

the extent to which it has been taken advantage of and appreciated by the travelling public indicates that it is a decided success. This applies to a greater extent to the inter-Island booking of goods, which was commenced on the same date. This service is also being widely availed of, and will lead to a substantial increase in the Department's business.

The most important departure from the Department's past policy has been the creation of special rates to meet special conditions due to serious motor competition in certain localities. Investigation showed that this competition was securing a good deal of the best-paying business and leaving the lower-freighted commodities for the Department to handle. There were instances in which carrying firms brought the latter class of goods to the nearest railway-station, while carrying those in the higher classes right through to destination by road.

Benzine and dairy-produce constituted the backbone of the motor competition, and to the carriage of these much attention has been given by the officers of the Commercial Branch and the Board. Benzine has been reclassified from Class A (rate and a half) in 1922 to Class B (plus 25 per cent. for any quantity), representing a reduction from £3 14s. to £2 11s. 11d. per ton for a distance of 100 miles. In addition, special rates have been arranged to secure traffic in certain districts. As a result, our benzine traffic is increasing, and the position is being very closely watched.

For dairy-produce special rates have been arranged to recover traffic from competitors, and the latest reports indicate that in the forthcoming season the result will be highly satisfactory. It is natural that differentiation of rates should give rise to some complaint against such a policy in a State-owned undertaking such as the railways, but the study given the problem by those concerned made it clear that in localities where the motor could compete under the conditions existing extraordinary measures would have to be adopted. Unless it was checked this competition would make such serious inroads into the Department's revenue as to leave the Government no alternative but to increase freight rates all round to make ends meet. In addition, the further loss of traffic would mean reduced service, which in itself is sufficient under modern conditions to drive traffic away.

Undoubtedly the steps taken were in the public interest. In this connection it is clear that the position of railways *versus* roads is economically unsound, inasmuch as commercial lorry-owners have not been called upon to pay a quota of the cost of road construction and maintenance commensurate with the service obtained, whereas the railways have to meet all such obligations. I have stated from time to time that where it is found that districts are more economically and conveniently served by road than by railway, they should have one and not both. It is clear, however, that this can be only ascertained by placing both systems on an even footing as far as may be possible and scientifically comparing the relative cost of service. The Railway Board states that the Department was practically subsidizing the construction and maintenance of roads to the extent of £65,000 per annum by carrying road-metal at an unpayable rate, which is indirectly a cause of the Department's having to reduce its rates on the higher classes to meet road competition.

The Commercial Branch has obtained also a good deal of information about a collection and delivery system at stations, and tenders have been accepted in some places.

Through rail and motor tours are being carefully investigated in the various localities with the object of influencing the maximum amount of traffic to the railway.

Successful arrangements have been made in many places for linking up the railways with reliable carriers and passenger-transport firms serving towns and country districts from the nearest station.

As already stated, the branch is a very essential part of the Department's operations. It is the duty of the Department to ensure that every possible step is taken to make the railways indispensable to the people and to ensure an efficient, economical, and convenient service that will hold its own with any other form of transport.