

Probably no aspect of the many and diverse problems arising from the advent and rapid rise of the road motor as a major element in the transport industry has proved more difficult of solution by those charged with the administration of transport affairs during the last decade, than that of defining the economic sphere of each of the component parts of the transport machine, and in evolving an equitable and workable plan for the co-ordination of road and rail transport, based upon a right conception of the respective functions of each of these forms of transport. Unfortunately, and despite the obvious urgency for decisive action being taken in the matter, the question of the adjustment of the road-rail problem in this country was allowed for many years to be relegated to the background, and this neglect, coupled with the continued expansion of the business of the commercial road motor services at the expense of rail-borne traffic, brought about conditions which progressed to the point where the financial stability of the national transportation system—the railways—was threatened. These developments, which were not peculiar to the New Zealand railway system alone, and are too well known to need further recapitulation here, inevitably increased the average cost of transport services, and no country, including our own, has been spared the necessity of enforcing regulations aimed at effecting some measure of control of commercial road services and going some distance towards eliminating, in the interests of national economy, the disastrous effects of wasteful duplication of services and unbridled competition in the transport field.

The Government is firmly convinced that, while the conditions of competition prevailing in the transport industry of this country are no doubt advantageous to some individual interests, a continuance of such conditions would be seriously harmful to the national economy. The Government believes that the rationalization of transport, ensuring that the railways and road motors will be encouraged to function fully in their proper economic spheres, and as complementary to one another rather than as competitive units, would be in the best interests of both systems, and certainly of the community as a whole. The Government's policy of co-ordination of the existing lines of transport on the principal routes throughout the Dominion and the elimination of redundant units with the application of principles of rationalization is directed towards this end. Under the system of control envisaged, the whole of the services on certain routes will be under the control of the Railways Department, and, as the separate organizations will disappear, the necessary services by road will operate under one set of overhead costs. Moreover, the Railways Department will be able to route the traffic in the most economical manner in the public interest, so that goods which are now unnecessarily being carried by road will be carried by rail, while, at the same time, where the public interest requires the continuation of any particular road service for the carriage of perishable or other lines of traffic, this will be provided. By this means the system of charging on the railway, which is one that has been found necessary in railways the world over, and also in road services that have grown to any dimensions, will not be destroyed by the inroads of individual transport units which are unconcerned with the Dominion's need for transport at low cost of basic raw materials, or with the problems associated with huge peak-loads, one-way traffic, &c.

IMPROVED PASSENGER AND FREIGHT BUSINESS.

The effect of the general policy of the Government is reflected in the increased number of passenger journeys made by rail during the year; this increase of 877,000 passengers brings the total up to 21,235,000. As an additional 4,556,000 passengers were also carried by the Department's road services during the year, it will be seen that the Department's total of over 25,500,000 passenger journeys is equal to seventeen journeys with the railways for every inhabitant of the Dominion.

The policy of extensions and improvements in goods rolling-stock, facilities, and services has proved equally effective in giving increased satisfaction to the Department's customers and increasing the quantity of business handled. The increase of the goods tonnage by 625,000 tons to an aggregate of 6,814,000 represents an actual increase of 10 per cent. over the tonnage carried in the previous year.