

There can be little doubt that District Managers, in concentrating on the primary problem of coping with the traffic *usually available*, are prone to overlook the vital necessity of seeking to stimulate business, and thus swell the revenue by rendering improved service. It has become apparent in many instances that some officers have been influenced too much by precedent, and have hesitated to exercise their own initiative as fully as the conditions justify. My remarks dealing with the establishment of the Commercial Branch will indicate more fully how I hope to overcome this tendency.

DEVELOPMENTAL.

Although the railways have never been regarded or run as a profit-making concern, there is no doubt in my opinion that the time has arrived for the finances of the Department to be placed on an entirely different footing. My proposals in this connection are dealt with later.

The necessity for and advantage obtained by developing the Dominion by means of transport facilities are apparent, but at the same time there does not appear to be any good reason why the accounts should not be arranged in conformity with recognized commercial methods, and at the same time ensure that full credit is given to the Railways for the services they perform, besides showing how far they meet their proper obligations. The system followed insists that business life and daily transactions shall conform to stereotyped accountancy methods, instead of the accountancy methods being adapted to business requirements.

It is well known that many of our branch lines are not paying their way, but by counteracting competition and utilizing a cheaper transport method I am of opinion that the working-expenses can be reduced to a minimum, and the revenue substantially increased and a more effective service rendered to the public.

The new policy of constructing new lines, whereby the estimated cost of construction, revenue, and working-expenses, &c., are very closely scrutinized by the Public Works, Railway, Agriculture, and other Departments concerned, will eliminate as far as it is possible the construction of uneconomic lines. In my opinion no line should be undertaken unless it is shown that interest can be earned on the capital outlay within a reasonable time of completion.

Every care is now taken to see that new lines will be paying propositions before any expenditure is authorized. The procedure is roughly as follows: A railway having been projected, the Public Works Department instructs its Engineers to examine the country and select the route which appears to be the best both from (1) first cost, and (2) an operating point of view. This is not intended to mean that the first cost is the first consideration or the reverse, but that the solution to the problem is selected which makes the sum of the interest on construction, plus the cost of working and maintenance, a minimum. If the natural conditions are such that two or more routes appear to be of very similar value, then each one is closely surveyed. The country likely to be tapped by these lines is carefully delimited and its potentialities estimated. When the data up to this point is collected, the problem is referred to the Agriculture Department, who advise as to the probable produce likely to be grown on the areas served, and whether it is likely to be transported by rail, or move on its own feet (in the case of cattle), to the nearest market; should there be any mineral deposits, full information is obtained from the Mines Department. The data is then passed on to the Railway Department, who estimate the probable facilities necessary to adequately cope with the traffic, and the annual cost of running this traffic and maintaining the line. Having obtained all this information, the Engineers then set out the whole case for the information of the Government, who then decide whether the construction of the line should be authorized.

TARIFF.

In the report of last year the matter of the railway tariff was touched upon, and it was indicated that it was proposed to undertake a comprehensive revision thereof. This was taken in hand, but, owing to pressure of work arising out of the difficulties with the staff that culminated in the recent unfortunate strike, and the important matters that claimed attention after the strike had taken place, work