

Freight revenue increased by £83,969, or approximately 2 per cent. Substantial increases in live-stock, grain, frozen meat, dairy-produce, wool, native coal, motor-spirit, cement, and manures were to some extent offset by a decrease in timber and road-metal. It is unfortunately a fact, however, that owing to the operations of competition by road services the railways are not securing the full benefit of the increased primary production in the Dominion.

On the expenditure side the principal increases occurred in maintenance of permanent-way and signals (£74,743) and maintenance of rolling-stock (£77,283). The increase in permanent-way expenditure is due partly to the greater average mileage of track maintained (twenty-one miles) and the necessity for improving the condition of tracks and bridges to carry a greater volume of high-speed traffic, and heavier axle-loads.

The increased cost of maintaining rolling-stock is attributable largely to the higher overhead charges arising out of the workshops reorganization, on which heavy expenditure (that is not yet reproductive) has been incurred. This is a transitory circumstance which will automatically right itself when the reorganization is complete and the assets represented by the old workshops have been realized upon.

The greater number of dwellings provided for the railway staff was responsible for an increase of £24,717 in expenditure, while additional road motor services account for an increase of £23,877, including full provision for interest, depreciation, and maintenance.

During the year the number of men employed was considerably in excess of requirements, but as a matter of policy their services were retained in order to relieve unemployment.

RETIREMENT OF RAILWAY BOARD.

Mr. F. J. Jones, Chairman of the Railway Board of Management, retired on the 31st March, 1928, and the necessity arose for a reorganization of the railway administration. Of the remaining two members of the Board, Mr. A. W. Mouat had already asked to be allowed to retire and Mr. J. Mason expressed his willingness to retire in order to facilitate the Government's efforts to secure a permanency in administration.

After carefully considering all aspects of the matter, the Government decided to appoint Mr. H. H. Sterling to the position of General Manager. It will be remembered that Mr. Sterling was Assistant General Manager a few years ago, and that he was later a member of the Railway Board, from which he resigned to take up the important position of General Manager for the New Zealand Co-operative Dairy Company, Ltd.

The knowledge thus gained in commercial activities outside a Government department, when coupled with his previous railway experience, should be of very great value, especially in so far as Mr. Sterling has had an opportunity of gauging the attitude of railway users, and gaining actual experience of their points of view.

I am sure that his return to the Department as General Manager with an enlarged commercial and executive experience will be of material assistance to the Government in connection with the administration of this important Department.

In reference to the retirement of the Board, I desire to express my own keen appreciation, and that of the Government, in regard to the industry applied by the late Board in dealing with the large volume of work necessitated during their term of office by the introduction of new methods and a modernized policy. I also wish it to be placed on record that the Board performed good work at a critical stage of railway history. The long list of reforms in administration and benefits given to the user during the Board's regime, are recognized by all those who patronize our railways.

TRANSPORT CHARGES.

The goods traffic conveyed on the New Zealand railways shows a steady growth, but it also has suffered severely from road competition, principally in the higher-rated classes of goods. The average charge for conveyance of freight traffic by rail last year was 2·41d. per ton per mile. If this average charge could have been