

Picton.—Revenue amounted to £28,762, an increase of £2,676 (10·26 per cent.). Expenditure was £29,547, an increase of £3,262. The total operating loss for the year was £785, compared with £199 for last year.

The revenue on this section increased under all heads except passenger, which decreased by £165. The largest increase was made in goods traffic, and amounted to £2,470.

The main reasons for the increase in expenditure were—Maintenance of track and work on bridges, heavy repairs to locomotives, and heavier traffic and transportation charges due to increased traffic.

Westport.—Revenue amounted to £68,079, as against £65,821 for the previous year, an increase of £2,258 (3·43 per cent.). Expenditure increased from £55,808 to £57,749, an increase of £1,941 (3·48 per cent.).

The operating profit on this section was £10,330, an increase of £317 (3·17 per cent.).

Revenue showed increases in all classes, particularly under goods and miscellaneous, which increased by £937 and £1,118 respectively. The tonnage this year is the highest carried since 1932, but is less than half that carried in 1930. The increase in expenditure was due to additional traffic and locomotive transportation costs.

Train-miles increased by 1,263, or 2·02 per cent., shunting-miles by 1,434, or 3·57 per cent., and engine-miles by 2,613, or 2·53 per cent.

The increased transportation expenses are due to the increases in mileage shown above, to increased wharf staff, and to additional wages costs consequent upon the 7½-per-cent. increase in wages and salaries.

RAILWAY PUBLICITY.

The Publicity Branch, which was regarded as an experimental enterprise when it was established in 1927, has definitely proved itself a very helpful unit of the railways organization. Year by year the activities have increased to the advantage of both the Department and the public generally.

The past year has seen a strong maintenance of the campaigns for selling the regular and special services that the railways have at their disposal.

In the "public relations" side of its work the Branch has kept in close personal touch with the press, which has shown a ready willingness to accept a fair presentation of the railways case when statements criticizing the Department have called for replies.

Successful action was taken during the year to extend the range of co-operative publicity with local bodies and private interests, and occasionally with the Tourist Department, on behalf of the "See New Zealand First" movement. In all these cases the planning of the campaigns has been performed by the Publicity Branch, which also undertook the preparation and placing of newspaper advertisements, booklets, posters, and news matter.

While it is, as a general rule, a difficult matter to ascertain the actual results of a publicity campaign, in a number of cases the increase in tourist traffic traceable to these special efforts has been as high as 60 per cent.

The New Zealand Railways Magazine.—The year has seen a further improvement in the *New Zealand Railways Magazine*, which is now well established as a national monthly. The size of the magazine has been increased to sixty-four pages, and it now has a minimum issue of 20,000 copies. The value of the magazine as an advertising medium is being recognized by many business people, the revenue from this source having shown a marked increase during the year. The return from sales to the public also showed a substantial increase, the additional revenue from this source being £368 higher than that of last year.

COMMERCIAL BRANCH.

Dealing with the activities of the Department on the commercial side, experience during the year has shown that there has been no amelioration of the competitive conditions which have steadily developed in intensity during recent years, and the activities of the Commercial Branch have on that account been largely devoted to safeguarding existing business and taking every opportunity to foster the development of new traffic to the railway. It can be stated as beyond doubt that the close personal contact which has been maintained by the personnel of the Branch with the business and farming communities, both individually and through the medium of their respective organizations, has assisted to develop the atmosphere of good will which has become a marked feature of the Department's relationship with the public. On the other hand, however, there is evidence that the existence of an alternative form of land transport, providing as it does within a strictly limited field an alternative service to the railway, has tended to restrict interest and concern in the prosperity of the railways to the limits defined by individual requirements. For instance, the farmer's interest in railway transport lies largely in the direction of the retention of the cheap and regular service which it gives for his fertilizers, lime, implements, fencing materials, &c., but in far too many instances he fails to display the same interest towards the railway in the case of his higher-rated products when he is able to obtain a more favourable freight rate for the time being by other means of transport. Similarly, those engaged in the secondary industries are mainly concerned with the rail transport of raw materials such as coal, iron, cement, &c., all of which are carried at cheap rates, rather than with the conveyance of the manufactured goods which, due to their ability to bear a higher freight rate, fall within the class of business most keenly sought after by the road operators.

A regrettable feature of this tendency to restrict patronage of the railway to the lower-grade commodities is that the fixed overhead costs have to be borne by a restricted and less remunerative volume of traffic, and on that account the railway and the community as a whole have been deprived of the benefits of the increased returns which would accrue from a fuller use of the railway services. In this connection it is necessary to bear in mind that the total volume of the Dominion's land-transportation business, both passenger and goods, in the areas served by the railway, is well within the capacity of the railway to handle with a relatively small increase in expenditure.

Based as it is on a recognition of the principles of community welfare and the requirements of essential industries, the Department's existing goods-rating system facilitates the unrestricted movement of all classes of goods, and its retention is therefore a matter of vital importance in the national interests. It is, however, obvious that to the extent the railway is deprived of the more remunerative traffics so is its capacity to maintain the cheap rates for the lower-grade commodities diminished.