

*The New Zealand Railways Magazine*, now in its thirteenth year of publication, continues its reputation as "New Zealand's national monthly." National features and illustrations have been increased, and the value of this publication from the railway viewpoint has been well maintained. The success of this progressive policy is seen in the response of the general public and advertisers.

The returns from sales and advertising totalled £4,458 16s. 1d., an increase of £575 1s. 9d. (14.9 per cent.) over the previous year.

During the year it was found necessary to increase the circulation from 20,000 copies per issue to 23,500 copies in order to supply increased staff and to make a full distribution to ledger-account holders. Increasing numbers of readers are buying copies of the *Magazine* for despatch to friends or relatives overseas. Altogether, sufficient copies go to residents of other countries to give the *Magazine* an important place among publications planned to attract visitors to the Dominion.

### COMMERCIAL BRANCH.

The remarkable growth in practically all sections of the Dominion's trading and industrial activities during the past year has naturally been attended by a proportionate increase in the volume of goods requiring transport, and the activities of the Commercial Branch have been concentrated on securing to the railway such portion of the total business offering as it might reasonably expect to handle. To this end the Business Agents in the various districts have maintained a close personal contact with the business, industrial, and farming sections of the community. Apart altogether from purely commercial considerations, this association has been of definite value in gaining for the railway administration a first-hand knowledge of the problems and requirements of individual users and enabling it in many cases to so adjust either the services or conditions of transport as to best meet their particular needs.

An encouraging feature of the year's operations has been the marked expansion of railway business, as evidenced by the record gross revenue earned, this result having been achieved despite the continued existence of strong road competition. To the extent that this condition has resulted in a serious wastage of capacity arising from the existence of transport services on a scale far beyond actual requirements, the co-ordination of the long-distance road-transport services with the rail, as contemplated by the policy now being implemented, promises welcome relief in the direction of a lowering of the Dominion's transportation costs. The measures which have been adopted in the past in the matter of the licensing of goods road services, whilst effective in more or less maintaining the *status quo* as it existed when the system was introduced, provided no real solution of the problem, inasmuch as road transport had already become established up to near saturation point and the licensing system merely had the effect of regularizing its operations and giving a monopoly value to the established services.

Past experience, not only in New Zealand but in other countries, has clearly demonstrated that no system of transport control which permits of the development of services on a competitive basis without due regard to the economic necessity of preserving a proper relationship between the requirements of the area to be served and the capacity of the transport services to meet those requirements can hope to function successfully. If the position is examined impartially, consideration being given to the interest of the country as a whole and not to that of the individual user or owner, the objective should be the regulation of the available transport facilities in such a way as to ensure the provision of services capable of fulfilling efficiently and at the lowest possible cost the whole of the work they are required to perform. To the extent that the policy that has been adopted is designed to create the position where road and rail transport will function efficiently as part of a comprehensive whole and not as separate entities, its application in New Zealand will undoubtedly be a vital contributing factor towards the attainment of this objective.

An aspect of the competition between road and rail which has been referred to in previous reports, but which, by reason of the importance of its bearing on the general question, merits further emphasis, is the clash between two systems of rate-making—one, developed by the railway, being based on value of service; the other, adopted by road operators, based on cost of service. The low rates fixed by the railway for the conveyance of raw products and other commodities essential to production are made possible by charging relatively higher rates on manufactured goods and high-priced commodities. In this way the movement of all classes of goods at rates within the limit of their capacity to bear has been facilitated, and the principle of rating has therefore a strong economic background.

The road operator, on the other hand, makes no similar discrimination in rates, nor have the conditions under which his business has been developed rendered it necessary for him to do so, for the reason that his attention has been devoted almost exclusively to the conveyance of the higher-rated goods from which he secures the best financial return. Rather than accept the alternative of sacrificing the whole of the merchandise traffic to their competitors, the railways have been compelled to adjust their rates to meet the changed conditions, and the railway-rate question has as a result become more and more involved in its relation to the balance of transport values with each step in the broadening field of transport competition. The position is exemplified by the existence in many areas throughout New Zealand of freight rates for specified classes of goods having purely local application between defined points. The standard of the charges has been determined by the elementary consideration of "get what you can," provided always that the revenue return is sufficient to meet the costs incidental to the movement of goods and make some contribution to fixed expenses. In this way the stability of the railway-rates structure has been seriously undermined and the financial ability of the Department to continue to assist industry in transporting raw materials and bulk goods at low freight rates has been weakened.