

The last actuarial examination of the Government Railways Superannuation Fund was made in 1919–20. In the report that was then made it was recommended that the subsidy to be paid by the Government into the fund should be at the rate of £170,000. The subsidy was accordingly increased from that time year by year until it reached the sum named in 1926, since which time it has remained at that figure. A further actuarial investigation is now being made, and it is expected that it will be concluded at an early date.

CONCLUSION.

I have elsewhere in this report mentioned that we are by improved facilities and the adoption of commercial methods in seeking and attracting business endeavouring to develop rail-borne traffic. I wish, in conclusion, to express some thoughts in regard to what might be termed the commercialization of the railways. Since the advent of motor competition and the growth of the debit balance as between revenue and expenditure there has been a growing tendency to judge the railways on the results of their working from a commercial standpoint. To this no possible exception could be taken if the railways were in fact a commercial institution, and the fact is that at present they are not. As I have indicated, we have in the internal working of the Department adopted commercial methods, but there is a limit to which the management as such can carry this commercialization process. We find in most of the major and a good many of the minor questions that come up for settlement non-commercial aspects entering into the matter. Whether this should continue or not is not a matter that is within our province to discuss, our purpose here being merely to point out the fact in order that no injustice should be done or misunderstanding arise as regards the position of the railways from a working point of view. To judge the results of the working of the Department from a commercial standpoint when the Department is not a commercial institution is as unfair as it is positively harmful.

The growth of the idea of the commercialization of the railways is one of the most outstanding features of the railway problem to-day. The pressure on the State finances of deficits on account of the working of the railways has been a growing one, until it has assumed dimensions that compel serious consideration. It has been too often assumed that this growth has been due to some defect in the working of the system. An analysis of the position does not support any such assertion. The policy is determined from time to time by the Government of the day and has to be accepted by the management, which then is charged to do its best to apply that policy to the working of the system. In applying the policy commercial methods are being used to the utmost possible extent; but unless the policy is commercialized, then at the very source of our operations we have a non-commercial factor which operates throughout the whole and sets definite limitations on the capacity of the management to get commercial results.

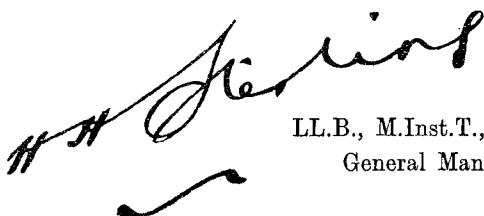
Commercialization means nothing else but the adoption of such a policy and such methods of working as will ensure the best financial results directly through the revenue and expenditure accounts. If this result is aimed at, then the only logical thing to do is not only to commercialize the methods of working, but also to commercialize the policy. The latter is unquestionably the governing factor and definitely circumscribes the operations of the former. Whether the Department should be thoroughly commercialized is a policy question which this is not the place to discuss. I feel, however, that in justice to the railwaymen—and, indeed, to the country itself—the issue should be laid bare.

Some steps have already been taken which seem to be consistent only with a policy of commercializing the Department. The action taken in that direction cannot, however, be fully effective until all non-commercial influences have been eliminated. The point is that to get the best results under either system—that is, under a non-commercial or commercial policy—one or the other should be definitely adopted both as a standard for the operations of the Department and as a standard by which to test its results. To adopt one for one purpose and the other for the other purpose is inconsistent, futile, and harmful.

The position that has arisen in South Africa is in many respects analogous to that which has arisen here and has been made the subject of a very able work, entitled “The Railway Policy of South Africa,” by Dr. S. H. Frankel, Professor of Economics and Economic History at Witwatersrand University, Johannesburg, and, while not necessarily agreeing with all the conclusions arrived at therein, I would commend this work to the study of all those who are interested in the railway problem in New Zealand.

I have endeavoured in this report not only to give an account of our stewardship for the past year, but also to state the major questions involved in the railway problem in New Zealand as I see it, and, as far as I might do, I have endeavoured to point the way to a solution.

I have the honour to be,
Sir,
Your obedient servant,



LL.B., M.Inst.T.,
General Manager.