

The highest figure for construction costs shown in the first tabulation is the section Marton—Te Awamutu. The country through which this section passes is difficult from a railway-construction point of view, and the cost per mile when the line was constructed was considered to be heavy. It will be noticed, however, that the average cost of that section may be regarded as very low as compared with the costs of the lines that are now under consideration. The cause of the present high costs is to be found in the physical nature of the country through which the lines pass and the high unit cost of construction work. Construction costs in recent years have been found by the Board to range from an average of round about £30,000 per mile up to £76,000 per mile and even higher. Even taking the lower figure, at present-day cost of money, which involves a charge of not less than 5 per cent., the net revenue per mile per annum that would require to be returned in order to make the financial position secure would be £1,500. When it is realized that on the North Island lines *after excluding the non-paying branch lines*, as shown in the annual Railway Statement the net revenue per mile is only £572 per annum, while in the case of the South Island main lines—that is, the main South Island system *after excluding the non-paying branch lines*—the net revenue is £294 per mile per annum, the impossibility of the situation from the point of view of the national finances becomes at once apparent. In raising this point the Board is not unmindful of the fact that in times past it has been the practice to construct railways in New Zealand which it was known would not return sufficient net revenue to meet interest charges, but which were considered to be justified owing to the indirect return to the State through the development of the country as a result of the construction of the lines. This position, however, requires some further examination in the light of present-day conditions. In the first place, the margin of difference between possible net revenue and interest charges has become so great as to impose a very serious burden on the national finances, and this raises the question as to whether, even if the developmental aspect is conceded, the country is in a position to afford to expend the moneys that are involved in providing new railway-lines. It must be remembered that, even after the construction of a railway, development is a more or less tardy process, so that the indirect return to the State arising therefrom is correspondingly remote. The burden in the meantime has to be carried, and, although this may be possible when the burden is of reasonable dimensions and the country's finances are in a state of buoyancy, the position becomes quite otherwise when the burden becomes so great and the finances are in so difficult a position as is the case at the present time. Moreover, on the developmental question the radical changes which have taken place in the transport industry in recent times certainly raise a doubt as to whether railways are as necessary for development as was previously the case, or, indeed, are the best method of providing the transport facilities that are considered to be requisite for such development. Generally, the traffic in the areas remaining to be served by new railways is relatively sparse, and such traffic can be better catered for by a small-scale production unit such as the road-motor than by a mass-production unit such as the railways.

Another aspect of this question is that the magnitude of the capital required is very much smaller and the process of investment can be made much more gradual in the case of road transport—so as to suit the requirements as they arise—than is possible in the case of railways. In almost every case where railways are proposed to be constructed in New Zealand roads have already been provided, and it would cost much less money to improve the roads to a satisfactory standard and to provide motor transport that would be reasonably adequate to the needs of the district than to construct and work a railway. Practically all the timber and coal requirements of the Dominion can be met from sources of supply that are already well provided with transport facilities, and, generally speaking, the products of the country are provided with reasonable access to suitable markets.

The foregoing facts will serve to indicate the difference in the position as it has existed in the past and as it exists to-day as regards railway-construction, and the decision of the Board in connection with the present proposals does not therefore imply any judgment at all adverse to the position of the railways as now existing. The Board believes that most of the existing railways will continue to be an essential part of the transport system of the Dominion for many years to come, notwithstanding that their financial results have been adversely affected