complete demoralization with injury to all and benefit to none."

CONCLUSION.

37. The Board desires to close its report by expressing its appreciation of the assistance it has received from the Commissioner of Transport and the staff of the Transport Department.

APPENDICES.

APPENDIX IA.

Dunedin, 9th November, 1934.

In the matter of the Transport Licensing Act, 1931, and its amendments;

and

In the matter of appeals lodged by GEORGE HERBERT FOX, of Alexandra, and SAMUEL ROBINS, WILLIAM S. ROBINS, and RONALD DANIEL BENNIE (trading as Robins and Co.), of Dunedin, goods-service operators, against the decision of the No. 9 Transport Licensing Authority.

DECISION OF TRANSPORT CO-ORDINATION BOARD.

BOTH of these appeals are against the decision of the No. 9 Authority refusing the renewal of a route license from Alexandra to Dunedin in the one case and Cromwell to Dunedin in the other. With the exception of the route between Alexandra and Roxburgh, the whole journey is run parallel to an existing railway-line. The operations of the appellants affect two rail routes: that from Cromwell to Dunedin by what may be termed the Otago Central Railway, and also that from Roxburgh to Dunedin. That both services are in substantial competition with the existing railway branches cannot be denied, and the question at issue is the effect of such competition on the lines referred to, and the necessity or otherwise of preserving the continuance of the rail services.

There are in addition certain differences between the operators *inter se*, but these may be put on one side for the moment.

The consideration of these appeals involves an important question of principle which has been the subject of much opinion the world over. As a result of experience, however, it may now be said that certain fundamental principles have evolved which may be applied as a general test in circumstances similar to the present.

The principles which have been fairly generally adopted may be briefly set out as follows:—

That every community is entitled to use those means of transportation which it prefers cannot properly be questioned by any one, we think. Those who have a railway and can support it have a right to their choice. Those who prefer motor transportation have a similar right, and this extends equally to any other form of transport. Where, however, a community has at its disposal many or, as most communities have, several means of transportation, and it has exercised its choice in the form of patronage, it must realize that those means of transportation which its choice has eliminated from patronage may not be able to continue to exist without such patronage and that abandonment must follow as a last resort. A community that can support every known means of transportation is unquestionably entitled to them all, but a community which can support only one cannot insist upon the retention of two if the patronage accorded to the least favoured one is not sufficient to enable it to live.

Applying these broad principles, we arrive at this inevitable conclusion: that the continuance of the route licenses in question must have a very serious effect on the ultimate retention of these two branch lines. We regard the retention of the Otago Central Railway as of vital importance to the welfare of the district, and we feel it our duty to prevent any road service from placing it in jeopardy. It has been publicly stated on occasions that the Transport Licensing Act is primarily designed for the protection of our railways. It may be appropriate to say that nothing will influence the Board to administer the Act on that principle. The railway is merely one link—though perforce the most important link in the national transportation system—and it will receive only the consideration to which it is entitled comparable with the services it is rendering to the community.

Evidence on questions of this nature is always sharply divided, and it falls upon this Board to make a choice for the community where one essential form of transport is in danger. The fact of the line being a particularly expensive one to construct does not weigh with us to any great extent. The real measure of value is the services rendered to the public.

We cannot escape the obvious conclusion that the abandonment of the Otago Central line would be disastrous to the community as a whole in the district. The curtailment of the route services will be a hardship on the portion of the community, and also on the operators themselves. We regret that this cannot be avoided. We uphold the decision given by the No. 9 Authority, and dismiss the appeals accordingly.

In the particular circumstances we do not propose to make any order as to costs.

APPENDIX IB.

Wellington, 6th April, 1935.

GENERAL DECISION OF THE TRANSPORT CO-ORDINATION BOARD IN THE MATTER OF APPEALS LODGED BY GOODS-SERVICE OPERATORS AGAINST DECISIONS OF THE NO. 2 DISTRICT TRANSPORT LICENSING AUTHORITY.

BEFORE proceeding to the consideration of individual appeals, it is necessary for this Board to deal with certain principles enunciated by No. 2 Licensing Authority on which its decision is founded.

We think it would be appropriate to set out in some detail our conception of the principles of this Act in so far as they relate to the licensing and control of commercial road goods-services.

The governing title of this Act declares that it is an "Act to make better provision for the licensing and control of commercial road transport services other than tramways."

It is essentially a remedial statute, and as such must be given a generous interpretation. It has long been settled law that "the governing title of an Act is part of the Act itself, and it is legitimate to use it for the purpose of interpreting the Act as a whole and ascertaining its scope." *Lord Moulton Vacher and Sons* v. *London Society of Compositors* ([1913] A.C. 107).

Section 5, subsection (*j*), of the Acts Interpretation Act, 1924, provides that "every Act and every provision or enactment thereof shall be deemed remedial . . . and shall accordingly receive such *fair large and liberal construction and interpretation* as will best ensure the attainment of the object of the Act and of such provision or enactment according to its true intent meaning and spirit."

In *River Wear Commissioners* v. *Adamson* ([1877] 47 L.J. Q.B. 193) Lord Blackburn made the following observations:—

> "As long ago as 1584 Lord Coke said in *Heydon's* case that for the sure and true interpretation of all statutes in general (be they penal or beneficial, restrictive or enlarging of the common law) four things are to be discerned and considered.
>
> "First: What was the common law before the making of the Act?
>
> "Second: What was the mischief and defect for which the common law did not provide?
>
> "Third: What remedy the Parliament hath resolved and appointed to cure the disease of the Commonwealth; and
>
> "Fourth: The true reason of the remedy.
>
> And then the office of all the Judges is always to make such construction as shall suppress the mischief and advance the remedy. But it is to be borne in mind that the office of the Judges is not to legislate, but to declare the expressed intention of the Legislature even if that intention appears to the Court injudicious."

The answers to the propositions suggested in *Heydon's* case are not, we think, difficult to find in relation to the present transport legislation. No one will deny that the development of unrestricted transportation had created a condition of chaos and that some form of licensing and control was necessary. What then is the broad intention of the Legislature as expressed by an Act intituled "an Act for the licensing and control of commercial road services"? Does this Act in its broad sense intend to legislate beyond two cardinal principles—

(*a*) In respect of existing services, to place them under control and regulation:
(*b*) In respect of new services, to prevent their establishment except under license and after proof of necessity or desirability?

As to the extent to which regulation may go, we respectfully adopt the observations of Mr. Justice Smith in his judgment in *Kerridge* v. *Girling Butcher* ([1933] N.Z.L.R. at page 690). The learned Judge made the following observation: "No doubt a certain power of prohibition is implied in the power to regulate and control: that depends upon what is to be regulated"; and he then proceeded to quote with approval a passage from the judgment of Mr. Justice Isaacs in *President, &c., of the Shire of Tungamah* v. *Merritt* ([1912] 15 C.L.R. 423) in which the latter learned Judge observed that—"Regulation of subject-matter involved the continued existence of that subject-matter but is not inconsistent with an entire prohibition of some of its occasional incidents."

We think that these principles are properly applicable to the consideration of the renewal of licenses of established services. There may be instances where control and regulation require entire prohibition, but these cases are exceptional and must be closely examined before such a decision is arrived at.

With this conception of the underlying intention of the Legislature we pass on to the consideration of section 26 of the Act, bearing in mind that it is entitled to a "fair, large, and liberal construction and interpretation." The judgment of No. 2 Licensing Authority proceeded to deal with the matter in general terms as follows:—

> "It is necessary to refer to the provisions of the Act, section 26, which requires us to have regard to—
>
> "(*a*) The extent to which the proposed service is necessary or desirable in the public interest:
>
> "(*b*) The needs of the district as a whole in relation to goods transport.
>
> "This provision is clear, and it requires the applicant first to satisfy us that the service is necessary or desirable in the public interest. . . . If, however, we cannot be satisfied that a proposed service is *reasonably necessary* in the public interest we must refuse a license, and it is not necessary for us to give any further consideration to the application."

It is to be observed that in the latter part of this quotation the word " desirable " has been omitted. No. 2 Licensing Authority may have considered that the word " desirable " is by implication included in the word " necessary " in that no service can be desirable unless it is also necessary. We think, however, that the word " desirable " in this section has a meaning distinct and apart from the word " necessary." It is a well-settled canon of interpretation that " when the Legislature in the same sentence uses different words we must presume they were used in order to express different ideas." *Lord Tenterden C.J. Rex* v. *Great Bolton (Inhabitants)* ([1828] 8 B. and C. 71).

The reason for the use of the two words in the same context appears to us to be clear. Where any form of transport exists, proof of the absolute necessity of an alternative service might conceivably be impossible, but the desirability of a second service by reason of its speed, time of operation, suitability for carriage of particular goods, or general convenience, or a combination of any of these factors, might be of inestimable benefit to the residents of the district served. One test of desirability is surely the extent of public patronage. The fact that a service has been in operation profitably for a period of years and receiving a substantial patronage from the public it serves is a cogent factor in support of the desirability of the service.

The decision proceeds: " All that has been shown to us is that certain services cause convenience and in some cases cheapness." This Board feels that these are two vital elements in assessing the desirability of any service and cannot be lightly dismissed.

The words " necessary " or " desirable " are used in this section in conjunction with that obscure term " public interest." What, then, is the meaning of the " public interest " in relation to transport? This Board has always held the view that one of its most important duties is to ensure that the public are provided with the cheapest and most efficient form of transportation, and we conceive that we are having due regard to the public interest in keeping this object paramount in our administration of the Act.

This view necessarily involves a consideration of the position of the State-owned railway system. We have stated in previous decisions that the Government railways are entitled to such consideration and protection as is comparable with the service they are rendering to the public. We reaffirm this opinion. We can find nothing in the Act which gives the Government railways any claim to special protection or consideration. If the present transport legislation had intended that all road services paralleling the rail should be eliminated it would have expressed that intention in definite terms.

It was advanced by counsel for the Railways Board that, before the element of desirability could be introduced into our consideration, evidence of " overwhelming desirability " should be established. We are unable to agree with this contention. It is apparent that to some degree motor transportation has supplanted transport by rail; but this, we feel, is the relentless march of progress in transportation. The history of transportation reveals successive replacements of one form of transport by another. We subscribe to the principle that no form of transport can have a vested right which will stand in the way of progress towards a more economic and convenient form of transport for the general public. It may not be unreasonable to suggest that a supplanting form of transport should in some measure compensate the system it replaces. That, however, is a matter outside our present consideration.

Before leaving the subject of public interest we feel that it is incumbent to mention a factor which is not always given the consideration that it deserves. We refer to the creation of unemployment by elimination of services. If there is any circumstance beyond the provision of cheap and efficient transport directly affecting the public interest, it is, we think, the creation of unemployment by elimination of transport services. The wholesale elimination of services as suggested in the decision of No. 2 Authority must necessarily involve considerable unemployment, and in view of the present economic conditions in this Dominion it would bring about a most undesirable situation.

The decision under review raises as a further reason for the elimination of road services the fact that they compete with other forms of transport unfairly in that they do not bear the proper proportion of roading-costs. We do not consider that this aspect comes within the purview of Licensing Authorities. If a service is necessary or desirable it is no concern of the Licensing Authority that it is less heavily taxed than a competing service. The adjustment of the economic basis of competition from the point of view of taxation is a matter for the Legislature.

We pass then to a consideration of unnecessary road usage. This is a matter which must always be given careful consideration by Licensing Authorities, and the position in this connection has, we think, been quite fairly placed before us by the representative of the local bodies interested. It can largely be adjusted by regulation of road services, and particularly by effective co-ordination.

A further matter which we feel we should refer to is the effect on local carriers due to the operation of the long-distance hauliers. That local carriers are affected by such operations is inevitable. That is a direct result of the new form of transportation. If, however, a combination of rail and local carriage can (as is alleged) provide a cheaper and more efficient service, then such combined form of transport has nothing to fear. Here, again, we may observe that the regulation of certain long-distance services can effect some relief.

We note that No. 2 Licensing Authority refers to its lack of power to compel co-ordination. We agree that this creates a difficulty, and until all transport agencies can be co-ordinated it is almost impossible to arrive at a true basis of economic competition.

We conclude by expressing the opinion that No. 2 Licensing Authority has formed a wrong conception of the intention of the Legislature as expressed by the Transport Licensing Act. We are of opinion that, in respect of established services which are receiving a substantial public patronage, applications for renewal cannot be disposed of under subsection (1) of section 26, but all the elements contained in the subsequent portion of the section must be considered before arriving at a final decision.

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

carried mainly by rail to Helensville, and thence by the Kaipara Steamship Co. to Dargaville, which is the most direct route. With regard to one particular commodity, a representative of the shipping interest put the case to us as follows :—

> " The Railway received 21s. per ton to take sugar thirty-eight miles to Helensville. . . . They only receive 11s. 8d. per ton to take sugar 130 miles to Whangarei. On a 12-ton truck of sugar sent in this way to Dargaville, the Railway lose £5 12s. freight and haul the sugar an extra ninety-two miles. The Kaipara Steamship Company are losing the whole of their freight, £9 18s., the County Council the Dargaville wharfage of £1 4s., and the local bodies the ratio cost of road maintenance."

It should be noted in this case that motor competition with railways and shipping is entirely negligible.

(2) *Tauranga.*—There is no truck rate from Auckland to Tauranga, but there is a low special rate, and as a result the tonnage landed at the wharves has been reduced by two-thirds of its volume since the opening of the railway. The distance from Tauranga to Auckland by water is given as 132 miles, while by rail it is 180 miles. The representative of the Tauranga Harbour Board gave the cost of carrying one ton-mile on this run as 1½d. by sea, thus leaving a substantial balance against the lowest payable cost of carriage by rail. It is fair to add that the representative of the Auckland Harbour Board stated definitely that the railway was essential to the Bay of Plenty for the carriage of lime and manure. It should again be noted that there is no competition with motor transport between Auckland and Tauranga.

(3) *Wanganui.*—The local trade of this harbour seems to have been seriously affected by two factors—first, the truck rate from Wellington to Palmerston North of £4 10s. per truck, which on 8 tons works out at about 1·55d. per ton-mile. This has served to divert goods which formerly went from southern ports to Wanganui and were thence conveyed by rail to inland places. This traffic now goes to Wellington to get the benefit of the cheap truck rate. The decline in wheat shipped to Wanganui has been very marked. Second, the low special-freight rates by rail to Wanganui have caused trade to move by rail instead of by water. For instance, from Auckland to Wanganui the rate per ton charged on sugar by rail is 37s. 6d. This rate should be compared with the rate from Auckland to Hamilton of 34s. 8d., and from Auckland to Raetihi, Ohakune, and Taihape of 52s. 6d. according to figures supplied by the Wanganui Harbour Board. This very low rate is of recent introduction, and prevents the carriage of sugar by sea to Wanganui as formerly was usual.

(4) *Kaikoura.*—The coastal trade from Lyttelton to Kaikoura has disappeared, owing to the special rate for goods of all classes by road and rail of 30s. per ton. The distance by rail from Christchurch to Parnassus (the railhead) is 85 miles, and by rail and road to Kaikoura 125 miles. The Lyttelton Harbour Board states that the Railways pay to the road operator 15s. per ton for carriage from Parnassus to Kaikoura, leaving 15s. per ton for the rail freight to Parnassus, while the ordinary rail freight to Parnassus for A, B, C, and D goods is 55s. per ton.

In addition to these special cases, the coasting trade is deprived of freight in other ways. As examples, higher railway rates are charged on coal from the mines to Greymouth which is going to be shipped to ports served by rail than to ports not served by rail, thus imposing a tax on shipping. The following is given us as the scale of charges :—

	Per Ton. s. d.
Coal ex Blackball to Greymouth, railage and cranage—	
Consigned to Wellington	3 10
Consigned to Lyttelton or Timaru	5 7
Coal ex Grey Valley and Brunner, railage and cranage—	
Consigned to Wellington	2 10
Consigned to Lyttelton	4 4
Coal ex Reefton :—	
Consigned to Wellington	5 6
Consigned to Lyttelton	9 7

Many striking figures can be adduced of special rates to coastal places, such as the scale charged between Dunedin and Invercargill, which may be compared with that from Dunedin to Roxburgh. In one case at least the opposite procedure is adopted, and a special high rate is charged from Opua to prevent goods entering that port and proceeding by rail inland.

The volume of goods carried, of course, has a definite relation to cost. It is claimed by the railways that all their rates are economically sound for the reason that the loss on operation would be greater if a smaller volume of goods were carried at a higher price ; and that where trains must run to carry some goods, any additional quantity can be carried at any figure exceeding ½d. per ton-mile. This may be an economic fallacy. It should be observed that, according to the railway representatives, the goods traffic on the railways now returns an average of 2·65d. per ton-mile. If that could be increased to 3d. per ton-mile, the railways " would have just about paid." If, however, the traffic were doubled, the rate which would make them pay might be as low as 2d. These are the views of the Railways, and since even if all the possible traffic were taken from the roads and shipping it would not double the rail traffic, it is clear that a figure between the two extremes of 2d. and 3d. per ton-mile is the least at which goods transport on the rail could be made payable. If large volumes of this traffic are taken at lower rates than 2d. (to take the most favourable view)—either through the operation of truck rates or special rates to favoured places—it appears that such traffic must either be carried at uneconomical rates, or at the expense of other portions of the community.

With regard to the general decline of coastal shipping, it cannot be contended that all has been due to railway rates, because there has been a decline also in all shipping. The total tonnage handled at all ports declined by over 32 per cent. between 1929 and 1933, and the tonnage of imports still continues

to fall, though this is not counterbalanced by the rise in exports. While overseas shipping declined by 24 per cent. during the period mentioned, coastal shipping declined by 36 per cent. This increasing loss in the proportion of trade handled at the ports is not evenly spread. The largest decline, 58·16 per cent., has been at Whangarei. The next two in the downward scale are Westport and Greymouth, both mainly concerned in the coal trade, to which special conditions may apply, and the next after these is Wanganui, which has lost 35·91 per cent. of its trade. It would appear, therefore, that though a decline in trade has been general—(1) More than its expected share has fallen on coastal shipping; and (2) the incidence on harbours has been erratic, and other causes have had their share in the result. In fact, what has formerly been shipping trade has been diverted to rail or road transport. In addition to other effects of any decline in shipping, every ship going out of commission adds directly to unemployment by its withdrawal, and indirectly also by its effect on the harbours to which it used to trade.

Rates of carriage by rail are fixed by the Railways Board, which is the final authority in such matters. Special rates were first devised to compete with water transport. Truck rates were originated to compete with road transport. These rates may be right in principle, but they can be manipulated in any special case so as to entirely eliminate competition; and, in fact, it is clear from the instances cited that this is actually done. By imposing varying rates, the freight-carriers can either create or destroy the trade of any port, and the real question to consider is whether such power should be in their hands, or if it should be subject to some control. The position is that the capital controlled by the ratepayers and invested in the harbours of New Zealand (excluding perhaps the four principal harbours, through which trade must necessarily pass owing to the special facilities they now offer) is entirely at the mercy of the transport interests. It is a question of policy for the Government to decide if this is desirable.

We have dealt so far with the effect of competition between road and rail transport on the one hand and shipping on the other. The question of competition between road and rail services also arises. This is regulated by Transport Licensing Authorities, and need not be dealt with at length here. In some intances, however, truck rates have had a great effect on road transport. Between Wellington and Palmerston North, goods formerly transported by road are almost wholly carried by rail. There are some obvious advantages in this, such as a simplification of rates and the saving of wear on the roads; but by limiting the use of the system to those who can guarantee a somewhat high minimum of truck loads per week, some hardship has been inflicted on local carriers in Wellington. The representatives of the Wellington Master Carriers' Association say that they have been great supporters of the railways, that they have always carted their goods to the railway for long-distance haulage, and that now the minimum truck requirements exclude them from the benefits of the truck-rate system while the former rivals of the railway derive all the benefits. They contend that they have always been friends of the railway, and that now they are its victims, because by making it cheaper for trade to pass through other channels they have been deprived of a livelihood. We believe that some hardship has been inflicted on them by what is a discriminatory rail rate which imposes a penalty on small businesses, and the result is somewhat ironical. The adoption of what is called in America the freight-forwarding system may be a possible answer to their difficulties.

We have considered the effect of competition on rates for the carriage of passengers. Passenger transport, however, depends on different principles, and is conducted in a different manner from goods transport. Rates for the carriage of passengers are on a fixed scale to which few exceptions are made, and no complaints with regard to them have reached us from any of the parties concerned in the three forms of transport. We have no recommendation to make with regard to them; but we observe that loss on passenger transport is responsible for almost the whole of the railway deficit.

As to air transport, though this will be a new factor in competition especially for passenger transport, steps have been taken already to deal with it by legislation, and to bring it under similar control to motor services. We believe this to be adequate.

The foregoing is an outline of the situation as it appears to us, and we now summarize our conclusions as follows:—

(1) The intensive policy of all forms of transport in seeking for business has produced a lowering of rates, which in some cases has become uneconomical.

(2) This policy has been carried out in some places where shipping is in competition with road and rail transport to such an extent as to cause serious loss to coastal shipping and harbours.

(3) In some cases the destruction of capital outlay in harbours—for instance, Whangarei and Wanganui—is threatened.

(4) Coastal shipping is in grave jeopardy.

(5) Rates charged to certain places and by certain methods are exceptionally low, and have a discriminatory effect on various localities and forms of business.

(6) Rates are no longer fixed, but subject to changes to obtain business in particular circumstances.

(7) The new system of rates has pushed trade into new channels, and may involve a loss of invested capital and a dislocation of business which tends to reduce public wealth.

If the above conclusions are justified, it is necessary to find some remedy. We do not criticize the management of the railways, and to take profitable business from them at first sight involves a loss to the taxpayer. There seem to be cases, however, in which the railways may cause a greater loss to the country by obtaining such business. While such cases may not be numerous, they may be of importance, and some machinery should exist for inquiry into them and for adjusting any conflict in the interests of the community as a whole. We are inevitably drawn to the conclusion that some appellate tribunal should be instituted to hold the balance between the conflicting parties. Such a

policy has been adopted in England, where coastal shipping has been threatened by the railways, and is provided for in the Road and Rail Traffic Act, under which coastal shipping may appeal for protection against discriminatory railway rates. We think this right of appeal ought to extend to other forms of transport. In addition, since there may be a danger to the community of two forms of transport combining to raise transport charges, there should be provision for such a tribunal to compel any carrier of goods by any method to file a schedule of rates proposed to be charged, and not to depart from it except under stated conditions as to notice and otherwise. Also, the tribunal should have power to investigate and fix rates, either of its own volition or on representation. As such a tribunal would have complex questions to solve, it may be thought necessary to add to it members who are experts in such matters.

With regard to the complaints of the Master Carriers against truck rates, the freight-forwarding system should be considered by them in conjunction with the railways, who would no doubt give them assistance. The general idea of a truck rate seems desirable, so long as it is on an economic basis, because it simplifies the system of complex railway rates, but whether its administration is essentially just to the small carrier seems open to doubt.

In conclusion, we make the following recommendations :—

(1) That legislation be introduced on the lines of the English Road and Rail Traffic Act providing for appeals to a rating tribunal against any rate objected to as unfair to a competing form of transport.

(2) That such a tribunal should also have power to originate investigations into transport charges, and to make orders where necessary.

We have the honour to be, Sir,
Your obedient servants,

S. S. Allen.
Harry Bell S. Johnstone.
Lisle Alderton.

Wellington, 18th December, 1934.

The Right Honourable the Minister of Transport, Wellington.

Sir,—

1. We have the honour to report that in accordance with your directions we have carried out an inquiry into the taxation of motor transport.

Introductory.

2. We held public sittings in Wellington from the 4th to the 11th October inclusive, at which evidence was invited from representatives of those interested, and in particular we heard evidence from the North and South Island Motor Unions, the Motor Trade Federation, the New Zealand Road Transport Alliance, the White Star Passenger Services of New Zealand, the New Zealand Master Carriers and Customhouse Agents' Federation, the Motor Omnibus Proprietors' Association, the New Zealand Farmers' Union, the New Zealand Fruitgrowers' Federation, the Hutt Valley Producers' Association (in conjunction with the Dominion Council of Tomatoes, Soft Fruits, and Produce, Ltd.), the Municipal Association, the New Zealand Counties' Association, the Auckland Transport Board, the Christchurch Tramway Board, the Government Railways Board, and the Main Highways Board; and we have had statements furnished to us also by the Treasury and the Transport Department.

3. A mass of evidence has been placed before us accordingly, on all subjects connected with our inquiry, and on some which are not, varying from derating of farm lands to the income required for the possessor of a motor-car. Generally speaking, the parties appearing before us gave very fair statements of their views and accurate figures, but a number of figures were submitted to us by the Motor Unions upon which we find we can place little reliance.

The History of Motor-taxation in New Zealand.

4. Prior to the advent of motor transportation in the Dominion, certain sections of the Public Works Act of 1908 authorized the road controlling authorities to make by-laws regulating heavy traffic. The powers contained in this Act provided for annual or other payments in respect of heavy traffic by way of compensation for damage likely to occur to any road, bridge, or ford. Power was also given for the establishment of tolls, to be levied on heavy traffic, for the payment of yearly license fees on any vehicles or machines engaged in heavy traffic, and for the prohibition of heavy traffic during certain months of the year. These powers were fully availed of, and fees were charged which varied somewhat between counties, but little information is available as to the actual schedules in operation.

5. Motor transportation was first brought under separate control by the Motor Regulation Act of 1906, which was carried down into the Consolidated Statutes as the Motor Regulation Act of 1908. This Act provided for the licensing of motor-vehicles by local authorities at a nominal charge of 10s. for four-wheeled vehicles, and 5s. for vehicles of less than four wheels. This Act was purely regulatory, and had regard for the safety of the public.

6. There has always been in force a Customs tariff on the importation of motor-vehicles. This has varied considerably during the last few years, and revenue from this source has always been credited direct to the Consolidated Fund for general revenue purposes.

7. 1921: The first form of motor-taxation directed specially towards the motor users is found in 1921. In 1921 the Customs Amendment Act imposed a tax upon the importation of motor tires and tubes, which previously had been duty free.

1922: In this year the Main Highways Act was passed, and by virtue of section 14 (*b*) moneys derived from the tire-tax above referred to were specifically directed to the purposes of the newly formed Highways Board.

1924: In this year the Motor-vehicles Act was passed, which made provision for the annual licensing of all motor-vehicles through the Post and Telegraph Department, and by section 24 of the Act all revenue obtainable therefrom was credited to the Main Highways Fund, with the exception of fees for drivers' licenses, which were credited to the general fund of the local bodies collecting the same. In the same year an amendment of the Public Works Act was passed which provided for a uniform system of heavy-traffic fees, the administration of which was vested in the Public Works Department.

1927: In 1927 appeared the first form of motor-spirits taxation. Under the provisions of the Motor-spirits Taxation Act of that year, a tax of 4d. per gallon was imposed on all motor-spirits imported into the country.

1930: Tax on motor-spirits was increased to 6d. per gallon.

1931: Tax on motor-spirits was increased to 8d. per gallon.

1933: Tax on motor-spirits was increased to 10d. per gallon.

In order to adjust an anomaly relating to vehicles using fuels other than motor-spirits, a mileage tax was imposed in respect of such vehicles.

The tax on motor-spirits now stands at 10d. per gallon plus ½d. per gallon surtax.

The Purposes for which the various Forms of Taxation have been imposed.

8. Before proceeding to a detailed examination of the various forms of taxation referred to, it is appropriate to refer to the various purposes for which the different forms of taxation have been imposed, and the Department or Fund to which the proceeds of the different forms of taxation are directed. For this purpose, motor-taxation may be conveniently divided into three classes:—

(1) *Motor-taxation levied for General Revenue Purposes.*—Taxation under this heading is credited directly to the Consolidated Fund, and includes—

(*a*) Customs import duty on motor-vehicles and parts other than tires and tubes:
(*b*) The additional motor-spirits taxation levied in the years 1931 and 1933 amounting to 4d. per gallon plus surtax of ½d. per gallon.

(2) *Motor-taxation which has been levied for Special Purposes.*—Taxation under this heading is levied for the construction and maintenance of main highways, and is credited to the Main Highways Fund, and includes—

(*a*) Taxation on tires and tubes:
(*b*) Motor-spirits taxation as imposed in the years 1927 and 1930, amounting to 6d. per gallon:
(*c*) Registration, transfers of ownership, and annual license fees payable under the provisions of the Motor-vehicles Act of 1924.

(3) *Fees collected by Local Authorities and credited directly to their General Account.*—Under this heading falls—

(*a*) Drivers' license fees which are retained by the local authority collecting the same:
(*b*) Heavy-traffic license fees which are distributed in certain proportions among municipal authorities and County Councils:
(*c*) Local license fees charged by local authorities in pursuance of their by-laws.

General Considerations.

9. The taxation of motor-vehicles differs in one important respect from most other taxation in that certain portions of it are designated by law for specific purposes. Thus, the tire-tax, part of the petrol-tax, and the heavy-vehicle license fees are appropriated to the construction and maintenance of roads and paid to special funds for that purpose. This policy of "earmarking" taxation for special purposes, in lieu of making all taxes part of the Consolidated Fund, we believe is open to serious question; but the matter is one of policy, and outside the scope of our inquiry, and we therefore merely refer to it in passing, and venture to remark that to pay all the returns into the Consolidated Fund and make annual grants to the Highways Board and other roading authorities may be sounder finance. We point out, also, that the method of disposal of the tax has one important bearing on motor-taxation, because if it is decided that motor-taxation must bear any definite part of the expense of construction or maintenance of roads in the Dominion, there is then a definite minimum amount below which motor-taxation cannot be allowed to fall, in order to provide funds for such a purpose. If then, this is to be the policy adopted, it sets a limit to the remissions of such taxation that may at any time be otherwise possible.

10. On the other hand, we are convinced that the taxation of the motor, within proper bounds, is a fair and convenient method of spreading taxation over the community, because the use of the motor-vehicle enters so largely into our national life.

11. At present, motor-taxation serves a dual purpose. Part of it is set aside as mentioned for roading purposes, and part remains in the Consolidated Fund as ordinary revenue, while, in addition, during the recent period of financial stringency, a sum of £500,000 each year has been taken from the road fund and retained in the Consolidated Fund. It is our duty to consider the burden of motor-taxation as a whole, and not to advise as to the purposes to which it should be applied, but in view of the importance of the subject, and of the generally assumed connection between motor-taxation and expenditure on roads, we quote figures showing the relation between such taxes and the "road bill" of

the Dominion. The following table is compiled from the annual report of the Transport Department for the current year, and shows the total "road bill" and the sources from which it is paid—

	£
Total annual road bill, year ending 31st March, 1933—	
Maintenance of roads and streets	2,076,194
Construction of roads and streets	2,607,961
Interest and sinking-fund charges	2,393,892
	£7,078,047
Sources of payment, year ending 31st March, 1933—	£
Loans	572,359
Local rates	2,519,486
Unemployment taxation	1,397,486
General taxation	1,024,926
Motor-taxation	1,563,790
	£7,078,047

In the above table, under the heading "motor taxation" there are included only the returns from the specific taxation for roading purposes, and not the amount paid in general taxation. We shall return to this subject later.

Taxation borne by Motor-vehicles.

12. We pass on to consider the taxes borne by motor-vehicles and their effect. These taxes fall into five classes:—

(1) Tire-tax.
(2) Petrol-tax.
(3) Customs duties, other than on tires and petrol.
(4) Heavy motor-vehicle license fees.
(5) Sundry annual licenses, fees, and charges.

Taking the above taxes in order:—

(1) *Tire-tax* is an import duty on motor tires and tubes, credited to the Main Highways Revenue Fund by virtue of the original Main Highways Act of 1922. In the year ending 31st March, 1933, it produced £64,000. Revenue from this source is falling, no doubt owing to the long life of the modern tire. No strong objection was made to this tax by any of the parties interested, during our inquiry, though attention was drawn to the cost of its collection, and the uncertainty of its return.

(2) *Petrol-tax.*—Some misapprehension exists as to the nature of this tax. Originally a tax of 4d. per gallon was imposed by the Motor-spirits Taxation Act of 1927, to form a fund of which 92 per cent. was to be paid to the Main Highways Revenue Account, and 8 per cent. to boroughs having a population of 6,000 or more. This tax was increased in 1930 to 6d. per gallon, and the increased tax allotted to the same purpose. A further surtax of $\frac{1}{2}$d. was added for general revenue purposes. In 1931 2d. more was added, and in 1933 a further 2d. for general purposes, thus making with the surtax (amounting now to $\frac{1}{2}$d.) a total tax of 10$\frac{1}{2}$d. per gallon, of which 6d. is levied for the Main Highways Fund and 4$\frac{1}{2}$d. for general revenue purposes. Although the tax imposed in relation to the value of the article appears heavy, it must be remembered that four-sevenths of it is paid to the Highways Fund, and is therefore paid to the direct benefit of the motor-user, and the latter saves on the one hand by improved road surfaces at least as much as he is called on to expend on the other. We shall refer again to this aspect of the matter. So far as the effect of the tax on motor transport is concerned, figures quoted by the Motor Unions indicate there are more private cars per head of population in New Zealand than in any other country, except the United States of America, and so far as commercial vehicles are concerned, the tax is one that readily distributes itself over the whole community. Petrol-tax in fact has certain advantages over all other forms of taxation of motor-vehicles. It is easily and cheaply collected, and there is some ground for the contention that the amount of the tax is in proportion to the road maintenance required per vehicle. We were urged by the motor-trade representatives that the tax on petrol was the fairest and most suitable form of taxation of road-users, and there is much to be said in support of this view. We quote the following from the evidence of the Motor Trade Federation:—

> "In our opinion the petrol-tax is the most suitable form of taxation to provide the revenue required to be obtained from motor-owners for the following reasons:—
>
> "(*a*) The cost of collection is small. Petrol is sold on a small margin of profit and the margin is not greater than when the tax was less. The retail practice is to sell on a margin per gallon, not on a margin per cent.
>
> "(*b*) Bulk stocks of petrol are stored under bond, and the duty or tax is not paid until the petrol is taken out for sale.
>
> "(*c*) The yield of taxation is more stable and constant than in the case of taxes such as the tire-tax and other Customs duties. For this reason, it would be much easier to forecast the revenue from a petrol-tax than from Customs duties.
>
> "(*d*) Such a tax is easily adjusted, and can be increased or lowered as occasion may require with a minimum of inconvenience.
>
> "(*e*) It offers the most efficacious method of apportioning the tax fairly among those who pay it."

The passage quoted is a good exposition of the case for making the petrol-tax the sole standard tax on road-users, but the question whether it is fair enough in its incidence to warrant such action is connected with that of the heavy-traffic license fees.

(3) *Customs Duties.*—All motor-vehicles imported into New Zealand, as well as spare parts and accessories, are subject to the Customs tariff. On vehicles imported from the United Kingdom the scale of duties on and after 1st January, 1935, is—

For complete vehicles	15 per cent.
For completely knocked down vehicles	5 per cent.

On vehicles imported from other countries (with certain qualifications in regard to Canada) the corresponding duties are—

For complete vehicles	60 per cent.
For completely knocked down vehicles	50 per cent.

The whole subject of import duties has been investigated recently by the Tariff Commission, and has been since the subject of legislation. The whole matter is one of general policy, especially the preference given to British cars, and we make no recommendation with regard to it, but merely observe that where preference is given, it is of no value unless it is sufficiently substantial to give a real advantage to the preferred article. The question of Customs duty was discussed by the trade representatives and the Motor Unions, the former suggesting the importation of British vehicles free, while retaining a tariff on others, so as to give preference to the United Kingdom, while the latter direct their attack mainly against the duties imposed on American cars. In addition to the evidence given before us, we have had the opportunity of perusing a lurid folder issued by the Automobile Associations of New Zealand, illustrating the burden under which the tariff places American cars. We do not share the anxiety of the Automobile Associations for the welfare of the American car-manufacturer or importer, and doubt if there is any real body of opinion outside interested circles opposed to the principle of a substantial preference for Empire goods, and we think it unnecessary to discuss the matter further. We point out that the duty on vehicles imported from Great Britain is very moderate, and cannot be described in any way as unfair to the user.

(4) *Heavy-traffic License Fees.*—These fees, which apply to commercial vehicles only, are charged under the Heavy Motor-vehicle Regulations on a scale related to the maximum laden weight of the vehicle. The amount received from this tax for the year ending 31st March, 1934, is estimated at £178,000, which is equivalent to about $\frac{4}{5}$d. tax on petrol (1d. produces £225,000) for the same period. The retention of this tax was strongly urged by the Motor Unions, but was opposed by all those interested in the trade, and to a limited extent by the Farmers' Union and other farming interests. The Counties Association desire the fees to be retained, as, in their opinion, it would be unfair not to discriminate between light and heavy traffic, in view of the higher standard of road formation required for increased weight in vehicles. The Municipal Association is more concerned with the ultimate division of the proceeds than with the method of taxation. The question raised by the Counties Association, of course, forms the difficult problem connected with this tax; although the proper classification of roads, by restricting heavy traffic to those roads which are fit for it, provides a partial solution. The need to build roads of better quality as the weight of vehicles increases, still remains, however, and the cost of construction is enormously increased where such vehicles are to be carried. The licenses are inequitable in operation to this extent, that they are based on an arbitrary scale, and bear no relation to the use of the roads by the vehicles licensed; that is to say, vehicles of the same class pay the same fees whether they travel five miles or five hundred miles, and whatever the standard of the roads they traverse. In England, in 1932, the Commission on road and rail transport issued a report, known as "The Salter Report," and among other things discussed the question of petrol-consumption as the "main criterion of incidence" of taxation. The Commission came to the conclusion that the weight factor must also be taken into consideration. On the other hand, leaving out of consideration the standard of road to be provided, it has been contended by the Transport Department that the "damage" caused to roads by motor-vehicles "is approximately equal to the tractive effort which is measured within reasonable limits by petrol-consumption." The question, however, is not entirely one of "damage" or maintenance, but the standard of construction is involved also. If the license fees are retained, however, the scale needs some revision.

(5) *Sundry Licenses, Fees, and Charges.*—These are numerous and fall under the following heads:—

(i) Registration fee: £1 for all classes of motor-vehicles except motor-cycles, for which the charge is 10s.

(ii) Annual license fees: £2 for most vehicles, increasing to £5 for certain special types.

(iii) Transfer fees: 5s. for registration of each change of ownership.

(iv) Drivers' licenses: 5s. per annum.

(v) Vehicle number plates: 2s. 6d. per annum.

(vi) Inspection fees: These are charges on all passenger-service vehicles, each of which has to be examined each year before it receives a certificate of fitness. The amount is £3.

(vii) License fees under the Transport Licensing Act, 1931: These are paid on all passenger and goods vehicles licensed under the Act. The amount is £5 for each passenger-service license, irrespective of the number of vehicles used in the service, and, in the case of a goods-service license, £3 for each vehicle.

(viii) License fees charged by local authorities: These are charged under by-laws, and apply only to vehicles licensed by local authorities. The amount is variable, the maximum allowed by the Courts being about £3 (to cover administration expenses only).

(ix) Taxation imposed on vehicles propelled by other means than petrol—for instance, trolley-buses and Diesel-engined vehicles.

(x) Compulsory insurance (third-party risk): While not strictly a tax, this matter has been referred to several times in evidence before us.

With regard to these taxes, we make the following observations: As to numbers (i), (ii), (iii), (iv), and (v), we do not think any of these charges are excessive. The charge made ought to be enough to cover the cost of administration. The cost of drivers' licenses is not too much when the expense of traffic control is considered. The cost of number-plates was seriously challenged by the Motor Unions, but on further inquiry we ascertained that the suggested profit to the Post Office on these plates is greatly exaggerated. A minor change in this charge may be possible at a later date. As to (vi) and (vii), the charges are not too high, having regard to the cost of administration, but some minor adjustments to the system are in contemplation by the Transport Department. The charges under (viii) have not been the subject of any discussion before us, and we conclude they are generally satisfactory. With regard to (ix), we have received little evidence, except from the Christchurch Tramways Board, but in principle it is clear that a sufficient tax must be imposed under this head to equalize taxation of road-users, because traffic of this nature ought to bear its share of road taxation. There are not many vehicles affected, and we make no recommendation, except in so far as we refer later to the Christchurch trolley-buses. As to (x), this is not a tax, though it is a charge actually imposed by law on motor-vehicles. It is proper and not excessive, and, with the exception of the use of the term "tax," we agree with the Motor Trade Federation, whose opinion we quote: "This is a legitimate tax, and should continue. The system is economical and provides insurance at minimum rates."

Horse-power Tax.

13. Only one suggestion of a new tax has been made to us. The Motor Omnibus Proprietors' Association recommends the abolition of heavy-traffic license fees, and annual license fees, and the substitution of a horse-power tax. The association points out that such a tax "would tend to encourage smaller and lower-powered vehicles which would do less damage to the roads," and gives reasons for this opinion. While admitting that a horse-power tax may have been worthy of consideration at an earlier stage in the development of motor traffic in New Zealand, there would be great disadvantages and some hardships in its adoption now. The distribution of motor-taxation would be subjected to a violent change, and the new system would bring about anomalies of taxation more difficult to remedy than the old.

Motor-taxation as related to Road Maintenance.

14. We have mentioned the general assumption that taxes on motor-users should bear some relation to the cost of upkeep of the roads. This was clearly in the minds of all who gave evidence before us, and the assumption is probably true to a certain point, even if all motor-taxation were retained in the Consolidated Fund instead of any being paid to a separate road fund. It is worth while examining some of the suggestions as to road-maintenance cost which were made to us accordingly. The New Zealand Road Transport Alliance and the White Star Passenger Services of New Zealand advocate that "maintenance charges should become the entire responsibility of road-users." Taking this in conjunction with the recommendation of all the commercial organizations to abolish heavy-traffic license fees, the result would be—as far as motor-users are concerned—that the upkeep of all roads would be borne by taxation of petrol. Now the cost of maintenance of the present 11,000 miles of highway is given by the Highways Board as £1,210,000; and the Counties Association informs us that other county roads cost last year £577,000 for maintenance, and that £750,000 a year is actually needed for them. The cost of urban roads and streets not included in highways may be estimated as £500,000. We thus arrive at the following result:—

Total cost of maintenance of roads and streets—	£
Highways	1,210,000
Other county roads..	750,000
Urban roads and streets	500,000
	£2,460,000

Since a tax of 1d. per gallon on petrol produces £225,000, this proposal would involve a tax of 11d. per gallon on petrol, less any amount contributed to road upkeep by other road-users, which tax would be ½d. more than that paid at present. If the tire-tax is taken into account, a difference of little more than ¼d. is made in the result, but in any case the Motor Trade Federation recommend this tax should be paid to the Consolidated Fund. Of course, there are other users of the roads besides motor transport, and the above calculation leaves them out of account. So far as horse-drawn transport is concerned, however, it is now almost negligible; and the other main item of traffic on the roads is stock on the hoof, which requires only a low standard of road for its travelling.

15. In contrast with the above figures, it is contended by the Motor Unions in particular that the motorist is too heavily taxed, and that 75 per cent. of the petrol-tax is retained by the National Exchequer instead of being applied to the road fund. Actually the figures supplied to us proved very misleading, and are exaggerated by at least 40 per cent. The true position is that out of a total tax

of 10½d. per gallon on petrol, only 6d. was imposed for roading purposes, the remaining 4½d. being definitely allocated for general purposes in the legislation authorizing the levy. The following figures are supplied to us by the Treasury :—

Taxes collected on Petrol for Year ending 31st March, 1934.

	£	Per Cent.
Tax for highways, 6d. per gallon	1,291,879	54·47
Tax for general purposes, 4½d.	1,079,963	45·53
	£2,371,842	100·00

The legitimate charges against this taxation during the same year were :—

Nature of Charge.	Amount.	Percentage of Tax.	Rate per £1.
	£		£ s. d.
Costs of collection	20,283	0·86	0 0 2
Allocation to boroughs	101,728	4·29	0 0 10
Allocation to Main Highways Account	669,868	28·24	0 5 8
Amortization (½ per cent. on roading debt)	131,623	5·55	0 1 1
Net interest on roading debt	861,345	36·31	0 7 4
Maintenance of roads (paid from Consolidated Fund) ..	13,578	0·57	0 0 1
Total road charges on petrol-taxation	1,798,425	75·82	0 15 2
Applied to general purposes	573,417	24·18	0 4 10
	£2,371,842	100·00	£1 0 0

The Treasury state that it will be seen from these figures—

> "That instead of only 25 per cent. being applied to roading purposes, over 75 per cent. is so applied, and, although over 45 per cent. of the tax was levied for general purposes, only 24 per cent. was thus expended, or, in other words, that out of £1,079,963 levied for general purposes, £506,546 was absorbed by roading charges, although not specifically earmarked for that purpose. It must also be borne in mind that a considerable quantity of petrol on which Customs duty was levied was consumed by aeroplanes, tractors, engines, &c. For 1930 the estimated quantity was 5,400,000 gallons, or approximately a tenth of the total imported."

16. The foregoing statements, taken from two different points of view, and representing such widely divergent interests as the Motor Trade and the Treasury, agree in this important aspect : that in relation to the upkeep of the roads over which they travel, motor-vehicles are not overtaxed as regards petrol.

17. Looking at the matter from another aspect, the cost per vehicle-mile of road upkeep : we were supplied by the Motor Unions with certain figures derived from a recent traffic tally in Inglewood County, which indicated the cost might be 0·034d. per vehicle-mile. These figures were submitted by us to the Chairman of the Main Highways Board, who has pointed out to us that the result is wrong and should actually be on the figures 0·283d. per vehicle-mile. He also points out that for various reasons maintenance in this county is below the average, and informs us that the cost of maintenance of all highways last year (this excludes, of course, local roads, and urban roads and streets) was 0·46d. per vehicle-mile. It is believed that actually insufficient maintenance was carried out last year, so the actual average cost of maintenance of highways may be a little in excess of this figure.

18. Returning now to the benefit to the motor-user arising from petrol-tax as compared with the actual cost of the tax to him : we find that, excluding motor-cycles, the average run of all motor-vehicles is seventeen miles per gallon of petrol. The average cost to the motor-vehicle, therefore, of the 6d.-per-gallon petrol-tax imposed for road purposes is 2s. 11d. for each 100 miles run. If the whole tax of 10½d. per gallon is taken into account, the cost to the motorist is less than 5s. 2d. per 100 miles. These figures serve to show at what trifling cost to the motorist good road surfaces have been obtained, and there is little doubt, when comparing the wear and tear on a car of 100 miles of running now with what it was before the establishment of the Highways Fund, the cost of the whole tax to the motorist is saved several times over in his freedom from broken springs and the many other accidents which used to befall him only a few years ago.

19. We think it is established that the petrol-tax is not excessive, relatively to road maintenance. We do not agree that this is the sole criterion by which the rate must be measured, but we have dealt with it exhaustively because it is the test which has been suggested to us by large classes of road-users. We must also inquire if the tax is too high in the abstract, so as to cause diminishing returns. We do not think it is. There is no evidence of reduction of motor-transport on account of the tax, on the contrary commercial road transport, at any rate, is increasing ; and the steady yield of the tax is a clear indication that it has not been found unduly oppressive, when the diminishing returns from other taxes are considered. Taking its effect on the ordinary private car the resulting tax is approximately ½d. per mile, assuming an average for such cars of twenty miles per gallon, and if such a car runs 6,000 miles a year the annual cost is £12. While we express the opinion that the tax is not excessive it must be remembered that all taxation is heavy at present, and we realize the motor-vehicle must bear its

share. If any increase in the petrol-tax were contemplated we should hesitate to approve of it, because we believe that when the cost of petrol at the principal ports rises above 2s. per gallon there is a distinct tendency among car-owners to limit the use of their cars, indicating that this figure may be the peak to which the price can be allowed to rise, and the point at which the law of diminishing returns may be expected to operate.

Heavy-traffic License Fees.

20. We pass on now to a further consideration of heavy motor-vehicle license fees. We have already given a brief outline of the arguments for and against their retention. We have given much thought to the possibility of the abolition of these fees altogether, because the petrol-tax is so much simpler in its operation and easier in collection, and for these reasons would be preferable if, by itself, it gave equitable results. We cannot recommend the abolition of these fees, however, for two main reasons: first, because a much higher standard of road, involving greatly increased cost, is necessary as the weight of vehicles is increased; and, second, because the weight transported over a road is not proportionate to the consumption of petrol on account of the increased efficiency of the heavier vehicle in this respect. We are fortified in our conclusion by the "Salter Report," from which we quote the following passage, to which we have already referred:—

> "There would be great advantages in taking petrol consumption as the main criterion of incidence, as well as the main method of collection, if it would give reasonably equitable results . . .
>
> "With regret, however, we came to the conclusion that, while an excellent measure of varying use and wear of the roads by different vehicles of the same weight and description, it is a defective measure of varying use and wear by different classes of vehicles. . . .
>
> "It will be a sufficient illustration of this to state that a light van of 24 cwt. laden weight does 18 miles to the gallon and a heavy lorry of 15 tons laden weight 4¼ miles to the gallon; so that in the latter case three times as much weight would be transported (although at a lower speed) over a given distance for the same petrol consumption, and therefore petrol duty. We consider this is so obviously wrong as a measure of the use and wear of the roads in the two cases that petrol consumption must be rejected as a sole basic criterion of the incidence of highway costs as between different classes, and that it cannot well be adequately corrected by reserving a comparatively small proportion of the contributions for allocation on other factors through the license duty."

Similar conclusions have been reached in America, and we quote the following from "Taxation of Motor-vehicle Transportation" issued by the National Industrial Conference Board, New York:—

> "Although the motor-fuel tax takes almost perfect account of the use of the roads, it is inadequate as a single measure, because it does not take sufficient account of the weight or method of distributing the wheel load.
>
> "It is generally believed that the burden to be borne by road-users can be more fairly distributed by means of a combination of the license and fuel-taxes than by the use of either alone. When the motor-vehicle and motor-fuel taxes are compared and appraised from the standpoint of tax principles, it is found that either standing alone has certain advantages and weaknesses, but that when combined and properly co-ordinated the two types of tax furnish the most equitable method of distributing the motor-vehicle tax burden that has been devised. A license tax graduated according to the extra cost incurred in supplying road service to a given glass of vehicles supplements the motor-fuel tax, which more accurately measures the amount of use of the roads."

We agree with the views expressed in the above quotations, and in consequence we think the heavy motor-vehicle fees must be retained.

21. The scale of fees, however, requires some modification, and we suggest a new scale based on exempting all heavy vehicles in the present Classes A and B, and starting at Class C with vehicles of the loaded weight of 3 tons or more. The present scale of fees for passenger vehicles should be abolished, and the motor-omnibus accordingly placed on the same footing as other heavy motor-vehicles and taxed in proportion to its gross load, as the latter are, the weight of each passenger for whom accommodation is licensed being taken as 149 lb., including any personal effects carried free of charge.

22. We proceed to state our reasons for these recommendations. Vehicles in Classes A and B may now be used over roads of any class, and no higher standard than Class V is necessary for them; therefore no special strengthening of the roads is needed for their carriage, and, in fact, they are little heavier than the heaviest types of motor-car when fully loaded, and do less damage on account of their lower speed. Since the reason for the heavy-vehicle fees is the need for a higher class of road on which to carry them, there seems no justification for retaining the tax on vehicles in the above categories. We mention that the Chairman of the Main Highways Board, with whom we have conferred, agrees with us in this conclusion.

23. Recent investigations by the United States Bureau of Public Roads have thrown new light on the relation of the various types of motor-vehicles to the design of the highway. As a result of exhaustive experiments, a table has been prepared which indicates (*a*) that the impact force does not increase in proportion to the static weight on the wheel, and (*b*) that the area over which the impact force is applied—that is, the area of contact between the tire and pavement—does, in fact, increase as the impact increases. These circumstances, taken together, account for the fact that the strain developed in the road surface does not increase in proportion to the static wheel load of the vehicles.

24. The results of these investigations in respect of concrete slab roads further show that roads would have to be built of a certain minimum thickness if there were nothing heavier than ordinary passenger cars or farm trucks operating on them. This minimum thickness is determined not by the effects of any vehicular loads, but by the effects of climatic forces due to moisture, temperature, and, in certain parts of the country, frost conditions, which are constantly at work upon the road surface. The conclusion arrived at is that the minimum thickness required for resistance of these natural forces is greater than that required for the support of ordinary passenger vehicles and small trucks.

25. The abolition of the license fees for Classes A and B would have a further practical advantage. It was strongly contended by the Farmers' Union, and this was, in fact, the main point to which they directed their evidence, that the present system of license fees was unjust to the farmer, because he used his lorry so little in comparison with the commercial user, and because he alone of all lorry-users was unable to pass on the cost of his license or part of it to the consumer of motor transport. Mr. Polson, the representative of the Farmers' Union, informed us, however, that in his opinion an exemption from the tax of vehicles up to 3 tons gross weight would be " somewhere about " enough for the farmers' purposes. The arguments of the Farmers' Union for the exemption of farmers' lorries have some merit, but while not admitting the entire soundness of their reasoning in seeking exemption, we need not discuss the matter further because we are recommending what the Farmers' Union desires, though largely for different reasons.

26. In compiling the new scale of license fees which we recommend, we have had the benefit of the advice of the Chairman of the Highways Board, to whom we express our thanks for the time he has placed at our disposal. The old scale is based on vehicles with non-pneumatic tires, with allowances for pneumatic-tired vehicles. As the former are now almost obsolete, we have based our new scale on the pneumatic-tired vehicle, retaining the old scale for other types. It is obvious that a provision of this nature is essential, because of the damage done by the solid-tired lorry. In view of the fact that the six-wheeled vehicle has many advantages in distributing the weight of a load, and reducing wear of road surfaces, a greater allowance should be made for it than formerly was the case in adjusting the scale of fees. The wear of the roads is roughly proportionate not to the gross weight of the vehicle, but to the wheel load, combined with other factors, and this is sufficiently close in practice to the axle load, so in the six-wheeled vehicle an allowance of $33\frac{1}{3}$ per cent. should be made in the tax on the gross load to conform to this principle. We commence our new scale of fees at £7 10s. per annum for the pneumatic-tired four-wheeled vehicle in Class C (3 to $3\frac{1}{2}$ tons gross weight), and rise to £65 for the vehicle in Class P ($9\frac{1}{2}$ to 10 tons). We think the tax of £7 10s. is sufficient for Class C, and, as regards the heavier vehicles, our only doubt is whether these undesirable types pay enough: their number, however, is very small, there being only 1·17 per cent. of the total number of heavy vehicles of 8 tons gross weight and over. If vehicles in the heavier classes tend to increase in number, a revision of the scale may become necessary, because of the greatly strengthened roads that are necessary for their carriage.

Motor-omnibuses.

27. In the case of the motor-omnibus the present scale of taxation is unjust and illogical. We are aware that the case for heavier taxation of these vehicles is based on the assumption that the mileage run by them is in excess of that run by the motor-truck; but this idea is not sound, because once the heavy motor-vehicle tax has been paid any extra running is adequately accounted for by the petrol-tax, which is exactly adapted for the purpose. Once the road has been built to the necessary standard for the heavy vehicle—which is the justification for the heavy-traffic fee—any additional wear due to extra running is paid for by the petrol-tax. To this extent, we think the contention of the Motor-omnibus Proprietors' Association is sound. We consider, therefore, that passenger vehicles should be on the same footing as regards the heavy-traffic fees as the goods vehicles. We shall refer later to the special aspects of the case for the Christchurch Tramways Board.

28. We attach an appendix setting out in detail the new scale of fees which we advise.

Financial effect of New Scale.

29. The present amount derived from heavy-traffic license fees is £178,000, and this becomes part of the revenue of the local bodies controlling roads. If our recommendations are given effect to, there will be an estimated loss of revenue of £46,000, a sum equivalent to one-quarter of the whole fund, made up as follows:—

Estimated Yields.

——	New Scale.	Old Scale.	Difference.
	£	£	£
Trucks	117,000	146,000	29,000
Passenger vehicles	15,000	32,000	17,000
	132,000	178,000	46,000

We do not think this loss of revenue should be borne by the local authorities. In the case of counties and smaller boroughs, this is the only fund (except, since 1931, the annual subsidy on rates) through which motor traffic contributes to the upkeep of roads and streets other than highways, and this

assistance to local-body funds is very necessary. The deficiency should be made up by a grant to local authorities from the Highways Fund of the amount involved. The relation of the figures suggests that this grant might take the form of a subsidy of £1 for every £3 received by the local authority in respect of heavy-traffic fees.

Apportionment of Taxation.

30. We now refer to the apportionment of the proceeds of motor-taxation. We are not concerned with that portion which is paid to the Consolidated Fund. The Main Highways Fund receives the proceeds from the tire tax, the motor registration and license fees, and 6d. per gallon petrol-tax (less the amount of £500,000 at present retained by the Consolidated Fund); the heavy-traffic license fees and drivers' license fees are paid direct to local bodies. Of the proceeds of the 6d. per gallon petrol-tax (including the £500,000 at present retained in the Consolidated Fund) 8 per cent. is paid from the Main Highways Fund to boroughs with a population exceeding 6,000. The heavy-traffic fees are paid to the local bodies in each heavy-traffic district in such proportion as is agreed on between them, or, failing agreement, as the Minister may decide.

31. We recommend that the collection of heavy-traffic license fees in future should be carried out by the Post Office in the same manner as other motor-license fees, and the resultant revenue should be credited to the Main Highways Fund. The Main Highways Fund should make an annual allocation of the total received in each heavy-traffic district, together with the subsidy recommended in the penultimate paragraph, among the local bodies concerned in the manner already provided for. The Main Highways Fund will, in fact, therefore, be called upon to provide the deficiency resulting from a readjustment of the present heavy-traffic fees on the lines indicated. We emphasize the need for a subsidy to this fund from the Highways Fund, if the scale of license fees is altered in accordance with our previous recommendation.

32. Counsel for the Municipal Association argued that the share of the cities and larger boroughs in the Highways Fund should be raised from 8 per cent. to 16 per cent., but he failed to adduce any evidence whatever in support of this claim. We have, therefore, had to try to find evidence for ourselves—if any exists—that the present scale of payments from the Fund is unjust. We can find no such evidence. In fact, figures at our disposal seem to indicate that an adequate proportion of the Fund is received by the cities and larger boroughs.

33. It was suggested to us that a very large proportion of the motor-spirits tax was paid by city motor-users, and on that ground the cities and larger boroughs should receive a much greater proportion of the motor-spirits taxation than is now allowed them. This statement may be quite correct, but it must be recognized that city car-owners make considerable use of the main highways outside city and borough boundaries. The extent of the use of main highways by city car-owners was the subject of surveys made in certain States in America during the last few years, and the results are worthy of note. In the State of Ohio in 1935 a survey shows that 87·6 per cent. of the total passenger traffic on the main highways consisted of city-owned cars; 84·5 per cent. of the trucks on the main highways were from the city. In Vermont in 1926 89·9 per cent. of the total passenger traffic on the main highways consisted of city-owned cars, and 81 per cent. of truck traffic was city-owned trucks. In New Hampshire 93 per cent. of the total passenger traffic on the main highways consisted of city-owned cars, and 88·6 per cent. of the truck traffic was city-owned trucks. In Pennsylvania in 1929 93 per cent. of the traffic (passenger) was city-owned cars.

34. At the present time cities and boroughs which come within the meaning of section 10 of the Motor-spirits Taxation Act, 1927, receive 8 per cent. of the net revenue from the motor-spirits tax of 6d. per gallon now collected for main-highways purposes. The remaining 92 per cent. credited to the Main Highways Account, has, during the last two years, been subject to a deduction of £500,000, which has been applied to general revenue purposes on account of the difficult financial position in which the Government has been placed. The 8 per cent. payable to the cities and larger boroughs has not been subject to any deduction, so that at the present time the cities and larger boroughs are actually receiving considerably more than 8 per cent. of the net amount available from this tax. Section 10 of the Motor-spirits Taxation Act provides that—

> "(1) All moneys paid to a Borough Council pursuant to this Act shall be paid into its District Fund Account, and shall, except as provided in the next succeeding section, be available only towards defraying the cost of construction, reconstruction, maintenance or repair of any street or streets *forming a continuation* of a main highway within the meaning of the Main Highways Act, 1922, or towards the payment of interest or of interest and sinking fund payable in respect of moneys borrowed for the construction or reconstruction of any street or streets *forming a continuation of a main highway as aforesaid.*
>
> "(2) If the moneys paid to any Borough Council as aforesaid are more than sufficient for the purposes specified in the last preceding subsection, the Council may, *with the prior approval of the Main Highways Board*, apply any surplus funds toward the costs of construction, reconstruction or maintenance, or repair of any other street or streets within the borough or towards the payment of interest, or of interest and sinking fund in respect of any loans raised by the Borough Council for street improvement works."

It is apparent that the intention of the Legislature was to provide the cities and larger boroughs referred to under this section with funds sufficient to construct and maintain streets forming a continuation of main highways only.

35. Figures prepared for us indicate that the length of such roads within the corporation areas which may be considered as highway routes may be taken as 215 miles, as compared with 11,000 miles of highway outside them. This is slightly less than 2 per cent. of the whole. Owing to the concentration of traffic on these routes, no doubt larger sums in proportion are spent on their construction and maintenance, but even allowing for four times as much as the subsidy paid on highways per mile, it will be seen that the cities are in an advantageous position.

36. On the question of apportionment of funds between cities and rural districts, the American authority already cited, quoting from a report of the National Tax Association, suggests: "Allow cities that proportion of the receipts applicable to the highway funds, after deduction of administrative costs, as the proportion of miles of highway routes in cities bears to the total miles of highways." On this basis the cities and larger boroughs in New Zealand are getting four times as much as they should. The same authority also points out: "Cities derive benefit from the stimulation of trade by the presence of good roads. Many types of business in the cities such as hotels, theatres, garages, accessory stores, and filling stations are directly dependent upon highways." We fully concur with the last statement, and in view of the foregoing remarks we recommend that no change in the proportion of 8 per cent. and 92 per cent. be made.

37. As regards the smaller boroughs, it was suggested, somewhat half-heartedly, and without tendering evidence, that a fixed sum of 4 per cent. from the Highways Fund should be paid them instead of their present subsidy on maintenance. In the absence of evidence to the contrary, the apparent fairness of the present system is such that we have not thought it worth while to investigate this question further.

38. As to the apportionment of heavy-traffic license fees, no objection was made by any one except the Municipal Association, counsel for whom advocated a return to the former system of a final decision, in case of dispute, being made by a Magistrate, instead of by the Minister of Transport. The result is, probably, not very different in either case, though it is hard to see any reason for the change made from the former method. We are not aware of the reasons which caused the change, and make no recommendation.

Main Highways Construction in Relation to Motor-taxation.

39. Much valuable and interesting information was given to us by representatives of the Main Highways Board. One cannot help noting the general appreciation which has been expressed by all parties to the inquiry on the results of the Main Highways Board's operations since its inception.

In connection with the general roading policy, we feel we should refer to the question of the classification of roads. This no doubt presents an administrative difficulty so far as the Highways Board is concerned. Local bodies throughout the country have generally accepted the position with regard to the necessity of classifying roads, but in some instances County Councils have steadfastly refused to have roads under their jurisdiction classified. The result has been the development of an unnecessarily heavy type of vehicle, and a consequent impediment to the general development of the main-highways system. It appears to us that a classification of the whole of the highways system in New Zealand should be completed without delay.

40. From the point of view of the ultimate purpose which highways serve, in essential respects all are part of an inter-related system. Trunk-line highways do not exist for their own trunk line, nor do lateral and branch ones. Each type affects the other. This fact seems to be overlooked to a large extent, and as a result the public, which pays the transportation bill, is more and more broken into segments, some of which gain advantage from the resulting segregation, others of which suffer severely. The present system of varying classification creates a number of unnecessary difficulties with regard to the passage of through traffic. The system of requiring special permits over intermediate sections of road is, we think, entirely against the interests of the general development of an efficient and economic transportation system in New Zealand. We cannot stress too strongly our views that a complete classification, and in some instances a reclassification, of the main-highways system of New Zealand should be carried out at the earliest possible opportunity.

Tramways.

41. We must now refer to the position of certain tramways. Both the Auckland Transport Board and the Christchurch Tramway Board gave evidence before us, and both ask for a share of the Highways Fund—either out of the 8 per cent. paid to the larger boroughs or out of the 92 per cent. left. This proposal is essentially unsound, because, if acceded to, two bodies—the local authority and the Transport (or Tramway) Board—would administer the same Fund over the same roads, and there is no reason either for this double control or double share of the same Fund. Any relief given to either Board (if such is necessary) can be given more properly by making the burden of other charges lighter, rather than by an additional subsidy.

42. With regard to the Auckland Transport Board, we make no recommendations, but we point out that this Board has two main burdens:—

(i) To pay rates on the area covered by the tram tracks:
(ii) To maintain the road covered by the tram tracks up to a width of 18 in. on either side of the rails.

The two obligations are incompatible. No doubt the use of the roadway by the trams causes strain on the road surface, and involves extra maintenance; but, since the whole maintenance of the portion affected falls on the Transport Board, it seems wrong they should also have to pay rates on the same portion. If the Board needs assistance, which we do not know, relief from payment of rates rather than help from the road fund seems clearly indicated as the proper remedy for the case.

43. As to the Christchurch Tramway Board, this Board pays no rates on its tram tracks, but it has the same responsibility for maintenance as the Auckland Transport Board has. It seeks relief, especially with regard to its trolley-buses. We agree with the Christchurch Tramway Board that the

trolley-bus should be encouraged; it is superior in almost every respect, and particularly in its silent running, to the ordinary tramcars. We quote the following passage from the Board's evidence:—

> "One important factor is that there is no fire risk. The absence of petrol placing it in a much more desirable position from the public point of view. The absence of petrol means, too, no fumes, which in crowded streets is a distinct advantage. Trolley-buses use State-generated electric power instead of imported petrol power. All their power costs are kept in New Zealand."

We take no responsibility for the grammar of this passage, but otherwise approve of the Board's views. The vehicles used are six-wheeled buses. If our recommendations as to heavy-traffic license fees are adopted, these vehicles will receive a substantial benefit, shared with petrol buses in two ways: (*a*) By the reduction of fees for passenger omnibuses, and (*b*) by the reduction of the six-wheeled-vehicle license fee.

44. There may be a further point to consider. With regard to the special taxation imposed on the Board's trolley-buses under section 19 of the Finance Act, 1932–33 (No. 2), we are somewhat impressed by the contention of the Board that some relief ought to be given. If the trolley-buses were driven by Diesel or other self-contained engines, the same argument would not apply, but the Tramway Board contend, and with some justice, that it uses locally generated electric power, and should receive some consideration on that account. The mere fact that the Board uses local power would not necessarily incline us to favour their relief; but the fact emerges that the State benefits both by the electric power sold to the Board and by the mileage-tax. The mileage-tax payable in respect of vehicles of Class Q (under which the Board's trolley-buses fall) is equivalent to the petrol-tax payable by petrol-driven vehicles which consume 1 gallon of petrol for every 6·6 miles run. Trolley-buses now receive a rebate on mileage-tax amounting to 60 per cent., but in view of the cost of power to the Board we think some further concession should be made. We recommend that the mileage-tax of 13s. 6d. per one hundred miles be charged, less 75 per cent. instead of less 60 per cent. as at present. This will make a difference of slightly more than 2s. per hundred miles, or ¼d. per mile in the cost of running.

45. As to the other points raised by the Christchurch Tramway Board, we make no recommendation; so far as they need mention they have been considered under other headings.

Summary.

46. We have now dealt with all the points brought before us which were relevant to the inquiry, and we wish finally to summarize our conclusions and recommendations. They are as follows:—

(1) Taxation upon the motor industry is heavy in common with taxation generally in the present times.

(2) Import duty on motor-vehicles and parts has not been criticized seriously, and calls for no special comment.

(3) Fees payable for registration, transfer of ownership, annual licenses, and drivers' licenses are not unreasonable.

(4) The existing scale of heavy-traffic license fees requires adjustment.

(5) Taxation on motor fuel, having regard to all the surrounding circumstances, is not excessive, and any increase beyond the present levy would probably bring into operation the principle of diminishing returns.

(6) Taxation of motor fuel does not provide a complete measure of road usage. A combination of motor-fuel tax and heavy-traffic fees represents the most equitable form of motor-vehicle taxation.

(7) The percentage of the motor-fuel tax which is now allocated to cities and larger boroughs, combined with a share of heavy-traffic license fees and drivers' license fees, provides a fair allocation for the construction and maintenance of main-highway continuations within their areas.

(8) If motor-fuel taxation is to be considered in relation to any standard of road construction and maintenance, it is essential that the national system of highways in the Dominion be completely classified. It does not appear possible to co-relate motor-taxation with road construction and maintenance over our national system of highways until such highways have been so classified, and a general roading standard has been fixed.

Recommendations.

We make the following recommendations:—

(1) That the scale of heavy-traffic fees, as at present in operation, be revoked, and the scale set out in the Appendix be adopted in substitution therefor.

(1) That all heavy-traffic license fees be collected through the Post Office and be credited to the Main Highways Revenue Account.

(3) That the heavy-traffic license fees collected in the respective heavy-traffic districts be subsidized by the Main Highways Fund in the proportion of £1 for each £3 collected, and the amounts collected and subsidized to this extent be allocated among the various local authorities entitled thereto in the manner as now provided.

(4) That a complete classification of the system of highways throughout the Dominion be carried out at the earliest possible opportunity.

(5) That the rebate allowed in respect of trolley-buses under the existing mileage-tax be increased from 60 per cent. to 75 per cent.

(6) That no reduction in motor-taxation be granted except in conformity with a reduction of taxation in other directions as improvement in conditions in the Dominion may warrant.

We have the honour to be, Sir,
Your obedient servants,

S. S. Allen.
Harry Bell S. Johnstone.
Lisle Alderton.

ADDENDUM BY MR. H. B. S. JOHNSTONE.

I am in complete agreement with the report submitted by the Transport Co-ordination Board in all except the following particulars :—

In paragraph 21 of that report it is stated that the scale of fees (under the Heavy Motor-vehicle Regulations) requires some modification—a statement with which I agree and to which I give my support in every respect except that I do not consider that vehicles of Classes A and B should be totally exempt from all taxation under such regulations.

The Board's reasons for recommending such exemption are set out in paragraph 22 of the report, and I disagree with the exemption of these two classes because to my mind the complete removal of the aforesaid taxation from such vehicles will cause a large increase in the number of these on the roads, which I consider to be undesirable for the following reasons :—

(1) The speed of which such light vehicles are now capable is very high, and the tendency is to increase such speed in all new models to be brought out in future.

(2) Such high speeds upon all but sealed roads do damage out of proportion to the loads carried.

(3) This effect will be very noticeable upon rural roads other than sealed highways, and although such vehicles will pay through petrol-tax a share of the damage done by them to highways, there is no provision whereby such payment can be allocated to roads other than highways.

(4) The removal of such tax will tend to encourage the use of numbers of such vehicles to replace heavier vehicles which are still subject to tax, such as, *e.g.*, those of Class F, which while carrying a greater load may be expected to do so at a considerably lower speed. Thus, a vehicle of Class F is taxed £18 15s. a year, and its gross weight loaded is up to 5 tons. But two Class B vehicles each of a gross weight of 3 tons will give a gross capacity of 6 tons, for which under the Board's recommendations no tax is payable. Add to this the greater probable speed obtainable from the two Class B vehicles, and you have a distinct incentive to a service proprietor to go in for these two vehicles as against the one of Class F which is rightly asked to pay its appropriate tax, and which is well within the limit encouraged on Class 3 roads, which class of road I understood to be the aim of the Main Highways Board at present.

5. The wear and tear on all roads other than those sealed caused by the two lighter higher-speed vehicles will not be less, and will probably be greater, than that caused by the slower and heavier machine, nor as stated in 3 above will the extra petrol-tax, if any, find its way on to any roads other than highways, and it is on the highways traversed that the sealing, if any, has been done, whilst most of the extra damage caused as aforesaid will be done to the unsealed rural roads.

6. Speed limits have been and may be imposed, but in scattered country districts are more honoured in the breach than in the observance. This is through no fault of the traffic inspectors, who cannot cope adequately at all times with their huge districts.

7. In spite of the representations of the Farmers' Union, I consider it to be unfair that a farmer owning a truck should use it free of the heavy motor-vehicles taxation, because in so doing he is making his neighbours pay for an amenity which he enjoys in that case largely at their expense. In this matter the unfairness of any such suggestion at once becomes apparent if one considers what the effect would be were users of all ancillary vehicles to be exempted.

For the above reasons I disagree with that portion of the report which I have indicated, and am of opinion that although the alterations proposed in the scale of heavy motor-vehicle charges are in all other respects very desirable for the reasons set out in the report, yet it is equally undesirable that vehicles in Classes A and B should pay no tax at all. I recommend a tax of £3 15s. for Class B vehicles, and one of £2 for Class A vehicles.

There is also a point referred to in paragraph 29 of the report under the heading "Financial effect of the new scale" upon which I desire to go further than the recommendations of the report.

I agree that any loss of revenue to the local authorities caused by the alteration in the scale of the heavy motor-vehicle fees must be made up to such bodies, but I consider that still further assistance to them is justified, for the following reasons :—

The total length of rural roads other than highways in New Zealand is 36,550 miles.

The total maintenance expenditure upon these for the year ended 31st March, 1933, was £763,648. This amount represents an expenditure of £20·9 per mile, and it is submitted that even this expenditure is no longer adequate to keep up to standard the capital asset represented by the roads in question, but that it was the utmost that could be afforded for the purpose at that time, a considerably larger annual expenditure being necessary if such roads are not to deteriorate and thus much of the capital asset built up during past years be lost.

The only ways in which any form of motor-taxation contributes anything to the upkeep of these rural roads is through the heavy motor-vehicles taxation, and, since 1931 only, by way of Government subsidy on rates, which prior to that year was found by the Government from other sources, so that the counties are in no better position in that respect than previously.

The heavy motor-vehicles taxation is estimated to produce this year £178,000, and if the whole of this amount were to be used for the upkeep of rural roads the amount available would work out at £4·87 per mile. This is not, however, the position in practice, because much of this money is used for purposes other than the upkeep of rural roads, and half the amount would be a liberal estimate of the sum actually so used, and this would amount to only £2·43 per mile.

While I am opposed to derating for many reasons, yet I am in favour of the principle upon which I believe the Main Highways Board has always worked—*i.e.*, that of making the user pay.

The application of this principle to the highways has now resulted in 75 per cent. of the cost of these being borne by motor-taxation, and this is probably a very fair proportion when the extra roading facilities required by such traffic is considered over and above those necessary for other forms of traffic, and the extra use of the highways caused by the advent of the motor-vehicle, and the resultant higher standard of construction and maintenance required. Furthermore, all classes who use motor-vehicles on the road pay their share of this taxation.

In my opinion the time has now arrived when some extension of this principle should be made in the case of rural roads as well as of highways, and I therefore recommend that in addition to making up to the local bodies the amount of £46,000 or other sum which will be lost to them through any alteration in the heavy motor-vehicle fees such as that recommended in the report a further sum

which will be sufficient to increase the amount paid to County Councils under the heading of heavy motor-vehicle fees to at least £250,000 be allocated out of motor-taxation to this purpose. This would bring their share up to approximately £7 per mile instead of the £2·43 which they get at present.

In putting forward this recommendation I do not in any way suggest any increase in the present scale of motor-taxation, but merely that such an amount of the present taxation be set aside each year for that purpose.

The following figures will serve to demonstrate how such sum should, in my opinion, be arrived at, the extra amount required for the road fund varying from year to year in sympathy with the variation in the return from the heavy motor-vehicle fees:—

Year ending 31st March, 1933—	£	Per Cent.
Boroughs and town districts received	92,288	51·8
Counties and road districts received	85,895	48·2
	£178,183	100·0

If counties' share is to be made up to £250,000 the amounts required would be—

	£
Boroughs and town districts	92,288
Counties and road districts	250,000
	£342,000 (approx.)

The amount expected from heavy-traffic fees, if the new scale is adopted, is approximately	£ 132,000
Required for Road Fund	210,105
	£342,000 (approx.)

(*Signed*) HARRY BELL S. JOHNSTONE.

APPENDIX.—HEAVY MOTOR-VEHICLE REGULATIONS: ANNUAL LICENSE FEES.

Class of Vehicle.	Gross Weight in Tons.	Two-axled Vehicle.		Multi-axled Vehicle.	
		Present.	Proposed.	Present.	Proposed.
		Pneumatic Tires on all Wheels.			
		£ s. d.	£ s. d.	£ s. d.	£ s. d.
A	2 to 2½	5 2 0	..	5 2 0	..
B	2½ to 3	7 13 0	..	7 13 0	..
C	3 to 3½	10 4 0	*7 10 0*	10 4 0	*5 0 0*
D	3½ to 4	13 12 0	*11 5 0*	13 12 0	*7 10 0*
E	4 to 4½	17 0 0	*15 0 0*	17 0 0	*10 0 0*
F	4½ to 5	20 8 0	*18 15 0*	20 8 0	*12 10 0*
G	5 to 5½	23 16 0	*22 10 0*	23 16 0	*15 0 0*
H	5½ to 6	27 4 0	*26 5 0*	27 4 0	*17 10 0*
I	6 to 6½	30 12 0	*30 0 0*	30 12 0	*20 0 0*
J	6½ to 7	34 0 0	*35 0 0*	34 0 0	*23 6 8*
K	7 to 7½	38 5 0	*40 0 0*	38 5 0	*26 13 4*
L	7½ to 8	42 10 0	*45 0 0*	42 10 0	*30 0 0*
M	8 to 8½	46 15 0	*50 0 0*	46 15 0	*33 6 8*
N	8½ to 9	51 0 0	*55 0 0*	51 0 0	*36 13 4*
O	9 to 9½	55 5 0	*60 0 0*	55 5 0	*40 0 0*
P	9½ to 10	63 15 0	*65 0 0*	63 15 0	*43 6 8*
Q	10 to 15	63 15 0	*65 0 0*	63 15 0	*43 6 8*
		Solid Tires on any Wheels.			
A	2 to 2½	6 0 0	..	6 0 0	..
B	2½ to 3	9 0 0	..	9 0 0	..
C	3 to 3½	12 0 0	*12 0 0*	12 0 0	*8 0 0*
D	3½ to 4	16 0 0	*16 0 0*	16 0 0	*10 13 4*
E	4 to 4½	20 0 0	*20 0 0*	20 0 0	*13 6 8*
F	4½ to 5	24 0 0	*24 0 0*	24 0 0	*16 0 0*
G	5 to 5½	28 0 0	*28 0 0*	28 0 0	*18 13 4*
H	5½ to 6	32 0 0	*32 0 0*	32 0 0	*21 6 8*
I	6 to 6½	36 0 0	*36 0 0*	36 0 0	*24 0 0*
J	6½ to 7	40 0 0	*40 0 0*	40 0 0	*26 13 4*
K	7 to 7½	45 0 0	*45 0 0*	45 0 0	*30 0 0*
L	7½ to 8	50 0 0	*50 0 0*	50 0 0	*33 6 8*
M	8 to 8½	55 0 0	*55 0 0*	55 0 0	*36 13 4*
N	8½ to 9	60 0 0	*60 0 0*	60 0 0	*40 0 0*
O	9 to 9½	65 0 0	*65 0 0*	65 0 0	*43 6 8*
P	9½ to 10	75 0 0	*75 0 0*	75 0 0	*50 0 0*
Q	10 to 15	75 0 0	*75 0 0*	75 0 0	*50 0 0*

APPENDIX III.

Wellington, 11th April, 1935.

In the matter of the Transport Licensing (Commercial Aircraft Services) Act, 1934,

and

In the matter of applications for Trunk Air Services by UNION AIRWAYS OF NEW ZEALAND, LIMITED (to be incorporated), GREAT PACIFIC AIRWAYS (NEW ZEALAND), LIMITED (to be incorporated), and NEW ZEALAND AIRWAYS, LIMITED.

DECISION OF TRANSPORT CO-ORDINATION BOARD.

THE applications which have been made for licenses for what may be termed the "trunk" air services are among the most important matters which have come before the Transport Co-ordination Board. The Board began the hearing of these applications in February and continued it in March, and besides the evidence called on behalf of the various applicants the Board has listened to representations by many local authorities and other bodies who have desired to place their views before the Board. The Board itself also has called expert witnesses with regard to weather and flying conditions to be expected on any main route, and has collected information as to the condition of aerodromes and various other matters related to the provision and carrying-on of air services.

Four applications for a trunk air-service license were originally made to the Board, but two of these were amalgamated before the Board commenced the hearing, and the Board was left finally with three applications to consider, from—

(1) The Union S.S. Co. of N.Z., Ltd., on behalf of a company to be incorporated and to be termed "Union Airways of New Zealand."
(2) Mr. T. S. Withers, on behalf of a company to be incorporated and to be termed "Great Pacific Airways (N.Z.), Ltd."
(3) N.Z. Airways, Ltd.

The proposals of these three applicants are as follows:—

(1) The Union S.S. Co. desires to commence a daily service between Palmerston North and Dunedin, via Christchurch. It could bring the service into operation by the end of September, and would be willing, if required by the Board, at the end of six months, to extend the service to Auckland, via New Plymouth. The machines to be used are not specified, but a time-table is provided. The financial proposals are satisfactory.

(2) Mr. T. S. Withers proposes to start with a daily service between Auckland and Dunedin, via New Plymouth, Wanganui, Palmerston North, Wellington, Blenheim, Christchurch, and Timaru. He would consider an extension to Invercargill later. He could start by the end of the year. The machines are provisionally specified, and a time-table is provided. The financial proposals are satisfactory in some respects.

(3) N.Z. Airways, Ltd., proposes to run a service extending ultimately between Auckland and Invercargill, with subsidiary routes. It regards Palmerston North to Dunedin as "the most logical route on which to commence operations," but its intention would be to run the entire service proposed as soon as possible. The machines specified are Boeing 40 H4 machines, which are of the single-engine type, but across Cook Strait, if the Board desired, twin-engined machines would be used of a type to be selected. Time-tables were supplied. The financial proposals of the company were explained to the Board *in camera*. The company has already 4 Hermes Spartan machines, which could be used on feeder services.

Each applicant expressed the hope of obtaining a subsidy for its service, although no application was made to depend on the receipt of one; and the Board made it clear that such a question was outside its province, and that any service applied for must be carried on, if approved, independently of any subsidy.

The provisions which the Board must take into account in the licensing of air services are set out in the Transport Licensing (Commercial Aircraft Services) Act, 1934, section 8. Subsection (1) sets out general considerations to be taken into account, and if satisfied as to these the Board must consider more specific questions set out in subsection (2). Subsection (1) reads as follows:—

> "In considering any application for an aircraft-service license the Board shall generally have regard to—
>
> "(*a*) The extent to which the proposed service is necessary or desirable in the public interest; and
>
> "(*b*) The needs of New Zealand or the district or districts as a whole proposed to be served, in relation to transport, whether by air, land, or water; and
>
> "(*c*) The value of the proposed service and the aircraft and ground organization thereof for auxiliary defence or other purposes in case of national or local emergency."

Clauses (*a*) and (*b*) are on similar lines to the corresponding clauses in section 26 of the Transport Licensing Act, 1931, which the Board has had some experience in dealing with. They are very general in character, and we need not dwell upon them further at this stage, except to say that in our opinion any one of the three applications may be considered by itself to fill the requirements of these clauses. We are, however, of the opinion that to permit more than one such service over the whole route, at the

present time, would involve wasteful competition, and would cause such loss to competitors as would eventually result in deterioration of the services concerned. In a venture having such potentialities for danger, it is of great importance the person or company carrying it out should not be invited to take risks to beat a competitor, or to restrict some expenditure desirable for safety. In fact, many reasons present themselves to us for deciding that one through service over the main route is enough, at any rate to start with. With this view we believe all three applicants agree. It has been suggested that the main route might be divided between competitiors, and that each should fly over one portion of it, but this does not appeal to us. We think it better to have unity of control over the whole route.

As to clause (*c*), the aircraft and ground organization of any large service must be of some value, but in assessing that value we must rely mainly on the advice of the Controller of Civil Aviation and other officers of the Defence Department.

We have decided, therefore, with regard to all three applicants, but with some hesitation as to one of them, to take into consideration the matters referred to in subsection (2). Some of the clauses in this subsection are of a very general nature, but a consideration of clause (*d*)—the financial ability of the applicant to carry on the proposed service, and the likelihood of his carrying it on satisfactorily —causes us to eliminate one of the applicants—N.Z. Airways, Ltd. We have some doubt in any case whether we should have considered this applicant further having regard to clause (*c*) of subsection (1), because the Controller of Civil Aviation says the machines proposed to be used "cannot be regarded as of any great value from a defence point of view." Disregarding this point for the moment, we are not satisfied with the financial ability of the company to carry on the service. We must not be assumed to reflect on the solvency of the applicant company, or on its efficiency in carrying on the business which it conducts at present, but to carry on a complete trunk service large reserves of capital are essential as well as funds for the immediate purpose of buying and equipping aeroplanes. A company undertaking the air service over a long route must be prepared to meet losses and unforeseen expenditure; and every precaution must be taken to prevent financial difficulties which might be reflected in mechanical unsoundness of the operator's fleet. In addition, we are not satisfied under clause (*i*) of the subsection with the type of aircraft proposed to be used. They are single-engined machines which the Controller of Civil Aviation condemns as "obsolescent," and which he states are "being discarded" from American air routes. The Board considers the best and most modern machines should be procured, that these should be of British manufacture, and that over the main route single-engined machines ought not to be used.

We pass on to consider the applications of the Union S.S. Co. and of Mr. Withers.

The main difference between these applications is that the former intends in the first place to fly between Palmerston North and Dunedin only, and to extend its service later. If the service commenced in October the company would be ready to take in the section between Auckland and Palmerston North, if required by the Board, not less than six months later—that is, say, not before April, 1936. The latter would be able to commence its service, according to Mr. Neilson, in December. It would therefore probably be later in beginning its service, but earlier over the northern part of the route. A further important point is that the first applicant would omit Wellington from its route, while the latter would include it. The first service might use different machines over the northern section; its definite idea is to take the mails from Palmerston North, where mail routes from the north, east, and west of the North Island now converge, and convey them to the South Island, and *vice versa*. To suit the mail-service at Palmerston North, the times of arrival and departure at that place need to be such as makes it difficult to fit in any extension of the service to Auckland; that part of the route might have to be run on an independent time-table, and with different machines, and there are evident difficulties over the connection, though these difficulties are not entirely insuperable.

While taking evidence with regard to these applications we were inundated with witnesses and representatives of local authorities and public bodies in the Auckland and Taranaki Districts and Wellington City, who all desired a more extended service than that which the Union S.S. Co. proposed in the first place to run. We are rather at a loss to understand much of the agitation of these witnesses, because there does not seem a very material difference, so far as Auckland and Taranaki are concerned, whether the service starts about December as proposed by Mr. Withers or about April, 1936, under the Union S.S. Co.'s proposals. The permanent exclusion from a long-distance service of so large a part of the population of New Zealand as resides in the northern and western areas of the North Island would be absurd, but it seems to us that the question whether such a service should begin in December or April is not a point of supreme importance. The provision and equipment of aerodromes for large passenger machines must not be overlooked, and even if licenses are granted it is by no means certain that all aerodromes on the longest route can be ready on the dates suggested by either applicant. Much work has to be done before the service can be commenced. None of the aerodromes in New Zealand, except the one at Christchurch, are of the "A" class yet, and only three (two of which neither applicant intends to use) are of "B" class yet; and the single "A" class ground is for defence purposes, and is therefore not permanently available for civil aviation. Work on some aerodromes is progressing, however, and by the time services are ready to start it is believed several will be sufficiently advanced for use. The evidence of local authorities and public bodies entirely disregarded the condition of aerodromes, except to indicate the perfection of Rongotai, but we venture to say it is a question on which the witnesses should not remain apathetic, because through licenses may be granted the actual flying to any point cannot begin before the landing-ground has a real margin of safety in all weathers for the machines to be used. As to the route to be followed, these witnesses were all in favour of the long route, but with one exception no thought had been given to the exact course to be followed, and only one of these witnesses was able to indicate the places at which calls should be made. The one exception was the Hon. J. McLeod, to whose evidence we attach weight, and who has long been connected with

aviation in New Zealand. Mr. McLeod thought the route should be Auckland–New Plymouth–Palmerston North–Christchurch–Dunedin. He would eliminate Wellington, where he does not consider flying conditions are possible for the trunk service at present.

There is little to choose between the applicants under several of the headings of subsection (2), but we must refer to question of the carriage of mails. The view of the Post Office is that the service intended to be provided between Palmerston North–Christchurch–Dunedin by the Union Steamship Company is the only one that interests them. The Post Office maintains that letters are usually written during the day, and posted at the end of business hours in the afternoon. For such letters the existing mail-service between Auckland and Wellington and between Wellington and Christchurch is all that can be desired; because the letters between these places are posted in the evening and arrive at their destination by the following morning. Letters posted in Auckland for the South Island, or those from the South Island for Auckland, will reach their destination quicker by air between Palmerston North and Christchurch, and transhipment to or from the train at Palmerston North, than by keeping the letters overnight at Auckland or Christchurch, as the case may be, and then taking them the whole distance by air. A simple analysis of the times of arrival and departure will demonstrate the soundness of this conclusion. As to passengers, however, quite different considerations apply, and if a passenger desires to make his journey as quickly as possible his transit will be much more rapid by air, and the long-distance flight is therefore preferable. All the evidence at our disposal agrees that night flying is still not possible in New Zealand with any safety. While still discussing the question of mails, we ought to note the possible future importance of New Plymouth as a mail centre, if it becomes the landing-point of a trans-Tasman service.

While it is a matter not specifically mentioned in the Act, we are convinced that the control of any company undertaking a trunk service within New Zealand ought to remain in New Zealand.

We should have preferred the two rival applicants to have joined forces, and so have established a strong company to carry on the service. With this end in view, we brought the parties together for negotiations, which unfortunately were not successful, and it seems impossible for more to be done in this direction.

Taking all the above factors into consideration, we have come to the conclusion that some service beyond that which is proposed by the Union S.S. Co. is desirable. It is true their service could be extended at a later date, and it is likely also that, whatever applicant is granted a license, the entire service cannot be commenced from the outset. We feel, however, that the Union S.S. Co.'s proposal in its initial stages is not quite sufficient, because except by feeder services it is out of direct touch with half the population of the country, and particularly the two largest centres. Its aim is primarily to be a mail-service, and many difficulties are involved in its future extension. The main service must be one that can fly from Auckland as far south as possible. Treated as a service only from Palmerston North to Christchurch or Dunedin, the Union S.S. Co.'s proposal is a valuable one, and we see no objection to a license being issued to it for this particular route—in addition to the main license which must go elsewhere—and thus both passengers and mails will be adequately provided for.

We propose, therefore, to grant a license to Mr. Withers' intended company, upon its incorporation, the precise terms of the license to be stated later. Mr. Withers must satisfy the Board that the control of his company is in New Zealand. The machines to be used must be of British manufacture and of a type to be approved by the Board. The service will in the first place be on the route proposed by the applicant from Auckland–New Plymouth–Wanganui–Palmerston North–Wellington–Blenheim–Christchurch–Timaru–Dunedin, but subject to the remarks hereinafter made. The company must be incorporated and in a position to receive a license at a date which the Board will fix after discussion with Mr. Withers; and the date of commencement of the service and other incidental points will then be arranged.

The Union S.S. Co., if it so desires, may have a license on similar terms for the route Palmerston North–Christchurch–Dunedin.

It may be that under these circumstances Palmerston North will be sufficiently provided for by the Union S.S. Co. without being made a calling-place for the Great Pacific Airways. This can be settled later.

The state of the aerodromes on each route is an important factor affecting all the applications before us. It may happen that services licensed by us will be ready to operate before the landing-grounds proposed to be used are fit for the purpose. We have asked for a report to be furnished to us on the state of these grounds, and when it is ready we shall be in a position to say which grounds can be used at once. An inter-departmental committee is at work on the matter, and the information collected by it will be of great value and will guide us in allowing or refusing the use of any ground. Until we know any aerodrome is in a safe and proper condition, its use will not be permitted and the license will not include it.

We desire to refer to the special case of Wellington as regards any flying-service in which it is an intermediate port of call. Subject to the report of the committee mentioned above, which may result in some modification of its views, the Board feels it is incumbent upon it to make special provisions having regard to the difficulty and danger of making calls at Wellington, due mainly to climatic reasons. The same consideration does not apply to an equal extent to the short-distance flights already licensed between Wellington and Blenheim and between Wellington and Nelson, because on them the weather conditions in Wellington can be more easily forecasted when the flight begins. For the long-distance flights further precautions must be taken. Evidence given by experts, and not contradicted, shows that on at least 10 per cent. of the flying-days a landing at and departure from Wellington could not be made according to time-table, and that on at least 5 per cent. of such days a landing or departure could not be made at all. The Hon. J. McLeod also was of opinion that Wellington must be omitted

at present. We are fully aware of the importance of Wellington as the capital city and the focal-point of all business interests in the Dominion, but we cannot take the responsibility of allowing Wellington to be a regular port of call under present conditions. The personal safety of travellers is involved, and, in view of the distance from other landing-grounds, we feel it would be wrong for us to allow pilots to take the risk of landing at Wellington without certain restrictions. We realize the importance of this decision, but we realize also our duty in the matter. With passengers for Wellington on board, or with passengers to pick up, the temptation would be strong to land under dangerous conditions. The aerodrome at Rongotai may be as good as some witnesses say, or it may be capable of improvement, but in addition to it—or in substitution for it—there must be a landing-ground provided at some other place more remote from the dangerous climatic conditions which prevail in Wellington. Such a ground should be sought and prepared for the service. We are informed that Porirua would probably not be satisfactory, but it may be possible to obtain one at Paekakariki. Until such a ground is available, at least for emergency landings, we cannot allow a regular call at Wellington. When the company is formed, we may be able to frame suitable provisions to cover the case meanwhile. We refer to the fact that even at Croydon, where all the latest appliances are in use, it appears it is frequently impossible to land, and an emergency ground is used.

Finally, we mention again the third applicant, N.Z. Airways, Ltd. This company has already done some flying, especially in the south, and is entitled to consideration in other directions. It applied for a license to cover certain auxiliary routes, as well as for the main service, and for a license for a taxi-service also. We adjourn the application as regards these other routes and the taxi service to enable the company to lodge an amended application for any service that may now be open for it.

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