

I am well aware of the necessity of providing rates for the conveyance of our valuable exports on a scale which will enable them to compete successfully in the world's markets, and I think it it will be found that, when all the circumstances of the case are taken into consideration, the rates charged for the commodities which constitute the principal items in the railage bill of the man on the land are now on such a basis as will achieve this desirable object and at the same time assist materially in the further development of the agricultural and pastoral wealth of the Dominion.

I am optimistic enough to think that with the development which has taken place in the top-dressing of the lands of the Dominion (in which low railway rates for fertilizers play no small part), and the valuable research and experimental work being carried out by the Agricultural Department, the two agricultural colleges, and the various experimental farms throughout the Dominion, the indications point to a considerable increase in our export trade. For bulk transport, which constitutes the major part of our exports, the Railway Department has the facilities and equipment to deal efficiently with such traffic, and there is no doubt that the railways alone can in the future, as in the past, provide that measure of assistance to our rural industries through the medium of transport that is so necessary for the expeditious development of those industries. But to do this adequately the railways themselves must be in a healthy condition, and any action that tends to weaken the railways will likewise affect adversely their power for service, and the rural industries will undoubtedly suffer.

STATISTICS.

I have already mentioned that, considered from the point of view of the financial return from the Department's operations, substantial progress has been made. I do not, however, regard these figures as adequate for the purposes of any judgment on the Department from a managerial point of view. I have dealt with some of the reasons for this (though from another standpoint) in my comment regarding the question of increasing rates for the purpose of making good the difference between revenue and all charges. Summarizing the position, it is that while on the expenditure side the *whole of the costs* necessary to give the service to the community that is given through the railways (including both "policy" service and what might be called "commercial" service) are included, the *whole of the return* to the community resulting from such expenditure is not reflected in the railway revenue statement. Whether the revenue and expenditure accounts may be a sound foundation for a judgment on the railway results from a standpoint that comprehends the whole railway issue (including the policy under which the railways are worked) is not a matter that can be here discussed, but I do submit that in considering the railways from a *managerial* point of view these accounts are not necessarily a sound basis for judgment, and they may be positively misleading. To conclude that a debit balance as between these accounts is evidence of defect in the management is as unfair as it is incorrect, inasmuch as it ignores factors vitally bearing on the balance on these accounts, over which the management, as such, has no control whatever. Such factors may be collectively subsumed under the heading of "policy" and those factors, *qua* policy, are non-managerial.

Are we then to have no test of managerial efficiency? To answer this question I think we must consider what can and should be expected of the management. Stated in the fewest words, it seems to me that the duty of the management of a railway system such as ours is to carry out the policy set for the working of the Department at the lowest cost that the carrying-out of such policy permits of. Obviously we cannot eliminate *all* the factors that might be held to vitiate the test, but we can get a nearer approximation to such elimination than the above-mentioned accounts afford. I think that better information on the internal working of the Department can be obtained by reference to the operating statistics. Even these do not wholly eliminate non-managerial factors. As being principally concerned (as regards the financial figures) with the working-costs, they will be affected by such non-managerial questions as decisions of the staff Appeal Board (the constitution of which, among other things, takes the final determination of all appeals in respect of the remuneration to be paid for First Division positions out of the hands of the management); the policy in respect to unemployment (which may require the Department to carry a larger staff than is really necessary for the demands of its business); the policy regarding preference to locally-made or Empire-made materials (which may require the Department to pay more for its materials than it otherwise would). I do not wish to be misconstrued as implying any judgment (adverse or otherwise) on these matters. I merely mention them in an endeavour to assist towards a clear judgment on the railway position; and while an interpretation of the statistics may entail consideration of, and allowance for, such factors as those mentioned, I think they approach much more nearly to an elimination of non-managerial factors than the mere balance of the revenue and expenditure accounts.

In order to apply such practical tests of managerial efficiency, advantage has been taken of the gross ton-mile statistics now available to compile unit costs and operating-performance statistics for each locomotive and traffic district. The value of the figures is somewhat discounted by the overlap between Locomotive and Traffic districts, such districts not being coextensive, making it difficult to get a complete statement of all transportation costs or performances in any one district. This defect will, however, be overcome in the future by an arrangement for the further development of divisional control as elsewhere outlined. The statements are, however, as complete as it is possible to make them, and as an indication of operating efficiency will repay careful study. The basic figures on the one hand are the costs in terms of money and in man-hours, fuel and oil consumption, and on the other the production measured by several different units such as train-miles, train-hours, gross and net ton-miles, vehicle-miles, engine-miles, and engine-hours. From these figures are derived the cost per unit of production, and indexes of operating efficiency such as the average train-speed, average train-load, gross and net ton-miles per train and engine-hour, net ton-miles as a percentage of gross, vehicles per train, average wagon-load, and percentage of empty to total wagon-miles.