

Allowing for interest at 3½ per cent., the loss for the year on the Whangarei Section was £32,691 ; Kaihu Section, £5,042 ; Gisborne Section, £19,213 ; South Island main lines, £327,297 ; Westland Section, £57,528 ; Westport Section, £4,942 ; Nelson Section, £22,197 ; Picton Section, £24,680 ; Lake Wakatipu steamers, £3,108 ; total, £496,698.

It is abundantly evident that so long as the inflated price of all stores and materials used in the operations of the Department and the existing high rates of wages and conditions of employment resulting from the war remain operative, a continuation of the pre-war policy, adopted when revenue was buoyant and operating-costs were low, of providing services as a convenience, will have a most serious effect on the finances of the Department. The existing conditions necessitate serious consideration being devoted to the question of whether the Department is to continue to run at a loss services that in the past were laid on as a pure convenience, or to provide only services that are essential to meet the reasonable and legitimate business requirements of the country. To this there should be only one answer ; nevertheless, every proposal of the Department to discontinue unprofitable train services and run the others on business lines has met with strong opposition from end to end of the Dominion, the cumulative effect of this is indicated in the figures quoted above.

Reports dealing with the railways in South Africa, America, Great Britain, and the Australian States show quite clearly that the railways in those countries are suffering from the effects of the war to a much greater extent than New Zealand, and the deficits for the year greatly exceed ours. In summarizing the results several of the Administrations give prominence to the heavy cost involved in the increase in pay and alteration of conditions made by respective Wages Boards, and say definitely that the application to the railways of a rigid eight-hour day, each day standing by itself, makes the cost of operating prohibitive. This confirms the experience in this country, as indicated in the results of working for the year now under review.

The extent to which railway administrations have increased their charges for the purpose of compensation for advanced cost is shown by the following figures :—

Railway Systems of	Percentage Profit to Capital invested.	Percentage Increases over Pre-war Rates.		Latest Date to which Information available.
		Fares.	Freights.	
New South Wales	4.48	53	40	1920
Victoria	4.01	66	51	1921
South Australia	3.23	44	44	1921
Western Australia	1.46	16	27	1921
Queensland	1.61	15	15	1920
Tasmania	1.50	17	19	1920
Tasmania	2.21	20	25	1920
Commonwealth (Australia)	*	23	10	1920
New Zealand	4.53	25	40	1920
Canada	3.42	25	40	1921
United States of America	2.04	80	80	1919
United Kingdom	3.65	80	93	1920
Norway	4.23	125	100	1920
France	*	110	150	1919
Switzerland	*	75	140	1919
Denmark	1.25	135	180	1918
Denmark	*	110	150	1918
Argentina	3.01	32	33	1918

* Indicates railway systems on which revenue did not cover working-expenses.

The latest report of the New South Wales railways shows a deficit of £577,032 for the year ended 30th June, 1921 ; South Australia, a deficit of £561,304 ; Victoria, £651,635 ; Western Australia, £418,370 ; and Queensland, £1,739,475 ; South Africa, for 1920, £598,898. In the United States alone forty-eight of the first-class lines earned revenue that was insufficient to meet the working expenditure. The causes of the deficit in operating the railways referred to above, and of the very serious losses made by Canadian, French, Italian, and American railway systems, have been the prime factors in producing the deficit of £124,000 resulting from the year's working of the New Zealand railways.

In making this statement I do not wish to invite any general comparison as between the working of New Zealand railways and other countries. It is obvious that such a comparison, to be of any real value, must, owing to widely varying conditions, particularly in matters of policy, involve a much more thorough-going scrutiny of results than is indicated by the figures I have quoted.

But when on a mere general survey of results, such as have been made above, the same tendency is observed on all the different systems, it bespeaks a common element affecting them all. This element is, of course, in the present instance, the influence of the war, and the purpose of the statement is merely to indicate how it has affected the railways in New Zealand in common with those in the other countries referred to.

I have, &c.,
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General Manager.

The Hon. the Minister of Railways.