

between the road and rail transport facilities of the Dominion. In short, some means must be found in the paramount public interest of rationalizing transport, and it is proposed to ask the Council to collate all the information in order to enable the Government to determine the course of action that will best conserve the interests of the community.

So far as the railways themselves are concerned, the Government is convinced that the trunk lines must be the backbone of the transport system, and, as I have already stated, every effort will be made to complete the trunk lines as soon as possible. Where the transport needs of any particular district can be met by motor transport on a good motor-road no further branch lines of railway will be built.

Branch lines of
railway.

The existing branch lines, almost without exception, do not pay working-expenses, let alone interest on the capital cost of construction. At present losses on branch lines and isolated sections are covered by a subsidy from the Consolidated Fund, which last year amounted to approximately £500,000. The isolated sections will for the most part be linked up with the trunk lines when the present construction proposals are complete.

The branch lines concerned consist of six short lengths of line in the North Island, on which the working loss, apart from interest, was £32,598 for 1928-29; and, including the Otago Central line, twenty-two sections of line in the South Island; working loss for 1928-29, £115,578. The total working loss on branch lines was thus £148,176, from which was deducted £57,592 for the estimated feeder value of these lines. Interest on the capital at $4\frac{1}{8}$ per cent. amounted to £273,221, making the total net loss on branch lines £363,805. Subsidy for losses on isolated sections amounted to £132,773, making a grand total of £496,578 paid out of the Consolidated Fund last year.

Some of these so-called branch lines—the Otago Central line, for instance—must remain as an integral part of the railway system, but some of the short lengths of line merely tacked on to the main lines have clearly served their purpose from a developmental point of view, and with the development of motor transport such lines have become obsolescent. In such cases any private concern would probably tear up the railway-lines, and it is a matter for consideration as to whether the Government should not do likewise. Clearly it is necessary to have all the facts before us in each case, and this is one of the matters where the proposed Council might do good work. The matter will be referred to the Council accordingly. In any such case where private enterprise has already established adequate motor services no further action by the Government would be necessary, but in other cases it might be necessary for the Railway Department to run a motor service. Either way the Government would see to it that the residents of the districts concerned have adequate transport facilities.

Writing-down of
Railway capital.

As to the loss of capital invested in such lines, I have to point out that part of the capital for the Public Works Fund has been provided out of transfers from national revenue, and when an allocation is made it is found that approximately £8,100,000 of the total railway capital has come from surplus revenue. Thus the capital sunk in lines that are done away with can be written off without impairing the total of assets representing loan capital. In any case the Government has decided to go further than this and write down the capital of the railways. At the same time the present subsidy out of the Consolidated Fund will be abolished. The present arrangement is unbusiness-like and confusing, and the proper thing to do (assuming it can be done) if the assets are not worth their cost from the point of view of earning-power, is to write down the capital. That is what any commercial concern would do. The capital cost of track and buildings of the branch lines at present covered by the subsidy arrangement is approximately £6,250,000. Thus when the railways have been relieved from payment of interest on £8,100,000 of their capital, not only will there be no interest payable by the railways on account of branch lines, but there will be an additional saving of interest to them to be set off against the working loss on those branch lines which after investigation it is decided to retain. Writing down the capital in this way will not involve any additional loss to the Consolidated Fund, as at present the interest received on branch-line capital is handed back to the Railways through the subsidy. On the other hand, the Consolidated Fund will not be relieved of any interest charge through the cancellation of the subsidy. The proposals simply mean that the capital derived from surplus revenue will be written off, and that will be the end of it so far as interest is concerned.