

gradually work down to $4\frac{1}{2}$ per cent. at par, but it is impossible for any one to say when that position will be reached. I am hopeful that the lending rates for new advances can be started on the downward path before long. The Settlers Branch last year made a profit of £30,465, equal to 3s. per cent. on the capital invested, and the Workers Branch a profit of £10,887, equal to 2s. 1d. per cent. on the capital.

RAILWAYS AND ROAD TRANSPORT.

Railways and road transport.

The next matter I wish to deal with is the position of our railways, with which is involved practically the whole transport problem of the Dominion. As is also the case in many other countries, this is one of the major, if not the foremost problem with which we are faced. The development of road transport is comparatively recent, and I doubt whether the true significance of the problem is generally appreciated throughout the Dominion.

Railway revenue and expenditure.

The Railway revenue for last year amounted to £8,249,038 and working-expenses to £6,849,383, leaving a net revenue of £1,399,655. Subsidies on branch lines and isolated sections (paid and accrued) amounted to £498,937, giving a total of £1,898,592 available for interest charges amounting to £2,331,335. The result of the year's working was, therefore, a loss of £432,743 so far as the Railway Department was concerned under present arrangements. The subsidies merely represent losses already borne by the Consolidated Fund, so that the disclosed loss for the year is approximately £930,000, as against £280,000 for 1925-26, the first year of operations under the present system. The real loss is even greater than is indicated by these figures, as there are certain capital charges which the Railways have not been asked to carry.

Railway losses.

Now, that part of the loss which is at present carried by the Railways must be met out of their working capital and such reserves as they have for renewals and depreciation, &c., and as soon as these are represented only by accumulated losses, the Railways will obviously be unable to carry on without further assistance from the Consolidated Fund. This will mean that the whole of the losses will have to be borne directly by the taxpayers as the same accrue, and I am satisfied that if the present drift is allowed to go on for only a few years longer the taxpayers of this Dominion will have to find not less than £2,000,000 a year to meet Railway deficits. That is what we are faced with.

Capital cost per open mile of line.

The heavy construction costs of the lines added to the system in recent years, together with the extensive programme of improvement works authorized by the previous Governments, and better rolling-stock, have together been responsible for raising the average capital cost per open mile of line from £12,106 in 1920 to £17,210 in 1929. This has meant increased interest charges, especially in view of the high rates for money that have ruled in recent years, against which net earnings per open mile have gone down in about the same ratio as the capital cost has gone up—viz., from £551 in 1920 to £353 in 1929.

Comparison of Railway revenue.

As to the causes of this falling-off in Railways earnings, I would draw honourable members' attention to the following comparison, to obtain which the additional revenue and expenditure in connection with advertising, motor services, and other subsidiary services have been omitted from the 1928-29 figures:—

Revenue—		1919-20. £	1928-29. £
Passenger traffic		2,594,440	2,502,887
Goods traffic		2,956,237	4,846,125
Miscellaneous		201,810	175,852
Total operating revenue		5,752,487	7,524,864
Working-expenses		4,105,067	6,374,579
Net operating earnings		£1,647,420	£1,150,285