

On the average, a general-goods wagon earns over 18s. per day, and on this basis alone the lorries have paid for themselves without taking into account the revenue from the traffic handled or the savings in railway operation. Furthermore, in many cases better service to the Department's clients has resulted.

In addition to the satisfaction this method of operation has given to the Department, there is also the fact that by it the business of the private area carriers is also protected. There are, of course, certain classes of goods, such as extremely fragile commodities, which require a service direct from the premises of the consignor to those of the consignee, and demands for this class of service are being catered for, but as a general rule the local carriers co-operate with the Department and a service which is entirely satisfactory and, in many cases, cheaper can be provided by the railways and the local carrier.

I cannot, however, refrain from remarking upon the tendency in some quarters for the necessity or desirability of a proposed door-to-door service to be viewed purely from the viewpoint of the absence of such a service without any regard for the other services which are already available. The granting of licences in such cases would mean that the Department, in order to protect itself and irrespective of the train and ancillary lorry services already available, would itself have to put on a door-to-door road service, with resultant uneconomic rail and road operation and, furthermore, with detriment to the local carriers at both ends.

As has been frequently pointed out in connection with goods traffic, railway costs are to a large extent fixed and cannot be reduced in proportion to reductions in traffic. For example, while reduced traffic may mean fewer goods-trains and therefore reduced costs, the costs of maintaining the track, signalling equipment, terminals, and the organization generally remain to a large extent fixed. Railway goods rates are based on this fact, and, if, therefore, a competitor comes forward who can carry the highly rated goods at a cost equal to or lower than the highest railway rate, but not equal to or lower than the lowest railway rate, he may abstract a substantial quantity of highly rated traffic. The result is that the total quantity of traffic is reduced, there is less traffic over which to spread the same fixed costs, and consequently the lower rates must be raised. Apart from the effect on farming and industry, the increase in rates may place some of the lower-rated categories within the cost of the competitor and thus produce a vicious circle.

This result has been avoided in the case of goods traffic by the Government's policy in connection with long-distance goods road transport competing with rail.

What, however, has not been so often pointed out is that the same result obtains where passenger traffic is lost. Passenger-trains cannot be varied from day to day according to traffic as can goods-trains and it is more difficult to reduce direct operating-costs. But even if the loss of passenger traffic is sufficient to warrant the elimination of a number of trains, the fact remains that there is less traffic over which to spread the fixed costs. If passenger fares are increased, then the vicious circle of increased loss of traffic results. The net result, unless there is some compensating factor, is that reduced passenger traffic means an increase in freight rates.

At the present time, so far as road competition with rail is concerned, there is a compensating factor in that the profits from the railway road service passenger traffic are available in the final balance of the whole undertaking to cover the proportion of fixed costs which would otherwise have been covered by that passenger traffic in rail fares.

There are, however, two matters in this connection to which attention must be called. The first is that, as in the case of goods, so also in the case of passengers, there is a tendency to view the necessity and desirability of a road passenger service purely from the aspect of the absence of such a service in the particular area and irrespective of the rail services available. In some cases where the routes and terminal points do not exactly coincide, even the railway road services are ignored.