

to fall, though this is not counterbalanced by the rise in exports. While overseas shipping declined by 24 per cent. during the period mentioned, coastal shipping declined by 36 per cent. This increasing loss in the proportion of trade handled at the ports is not evenly spread. The largest decline, 58·16 per cent., has been at Whangarei. The next two in the downward scale are Westport and Greymouth, both mainly concerned in the coal trade, to which special conditions may apply, and the next after these is Wanganui, which has lost 35·91 per cent. of its trade. It would appear, therefore, that though a decline in trade has been general—(1) More than its expected share has fallen on coastal shipping; and (2) the incidence on harbours has been erratic, and other causes have had their share in the result. In fact, what has formerly been shipping trade has been diverted to rail or road transport. In addition to other effects of any decline in shipping, every ship going out of commission adds directly to unemployment by its withdrawal, and indirectly also by its effect on the harbours to which it used to trade.

Rates of carriage by rail are fixed by the Railways Board, which is the final authority in such matters. Special rates were first devised to compete with water transport. Truck rates were originated to compete with road transport. These rates may be right in principle, but they can be manipulated in any special case so as to entirely eliminate competition; and, in fact, it is clear from the instances cited that this is actually done. By imposing varying rates, the freight-carriers can either create or destroy the trade of any port, and the real question to consider is whether such power should be in their hands, or if it should be subject to some control. The position is that the capital controlled by the ratepayers and invested in the harbours of New Zealand (excluding perhaps the four principal harbours, through which trade must necessarily pass owing to the special facilities they now offer) is entirely at the mercy of the transport interests. It is a question of policy for the Government to decide if this is desirable.

We have dealt so far with the effect of competition between road and rail transport on the one hand and shipping on the other. The question of competition between road and rail services also arises. This is regulated by Transport Licensing Authorities, and need not be dealt with at length here. In some instances, however, truck rates have had a great effect on road transport. Between Wellington and Palmerston North, goods formerly transported by road are almost wholly carried by rail. There are some obvious advantages in this, such as a simplification of rates and the saving of wear on the roads; but by limiting the use of the system to those who can guarantee a somewhat high minimum of truck loads per week, some hardship has been inflicted on local carriers in Wellington. The representatives of the Wellington Master Carriers' Association say that they have been great supporters of the railways, that they have always carted their goods to the railway for long-distance haulage, and that now the minimum truck requirements exclude them from the benefits of the truck-rate system while the former rivals of the railway derive all the benefits. They contend that they have always been friends of the railway, and that now they are its victims, because by making it cheaper for trade to pass through other channels they have been deprived of a livelihood. We believe that some hardship has been inflicted on them by what is a discriminatory rail rate which imposes a penalty on small businesses, and the result is somewhat ironical. The adoption of what is called in America the freight-forwarding system may be a possible answer to their difficulties.

We have considered the effect of competition on rates for the carriage of passengers. Passenger transport, however, depends on different principles, and is conducted in a different manner from goods transport. Rates for the carriage of passengers are on a fixed scale to which few exceptions are made, and no complaints with regard to them have reached us from any of the parties concerned in the three forms of transport. We have no recommendation to make with regard to them; but we observe that loss on passenger transport is responsible for almost the whole of the railway deficit.

As to air transport, though this will be a new factor in competition especially for passenger transport, steps have been taken already to deal with it by legislation, and to bring it under similar control to motor services. We believe this to be adequate.

The foregoing is an outline of the situation as it appears to us, and we now summarize our conclusions as follows:—

(1) The intensive policy of all forms of transport in seeking for business has produced a lowering of rates, which in some cases has become uneconomical.

(2) This policy has been carried out in some places where shipping is in competition with road and rail transport to such an extent as to cause serious loss to coastal shipping and harbours.

(3) In some cases the destruction of capital outlay in harbours—for instance, Whangarei and Wanganui—is threatened.

(4) Coastal shipping is in grave jeopardy.

(5) Rates charged to certain places and by certain methods are exceptionally low, and have a discriminatory effect on various localities and forms of business.

(6) Rates are no longer fixed, but subject to changes to obtain business in particular circumstances.

(7) The new system of rates has pushed trade into new channels, and may involve a loss of invested capital and a dislocation of business which tends to reduce public wealth.

If the above conclusions are justified, it is necessary to find some remedy. We do not criticize the management of the railways, and to take profitable business from them at first sight involves a loss to the taxpayer. There seem to be cases, however, in which the railways may cause a greater loss to the country by obtaining such business. While such cases may not be numerous, they may be of importance, and some machinery should exist for inquiry into them and for adjusting any conflict in the interests of the community as a whole. We are inevitably drawn to the conclusion that some appellate tribunal should be instituted to hold the balance between the conflicting parties. Such a