

It will be seen that the seat of the trouble lies in the passenger traffic, where the revenue has declined, notwithstanding the fact that over the period, lines opened for traffic increased by 281 miles, while passenger train-mileage run increased by about 60 per cent. Had the passenger revenue increased in the same ratio as the goods revenue all would have been well. **Passenger traffic.**

The falling-off in the passenger traffic is undoubtedly due to the development of motor transport, which is becoming a rapidly increasing factor in the transport system of the Dominion as elsewhere. As things are at present there is no possibility of the road transport doing the whole job and superseding railways in the same way as railways displaced the coaches. It seems likely, however, that in certain classes of work, particularly short-distance suburban traffic, the road-motor will prove the most economical form of transport, but for long-distance traffic there is no doubt that when all costs are taken into consideration the railways provide the cheapest and most efficient means of transport. The present long-distance motor competition is profitable to-day because the motor is required to bear only part of the cost of surfacing and maintaining the principal roads, and escapes the interest charge on the capital cost of all roads, as well as many other charges incidental to motor traffic. The irony of the situation is that the heavy losses on the publicly owned railways are being largely brought about by good motor roads being built, also with public money, to facilitate direct competition with the railways. In other words, State capital is being provided to assist in the direct undermining of the earning-power of £57,500,000 of State capital already invested in railways. **Motor transport.**

The trains have to be run to carry the bulk of the traffic, and they could handle the whole of the long-distance traffic practically without any additional cost. Thus the long-distance motor competition amounts to pure economic waste, which the country can ill afford.

Good roads are nevertheless necessary, but unless the road-motor is to be made to carry the full cost of the roads so as to force traffic into the most economical channels (and even this would involve economic waste through unnecessary duplication of services) the main-highways policy must be framed as far as possible to bring about not direct competition, but co-ordination with the railways. The amount of borrowed capital available for roading purposes is not unlimited, and roads away from the railways should be the first consideration in the interests of trade and production. This aspect of the transport question appears to have been largely neglected up to the present. **Main-highways policy.**

In fact, it has been found in practically all countries that the only solution to the problem lies in co-ordination between the two forms of transport. In countries like Great Britain, where both rail and road transport are in the hands of private enterprise, it would appear that competition itself is forcing a solution through amalgamation and co-operation between the two services. In New Zealand, however, where only the road transport is in private hands and the railways belong to the State, it is clear that nothing will be done in this direction unless the Government takes steps to bring about co-operation. In fact, in view of the serious loss that will certainly result if the present trend of affairs is allowed to continue, I believe that the Government would be failing in its duty if it did not make a determined effort to control transport in the interests of the Dominion as a whole. How best to attain this object is a much more difficult matter to determine. **Co-ordination of rail and road transport.**

The Government desires to encourage motor transport as feeders to the trunk railway-lines and to and from those districts not directly served by the railways, so it would appear that the desired end must be obtained per medium of some regulating authority, which will direct the flow of transport into channels where it will produce the best results to the Dominion as a whole. The Government has already taken action in the direction of setting up a Ministry of Transport and an advisory Council. It is proposed to broaden the basis of the Council by giving the Railways adequate representation thereon, and by adding representatives of the commercial and farming interests who are also directly interested, in that unnecessary and wasteful duplication of transport facilities can only lead to higher transport costs all round. This Council, representative of all interests concerned, will be asked to fully investigate the whole complex problem and report to the Government as to the best means of eliminating wasteful competition and promoting co-ordination