

1930.
NEW ZEALAND

RAILWAYS COMMISSION

(REPORT OF THE).

Laid on the Table of the House of Representatives by Command.

COMMISSION

TO INQUIRE AND REPORT AS TO THE POSSIBILITIES OF INCREASING THE REVENUE
AND DECREASING THE EXPENDITURE OF THE NEW ZEALAND RAILWAYS.

BLEDISLOE, Governor-General.

To all to whom these presents shall come, and to Robert Masters, Esquire, of Stratford; John Dryden Hall, Esquire, of Christchurch; Richard William McVilly, Esquire, of Wellington; and James Marchbanks, Esquire, of Wellington: Greeting.

WHEREAS there is need in the public interest that the greatest possible economy consistent with safety and efficiency and the usefulness of the railways to the people of New Zealand shall be exercised in the administration of the New Zealand Railways: And whereas it is expedient that inquiry shall be made into the working of the various activities of the Department with a view to improving its finance and thus reduce the burden placed on taxpayers:

Now, therefore, I, Charles, Baron Bledisloe, the Governor-General of the Dominion of New Zealand, in exercise of the powers conferred by the Commissions of Inquiry Act, 1908, and of all other powers and authorities enabling me in this behalf, and acting by and with the advice and consent of the Executive Council of the said Dominion, do hereby constitute and appoint you, the said

ROBERT MASTERS,
JOHN DRYDEN HALL,
RICHARD WILLIAM MCVILLY,
JAMES MARCHBANKS,

to be a Commission to inquire and report as to the possibilities of increasing the revenue and decreasing the expenditure of the New Zealand Railways, and more particularly—

- (1) Whether the general organization of the Department is such as to produce the maximum of economy and efficiency in administration and operation.

- (2) Whether the scale of passenger fares is such as to produce the best results, having regard to other competitive forms of transport, and all other relevant considerations.
- (3) Whether the issue of concession tickets at the present rates and on the present conditions is warranted, or should be modified or changed, having regard to the present economic conditions.
- (4) Whether the goods tariff is such as to produce the best results, having regard to the charges that the various classes of goods can bear economically, and the competition from other forms of transport.
- (5) Whether the existing arrangements for the carriage and delivery of parcels and/or goods are the best from the point of view of the net earnings of the railways therefrom, the necessity of meeting competition, co-ordination with the Post Office, or any other relevant consideration.
- (6) Whether the existing arrangements with the Post Office for carriage of mails is equitable to the Railways.
- (7) Whether the net returns from the various subsidiary services maintained by the Department, such as the Lake Wakatipu steamers, refreshment-rooms, advertising, dwellings and other buildings, road motors, &c., are satisfactory, having regard to the returns obtained therefrom, economy in administration, and generally all the surrounding circumstances.
- (8) Whether the existing staff establishment, including casual employees, is such as to ensure a satisfactory standard of economy and efficiency, and whether staff conditions generally are reasonable.
- (9) Whether the maintenance costs of the permanent-way, works, and signals are down to a minimum consistent with the maintenance of a proper standard of safety and efficiency in operation.
- (10) What reserve fund should be set aside from revenue each year to cover depreciation and renewals, including deferred maintenance and/or depreciation and/or renewals, if any, or by way of general reserve.
- (11) Whether the present arrangements for the maintenance of combined railway and road bridges are equitable to the railways.
- (12) Whether the rolling-stock is being economically maintained at a proper standard of safety and efficiency.
- (13) Whether the maximum of benefit is being obtained from the new workshops recently erected in the four main centres, and whether the volume of necessary work will be sufficient to keep these shops fully occupied, and as to the general position of the workshops.
- (14) Whether locomotive transportation costs are down to a minimum consistent with the maintenance of a proper margin of safety and efficiency in operation.
- (15) Whether the existing arrangements for the purchase, distribution, and control of railway stores keeps stocks down to a minimum consistent with efficiency and generally produces the maximum of economy in the use of stores.
- (16) Whether the traffic transportation costs are down to a minimum consistent with the maintenance of a proper standard of safety and efficiency in operation, having regard to the amount of service required under present competitive conditions and to any other relevant consideration.
- (17) Whether the abandonment of working (either wholly or in part) of any portion or portions of the railway system would be justified, having regard to the financial results of operating any such lines, the extent to which the various lines are used, and the alternative means of transport for passengers and goods available or feasible.

- (18) To what extent it is possible and desirable, in the interests of the economic welfare of the Dominion, to co-ordinate rail and road transport, having due regard to the rights of owners of road transport services, the necessity of a satisfactory standard of service, and all other relevant considerations.
- (19) Generally to review the administration and financial position of the Government Railways Department and to recommend what, if any, steps might be taken to secure a proper balance of economy, efficiency, and satisfactory service.

And with the like advice and consent I do further appoint you,

ROBERT MASTERS,

to be Chairman of the said Commission.

And for the better enabling you, the said Commission, to carry these presents into effect, you are hereby authorized and empowered to make and conduct any inquiry under these presents at such places as you may deem advisable and at such times as you may deem expedient, with power to adjourn from time to time and from place to place as you think fit, and to call before you and examine on oath or otherwise, as may be allowed by law, such person or persons as you think capable of affording information in the premises; and you are also empowered to call for and examine all such books or records as you deem likely to afford you the fullest information on the subject-matter of the inquiry hereby directed to be made, and to inquire of and concerning the premises by all lawful means whatsoever.

And, using all diligence, you are required to report to me under your hands and seals not later than the first day of September, one thousand nine hundred and thirty, your opinion as to the aforesaid matters.

And it is hereby declared that these presents shall continue in full force and virtue although the inquiry is not regularly continued from time to time or from place to place by adjournment.

And, lastly, it is hereby further declared that these presents are issued under and subject to the provisions of the Commissions of Inquiry Act, 1908.

Given under the hand of His Excellency at Government House, Wellington, this 16th day of June, 1930.

Approved in Council.

[L.S.] F. D. THOMSON,
Clerk of the Executive Council.

EXTENSION OF COMMISSION REGARDING THE POSSIBILITIES OF INCREASING THE REVENUE AND DECREASING THE EXPENDITURE OF THE NEW ZEALAND RAILWAYS.

BLEDISLOE, Governor-General.

To all to whom these presents shall come, and to Robert Masters, Esquire, of Stratford; John Dryden Hall, Esquire, of Christchurch; Richard William McVilly, Esquire, of Wellington; and James Marchbanks, Esquire, of Wellington: Greeting.

WHEREAS by a Warrant dated the sixteenth day of June, one thousand nine hundred and thirty, and issued under my hand and the Public Seal of the Dominion, you were appointed a Commission to inquire into and report as to the possibilities of increasing the revenue and decreasing the expenditure of the New Zealand Railways, and, using all diligence you were required to report to me, under your hands and seals, not later than the first day of September, one thousand

nine hundred and thirty, your opinion as to the aforesaid matter: And whereas it is expedient to extend the time within which you were required to report as aforesaid in manner hereinafter appearing:

Now, therefore, I, Charles, Baron Bledisloe, Governor-General of the Dominion of New Zealand, in exercise of the powers conferred by the Commissions of Inquiry Act, 1908, and of all other powers and authorities enabling me in this behalf, and acting by and with the advice and consent of the Executive Council of the said Dominion, do hereby extend the time within which you are required to report to me under your hands and seals your opinion on the matter specified in the said Warrant dated the sixteenth day of June, one thousand nine hundred and thirty, to the twenty-ninth day of September, one thousand nine hundred and thirty.

And with the like advice and consent, and in further pursuance of the said power and authority, I do hereby confirm the said Commission as further extended by these presents.

Given under the hand of His Excellency the Governor-General of the Dominion of New Zealand, and issued under the Seal of that Dominion, at the Government House at Wellington, this 1st day of September, 1930.

Approved in Council.

HARRY ATMORE,
For Prime Minister.

[L.S.] A. W. MULLIGAN,
Acting Clerk of the Executive Council.

REPORT.

To His Excellency the Right Honourable Charles, Baron Bledisloe, Member of His Majesty's Most Honourable Privy Council, Knight Grand Cross of the Most Distinguished Order of Saint Michael and Saint George, Knight Commander of the Most Excellent Order of the British Empire, Governor-General and Commander-in-Chief in and over His Majesty's Dominion of New Zealand and its Dependencies.

MAY IT PLEASE YOUR EXCELLENCY,—

Your Commission commenced sitting in Wellington on the 24th June, 1930, and heard evidence until the 31st July inclusive, and then proceeded to Auckland, evidence being taken there from the 1st to the 5th August inclusive. On the 6th August your Commission returned to Wellington and heard evidence until the 12th idem, when they proceeded to Christchurch and Dunedin. Evidence was taken at the latter city from the 13th to 16th August inclusive, and at Christchurch on the 18th and 19th August, returning to Wellington on the 20th idem.

The hearing of evidence was completed on the 26th August, and your Commission then carefully reviewed all evidence, both oral and written, placed before it.

During the visits to the respective cities, the following places were visited:—

- Railway Workshop, Otahuhu.
- Locomotive Running-repair Depot, Auckland.
- New station, Auckland.
- City Booking-offices (3), Auckland.
- Stores Depot, Newmarket.
- Railway Workshop, Hutt.
- Stores Depot, Hutt.
- Locomotive Depot, Wellington.
- Railway Workshop, Addington.
- Stores Depot, Addington.

City Booking-office, Christchurch.
 Locomotive Depot, Dunedin.
 Railway Workshop, Hillside.
 Municipal Gasworks, Dunedin.
 Stores Depot, Hillside.

The following is a list of the witnesses examined :—

- H. H. Sterling, General Manager, New Zealand Government Railways, Wellington.
- E. T. Spidy, Superintendent of Workshops, New Zealand Government Railways, Wellington.
- P. R. Angus, Acting Chief Mechanical Engineer, New Zealand Government Railways, Wellington.
- G. W. Wyles, Signal and Electrical Engineer, New Zealand Government Railways, Wellington.
- F. C. Widdop, Chief Engineer, New Zealand Government Railways, Wellington.
- P. G. Roussel; General Superintendent of Transportation, New Zealand Government Railways, Wellington.
- G. G. Stewart, Acting Commercial Manager, New Zealand Government Railways, Wellington.
- H. W. Franklin, Outdoor Advertising Manager, New Zealand Government Railways, Wellington.
- H. Maddock, Clerk, Advertising Branch, New Zealand Government Railways, Wellington.
- F. Lindsay, Controller of Refreshment Branch, New Zealand Government Railways, Wellington.
- E. J. Guinness, Comptroller of Stores, New Zealand Government Railways, Wellington.
- F. K. Mackay, Rates Officer, New Zealand Government Railways, Wellington.
- J. S. Hunter, Commissioner of Transport, Wellington.
- H. Valentine, Chief Accountant, New Zealand Government Railways, Wellington.
- E. J. Mulligan (President), J. McDowell, J. Maxwell, N. Paul, A. C. Hall, T. E. Oliver, W. Hamilton, S. Ingram (Secretary), New Zealand Railway Tradesmen's Association, Wellington.
- W. J. Gow, Second Assistant Secretary, Post and Telegraph Department, Wellington.
- F. J. Jones, Civil Engineer, retired (ex-Chairman, Railway Board), Lower Hutt.
- T. O. Bishop, W. J. Carstens, Captain S. Holm, representing New Zealand Shipowners' Federation, Wellington.
- M. Dennehy, Assistant General Manager, New Zealand Government Railways, Wellington.
- J. Churchouse (President), M. Connelly, A. Morison, A. Bradley, J. J. Scott, E. J. Dash, E. Fraser, P. B. Gavan, E. Furness, L. McIlvride (General Secretary), representing Amalgamated Society of Railway Servants, Wellington.
- A. Urquhart, Second Assistant, Staff Division, New Zealand Government Railways, Wellington.
- A. Seed, representing Dominion Federated Sawmillers' Association, Wellington.
- J. Carnachan, Bus Manager, New Zealand Government Railways, Wellington.
- E. Casey, Divisional Superintendent, New Zealand Government Railways, Auckland.
- J. G. Rickerby, District Traffic Manager, New Zealand Government Railways, Auckland.

- L. W. Robertson, Locomotive Engineer, New Zealand Government Railways, Auckland.
- E. Morton (Mayor), F. W. Mountjoy (Councillor), representing Onehunga Borough Council.
- J. E. Green (President), D. H. Kirkwood-Jones, representing Onehunga Chamber of Commerce.
- F. A. Harcombe, representing Farmers' Union, Waiuku.
- C. E. I. Harkness, representing Railway Progress League, Waiuku.
- B. C. Robbins (Mayor), representing Borough Council, Tauranga.
- C. H. Fleming, representing Opotiki Borough Council.
- W. F. Sinclair (Chairman), representing County Council, Tauranga.
- J. H. Reid, representing Opotiki Chamber of Commerce.
- H. Lowe (Chairman), representing Thames County Council.
- C. Donovan (President), representing Chamber of Commerce, Thames.
- S. Ensor, representing Borough Council, Thames.
- A. D. F. Sampson, Works Manager, New Zealand Government Railway Workshops, Otahuhu.
- W. J. Taylor, ex General Foreman, New Zealand Government Railway Workshops, Otahuhu.
- J. Elliot, Iron Machinist, New Zealand Government Railway Workshops, Otahuhu.
- R. A. Lendrum, Foreman, New Zealand Government Railway Workshops, Otahuhu.
- H. Hagan, Wagon-shop Foreman, New Zealand Government Railway Workshops, Otahuhu.
- L. W. Hawkins, District Storekeeper, New Zealand Government Railways, Newmarket.
- J. R. Robertson, Chief Schedule Officer, New Zealand Government Railways, Wellington.
- J. O'Neil, Salesman, Outdoor Advertising Branch, New Zealand Government Railways, Auckland.
- P. J. Barry, Salesman, Outdoor Advertising Branch, New Zealand Government Railways, Auckland.
- W. S. Clark, Clerk in Charge, Substore, New Zealand Government Railway Workshops, Otahuhu.
- A. W. Wellsted, Business Agent, New Zealand Government Railways, Auckland.
- G. A. Osborne, Member, Town Board, Manurewa.
- A. E. P. Walworth, Works Manager, New Zealand Government Railway Workshops, Hutt.
- J. S. Stewart, District Storekeeper, New Zealand Government Railways, Woburn, Hutt.
- A. Scott, Salesman, Outdoor Advertising Branch, New Zealand Government Railways, Wellington.
- A. H. Birss, representing sawmillers at Pukemaori.
- E. K. Sim, Orawia.
- J. S. Price, representing Clifden Lime Co., Orawia.
- J. McNeil, representing Southland and Wallace County Councils, Invercargill.
- E. Bowmar, representing Southland Farmers' Union, Invercargill.
- T. Hanning, representing Farmers' Union, Hedgehope.
- A. Roy, Mossburn, representing settlers served by the Mararoa Branch line.
- E. C. Johanson, G. Hunter, representing settlers between Wyndham and Glenham.
- A. R. Johnston, representing settlers on the Waikaka Branch Railway.
- Wm. Christie, representing settlers on the Switzers Branch line.
- G. R. Young (President), representing Moa Flat Farmers' Union, Edievale.
- D. McLennan (Chairman), representing Tuapeka County Council.
- E. H. Murney, representing Tapanui Borough Council and settlers on the Tapanui Branch.

- J. Bennetts, J. B. McKinlay, representing settlers and others served by the Roxburgh Branch line.
- J. O'Connell, W. Ritchie, representing settlers served by the Dunback Branch Railway-line.
- A. H. Allan, representing Dunedin Chamber of Commerce.
- J. Preston, representing provincial executive, New Zealand Farmers' Union.
- J. Logan, representing Taieri County Council.
- A. Y. Hendry, representing Outram Town Board.
- A. J. Stewart, representing fruitgrowers, Outram district.
- W. E. McLean, Mosgiel.
- A. C. Cameron, President, Dunedin Chamber of Commerce.
- J. R. Fairbairn, Dunedin Chamber of Commerce.
- H. P. West, Secretary, Dunedin Chamber of Commerce.
- F. G. Duncan, Barrister and Solicitor, Dunedin.
- J. R. Wilson, T. Maginess, representing Clutha County Council.
- G. J. Errington, representing Otago Expansion League.
- L. G. Hill (Secretary), representing Dunedin Jockey Club.
- J. Pickard, District Traffic Manager, New Zealand Government Railways, Invercargill.
- D. E. Neave, representing Ratepayers' Association, Hakataramea.
- B. R. Sword, District Traffic Manager, New Zealand Government Railways, Dunedin.
- C. J. Graham, Works Manager, New Zealand Government Railway Workshops, Hillside.
- H. A. Penn, District Traffic Manager, New Zealand Government Railways, Christchurch.
- G. F. Wright, J. Deans, D. J. Hawke, representing the Malvern and Tawera County Councils.
- J. Binstead, Locomotive Engineer, New Zealand Government Railways, Christchurch.
- C. M. Williams, E. A. Woodfield, J. E. Horrell, representing settlers on the Eyreton Branch.
- H. E. Hamilton, District Storekeeper, New Zealand Government Railways, Addington.
- R. S. Kent, Divisional Superintendent (South Island), New Zealand Government Railways, Christchurch.
- W. Machin, N. Francis (President), representing Canterbury Chamber of Commerce, Christchurch.
- C. A. Jenkins, Works Manager, New Zealand Government Railway Workshops, Addington.
- W. Stalker, H. Tallott, representing the Rangiora County Council.
- A. K. Drew, County Clerk, Foxton.
- J. Linklater, M.P., representing Foxton Harbour Board.
- W. A. Tate, Deputy Mayor, Greytown.
- H. C. Cook, Chairman, Greytown Co-operative Dairy Co., Greytown.
- J. A. Nash, M.P., representing Foxton Harbour Board.
- A. Robertson, F. W. Fagan, representing residents of the Springburn district.
- W. D. Hunt, Company Manager, Wellington.
- H. W. B. Littlewood, J. J. Goldfinch, representing Raetihi and Ohakune Borough Councils.
- R. L. Wigley (Manager), H. Coxhead, representing Mount Cook Tourist Co., Timaru.

Written evidence was submitted by the following:—

- R. Forrester, General Carrier, Kaikoura.
- W. G. H. McLeod, Chairman, Amalgamated Society of Railway Servants, Whangarei; P. Wiles, Chairman, New Zealand Locomotive Engine-drivers, Firemen, and Cleaners' Association, Whangarei (on behalf of the societies mentioned).
- James Carr, Director, New Zealand Wheat-growers' Association, Rakaia.
- E. S. Wilson, Secretary, Dunedin Timber-merchants' Association, Dunedin.

C. G. Blundell, President, Okaihau Chamber of Commerce, Okaihau.
 A. W. Brockie, Manager, Messrs. Sanford Ltd., Auckland.
 J. S. Rossi, Fish-merchant, 336 Queen Street, Auckland.
 H. J. Halliday, Secretary, Sanitarium Health Food Co., Christchurch.
 P. Robertson, Mayor, Borough Council, Upper Hutt.
 F. Ross, Secretary, the New Zealand Coach and Motor-body Builders' Industrial Association of Employers, Wellington.
 G. A. Troup, Chairman, New Zealand Municipal Association, Wellington.
 J. Tait, 10 Harrington Street, Port Chalmers.
 M. Bethell, County Chairman, Amuri County Council Offices, Culverden.
 A. Van Osselaer, care of Messrs. Van Osselaer and Anderson, Ltd., Wellington.
 A. J. Allen, care of Messrs. Hogg and Co., Ltd., Dunedin (on behalf of Otago sawmillers (Catlins Railway)).
 E. A. George, Mayor, Waitara.
 Jas. Hine, Chairman, Waitara Harbour Board.
 H. A. Foreman, Chairman, Clifton County Council.
 H. J. M. Wells, President, Waitara Chamber of Commerce.
 A. Couper, Gas Engineer, Dunedin Corporation Gasworks, Dunedin.
 S. C. Crawford, Whangarei.
 C. Vince, Secretary, Farmers' Union, Katikati.
 M. E. Perreau, Mayor, Foxton.
 W. E. Barber, Chairman, Manawatu County Council.
 F. C. Raikes, Chamber of Commerce, Foxton.
 W. H. Gimblett, Chairman, Dairy-farmers' Union, Foxton.
 J. R. Hardie, Town Clerk, Palmerston North.
 W. A. Davies, Onehunga.
 J. S. King, Kaukapakapa.
 Messrs. Wilding and Acland, Barristers and Solicitors, Christchurch.
 G. Fittock, H. Rutherford, K. I. Robertson, Springburn Railway Retention Committee, Springburn.
 H. Hay, Chamber of Commerce, Oamaru.
 A. G. Storrie, 162 Tweed Street, Invercargill.
 W. J. Hamlin, 2 Dunkerron Avenue, Epsom, Auckland.
 F. Quattrough, Clayburn Road, Glen Eden.
 K. McLennan, Box 1059, Wellington.
 Messrs. F. E. Jackson and Co., Ltd., Anzac Avenue, Auckland.
 E. Ramsden, 30 McColl Street, Vogelstown, Wellington.
 W. Anderson, 159 Esplanade, New Brighton.
 E. Bradshaw, Gore Street, Bluff.
 W. Power, Chamber of Commerce, Stratford.
 J. A. Munro, Clevedon.
 G. M. Fowlds, Railways and Development League, Auckland.
 Captain V. A. A. Vernon, Kerikeri.
 W. Burrows, Nelson.
 A. G. Foreman, Methven.
 D. K. Blair, M.I.Mech.E., Wellington.
 H. L. Cole, O.B.E., M.I.Mech.E., Wellington.

In dealing with the various orders of reference your Commission has given careful consideration to the points raised and has endeavoured to answer all matters contained therein, special consideration being given to the possibilities of increasing the revenue and decreasing the expenditure of the New Zealand Government railways.

(1) Whether the general organization of the Department is such as to produce the maximum of economy and efficiency in administration and operation.

The control of the Railways Department is vested in the Minister of Railways, who not only directs the general policy of the Department, but takes an active part in the administration. He is the final authority not only on matters of policy, but also in respect of employment, rates of pay, and conditions of employment.

The General Manager is responsible to the Minister of Railways, but his powers in regard to administration and the appointment, promotion, and discipline of staff

are greatly restricted, and are generally subject to the approval of the Minister, and, as regards staff, decisions of both the Minister and General Manager affecting grading and discipline are subject to final review by the Appeal Board.

This has a far-reaching and prejudicial effect on the efficiency of the Department, and also on the financial results obtained.

In the opinion of your Commission, it is essential that the management should have control of the staff in respect of employment, conditions of service, discipline, and all other matters which affect the economical operations of the Department.

With respect to organization, originally the Railways Department was organized departmentally, there being the head of each branch at the Head Office directly under the General Manager, with a District Officer in charge of the separate branches in each district. District Officers reported directly to their chiefs on all important matters. The Chief Engineer was responsible for the condition of the track, structures, buildings, &c., and for the execution of new works on the whole system, his District Engineer being responsible for those matters in his own district. Similarly the Chief Mechanical Engineer was responsible for the maintenance and repair of all locomotives, steam plant, and rolling-stock, as well as the construction of new locomotives and other rolling-stock, his Locomotive Engineer being responsible for the condition, maintenance, and all other matters appertaining to the running and operation of locomotives in the respective districts. The Chief Traffic Manager had control of transportation and all matters relating to traffic, the District Officer in each case controlling the work in his own district.

Generally speaking, this system worked well, and the responsibility of each principal officer was clearly defined. There was, however, a certain amount of delay in dealing with matters departmentally, which could have been avoided had matters been dealt with by an officer controlling all branches in each district.

In 1925 an alteration was made in the organization, and two Divisional Superintendents were appointed—one for the North Island, located at Auckland, and the other for the South Island, located at Christchurch.

The Chief Mechanical Engineer was divested of the responsibility for the maintenance of the locomotives and rolling-stock and for the locomotive operations, but was responsible for the maintenance of standards, design, and construction of new rolling-stock, and for the control of workshops. A District Locomotive Engineer in each divisional district, acting under the Divisional Superintendent, attended to the repairs and running of locomotives, also the repairs to rolling-stock, and, in addition, reported on certain matters to the Chief Mechanical Engineer.

The District Engineers (Maintenance Branch) continued to report to the Chief Engineer, but were also in close touch with the Divisional Superintendent.

The system now in operation is neither departmental nor divisional, and your Commission is of opinion that it has not proved entirely satisfactory, and has not produced the maximum of efficiency and economy in administration and operation.

The General Manager has recommended that full divisional control be instituted, with District Divisional Superintendents at Dunedin and Christchurch, each with a complete office establishment, in which would be located a District Traffic Manager, District Engineer, District Locomotive Engineer, and District Accountant, all working under and reporting to the District Divisional Superintendent.

Similarly, in the North Island three District Divisional Superintendents would be appointed—one located at Wellington, one in the central area, and one at Auckland.

A saving would be effected, as all the general office-work, recording, and accounting would be done in one office, while the District Divisional Superintendent would have complete control over all matters in his district. When occasion required, the technical officers would report through the District Divisional Superintendent to the chiefs of their respective branches.

We are of opinion that better results would be obtained and business despatched more speedily if district divisional control is established. What saving in expenditure would ensue is difficult to estimate, but your Commission is of opinion that some measure of economy would result and the administration become more effective.

There is, however, one weakness in the proposed organization—namely, that the direct responsibility for the maintenance and upkeep of the track, bridges, buildings, and other structures is removed from the Chief Engineer, and that direct

responsibility for the maintenance and repairs of locomotives and rolling-stock is taken from the Chief Mechanical Engineer and transferred to the District Divisional Superintendent. We consider that it is essential in any control that the Chief Engineer should be responsible for the upkeep and maintenance of the track and all structures, and the Chief Mechanical Engineer for the maintenance of the locomotives and rolling-stock. This could be obtained by having Inspecting Engineers in each Island, attached to the Chief Engineer's office, and reporting direct to him on all matters concerning his department, and similarly Locomotive Inspecting Engineers reporting direct to the Chief Mechanical Engineer.

Your Commission recommends that full district divisional control be established.

(2) Whether the scale of passenger fares is such as to produce the best results, having regard to other competitive forms of transport and all other relevant considerations.

Regulation 2 (Passenger Fares).—There has been a heavy fall in the revenue received from ordinary passenger traffic for the past eight years. For the year 1925–26 the number of ordinary passenger journeys made was 5,318,189 and the revenue £1,511,156, while for 1929–30 only 3,418,775 passenger journeys were made and the revenue was £1,113,802, a decrease of no less than 1,899,414 passenger journeys and £397,354 in revenue. The decrease is caused to a certain extent by the increasing use of private cars. The mobility of both private and service motor-cars, combined with the better services they give in picking up and setting down passengers, puts them in a very advantageous position compared with the railways, although for long-distance travel the railways still holds its own.

In view of the great improvement that has been made and is being made in the roads throughout the Dominion, particularly on the main highways, it is apparent that the diversion of traffic from the railways to the road will continue.

Every endeavour has been made by the Department to avert the fall in passenger traffic by increasing the train services, with a consequent increase in the train-mileage, but without apparent success. Graphs showing the passenger revenue and the passenger train-mileage between 1923 and 1930 are shown on page 71, from which the position can be readily seen.

The following comparative statement shows that the scale of ordinary passenger fares in New Zealand is low in comparison with that in operation elsewhere :—

	First Class, per Mile. d.	Second Class, per Mile. d.	Third Class, per Mile. d.
New Zealand ..	1·85	1·25	..
Britain ..	2·50	2·00	1·50
South Africa ..	2·25	1·50	..
Victoria ..	2·40	1·60	..
New South Wales ..	2·60	1·75	..
Queensland ..	2·25	1·45	..

Your Commission does not think that any decrease in the existing fares would appreciably improve the short-distance passenger traffic, but we are of opinion that a slight increase might be made in ordinary fares, which would affect individual passengers to a very small extent, but which in the aggregate would substantially increase the revenue obtained from long-distance passenger traffic. We therefore recommend an increase in the ordinary passenger fares of $\frac{1}{2}$ d. in the shilling or part of a shilling. It is estimated that this increase would produce additional revenue amounting to £45,000 per annum.

Regulation 4 (Sleeping-berths).—Statement showing earning-capacity of ordinary and sleeping cars, for a journey, say, from Wellington to Auckland :—

	£	s.	d.
Ordinary car, capacity thirty-two passengers at £3 5s. 4d. each ..	104	10	8
“Special” sleeping-car, capacity sixteen passengers at £ 5s. 4d. each ..	52	5	4
Sixteen passengers at £1 (sleeping-berth fee) ..	16	0	0
	<hr/>		
	68	5	4
“Ordinary” sleeping-car, capacity eighteen passengers at £3 5s. 4d. each ..	58	16	0
Eighteen passengers at 12s. 6d. (sleeping-berth fee) ..	11	5	0
	<hr/>		
	70	1	0

The earning-capacity of the sleeping-car is considerably less than that of the ordinary car, and it is much heavier, thereby entailing greater expense in haulage. In giving consideration to the earning-capacity of these three types of cars, your Commission is of opinion that the sleeping-berth charges should be increased, and recommends that the charge for "special" sleeping-cars be raised from £1 to £1 5s., and "ordinary" sleeping-cars from 12s. 6d. to 15s. This is estimated to give an increased revenue of £7,491.

(3) Whether the issue of concession tickets at the present rates and on the present conditions is warranted, or should be modified or changed, having regard to the present economic conditions.

Your Commission is of opinion that the rates charged for concession tickets are low, and, as the fares charged by competitive services are in the majority of cases based on the Railways Department's ordinary fares, a slight increase in the present concession rates would not cause any loss of traffic and would also materially increase the revenue.

Regulation 5 (Holiday Excursion Fares).—For the purpose of making provision for the heavy traffic resulting from the issue of excursion fares it is necessary to provide a large amount of rolling-stock to meet the peak requirements. The present fares are based on approximately single fare plus 43 per cent. first class, and single fare plus 41 per cent. second class. Contrary to the usual procedure in other forms of transport, which in some cases makes no alteration, and in other cases raise the fares, it has been the policy of the Railways Department to reduce its fares in the holiday season, and, while we do not recommend any departure from this policy, we are of opinion that a small increase should be made in excursion fares to the extent of 1d. in the shilling or part of a shilling.

On making a comparison of the excursion fares in the Australian States (as per schedule below) with those in force in New Zealand, we find that with the exception of South Australia, the fares in this country are low. The addition recommended would be a trifling amount on each ticket, but would give an additional revenue of £26,700.

PRESENT HOLIDAY EXCURSION FARES.

Miles.	New Zealand.		Queensland.				Victoria.				South Australia.		Western Australia.				New South Wales.				
	First Class.	Second Class.	First Class.	Second Class.	First Class.	Second Class.	First Class.	Second Class.	First Class.	Second Class.	First Class.	Second Class.	First Class.	Second Class.	First Class.	Second Class.	First Class.	Second Class.			
25..	£ 0 5 10	£ 0 4 00	£ 0 8 00	£ 0 5 20	£ 0 9 00	£ 0 5 11	£ 0 3 90	£ 0 6 110	£ 0 4 40	£ 0 6 70	£ 0 4 11	£ 0 3 90	£ 0 6 110	£ 0 4 40	£ 0 6 70	£ 0 4 11	£ 0 3 90	£ 0 6 110	£ 0 4 40	£ 0 6 70	£ 0 4 11
50..	0 11 30	7 80 15	0 10 00	17 10 11	5 ..	0 7 60	13 110	0 8 90	13 00	9 9	0 11 21	0 100 13	10 19	50 14	7	0 14 11	7 90 17	41 5	110 19	5	
75..	0 16 110	11 31 1	0 13 81	4 90 16	6 ..	0 11 21	0 100 13	10 19	50 14	7	0 14 11	7 90 17	41 5	110 19	5	1 2 52	1 81 6	11 17	31 7	11	
100..	1 2 30	15 01 7	5 17 91	13 21 2	2 ..	1 2 52	1 81 6	11 17	31 7	11	1 9 10	2 15 71	14 92	8 51	16 4	2 4 94	3 42 12	13 10	82 13	0	
150..	1 13 31	2 31 19	31 5 32	9 31 12	10 ..	1 2 52	1 81 6	11 17	31 7	11	1 9 10	2 15 71	14 92	8 51	16 4	2 4 94	3 42 12	13 10	82 13	0	
200..	2 4 51	9 82 12	81 12 93	6 42 4	2 ..	1 9 10	2 15 71	14 92	8 51	16 4	2 4 94	3 42 12	13 10	82 13	0	2 19 85	11 13 9	54 10	33 7	8	
300..	3 6 32	4 53 14	22 6 34	12 83 1	8 ..	2 4 94	3 42 12	13 10	82 13	0	2 19 85	11 13 9	54 10	33 7	8	2 19 85	11 13 9	54 10	33 7	8	
400..	4 8 52	19 04 15	82 18 15	12 13 14	9 ..	2 19 85	11 13 9	54 10	33 7	8	2 19 85	11 13 9	54 10	33 7	8	2 19 85	11 13 9	54 10	33 7	8	

Regulation 9 (Trip Bearer Tickets).—The regulation in regard to trip bearer tickets places no restriction as to limitation of availability or transferability. While not wishing to disturb the system in so far as transferability is concerned, your Commission is of the opinion that there should be a limitation to the time of the availability of the tickets, and recommend that twelve-trip tickets be limited to three months from date of issue, and fifty-trip tickets be limited to six months from date of issue.

Regulation 10 (Vacation Tickets).—The fares are based on the holiday excursion rates, and will be automatically increased by the same amount—that is, 1d. in the shilling or part of a shilling. This will give an additional revenue of £5,800.

Regulations 11, 12, 13, 14, and 15 (Season Tickets).—The rates charged for these tickets are low, and, in view of all the conditions, should bear a moderate increase in common with other increases suggested. Your Commission recommends that the fares should be increased by 1d. in the shilling or part of a shilling. The estimated increase in revenue would be £6,300.

Regulation 17 (Newspaper Reporters' Tickets).—Your Commission considers that this regulation should be abolished.

Regulation 19 (Apprentices, Pupil-teachers, &c.).—The rate automatically increases by 1d. in the shilling or part of a shilling in conjunction with season tickets under Regulation 12. The increase estimated under this heading is £1,050.

Regulations 20, 21, 22 (School Season Tickets of all kinds).—Your Commission gave serious consideration to the question of the amount paid for the conveyance of school-children on the railways. From the evidence produced it has been made abundantly clear that in a number of cases the time-tables have had to be arranged and trains run to cater for the children going to and from various schools. In many instances it has been found that reduced services would be operative were it not that it was necessary to have a service for the carriage of children to and from schools. The remuneration received from this source is quite inadequate for the service rendered.

The present scale is as follows for any distance up to sixty miles :—

	School Seasons. (Fourteen Weeks availability.)		Technical School Seasons. (Twelve Weeks availability.)	
	First Class.	Second Class.	First Class.	Second Class.
Scholars not exceeding sixteen years of age	45/-	15/-	37/6	12/6
Over sixteen but not exceeding twenty years of age ..	60/-	30/-	50/-	25/-

Your Commission is of opinion that the Railways Department is entitled to a more adequate remuneration for this traffic, and recommends that an increase of 6s. 8d. per ticket be made on school season tickets of all kinds, which, after making allowance for reductions in branch-line services, will return an increase in revenue of £8,000.

Regulation 25 (Students of Universities, Agricultural and Technical Colleges travelling for Field Instruction).—This concession does not appear to be availed of to any great extent, and should be abolished.

Regulation 26 (Sporting and Pleasure Parties).—Your Commission recommends that the minimum for sporting and pleasure parties be reduced from twelve to six. This, we are informed, will have the effect of increasing the revenue from this source.

Regulation 28 (Railway Employees' Tickets).—The Railway employees enjoy a special privilege of 25 per cent. of the ordinary and season tickets fares, with a minimum for a privilege season ticket of 6s. 3d. in both classes.

Your Commission recommends that the minimum should be increased to 10s. for first-class and 7s. for second-class season tickets. The charge for these concession tickets will automatically increase in accordance with the ordinary increases suggested at the rate of 1d. in the shilling or part of a shilling, which will amount in this case to $\frac{1}{4}$ d. in the shilling or part of a shilling.

The estimated increase in revenue from this source would be £3,566.

Regulation 39 (Workers' Weekly Tickets).—Owing to the very heavy morning and evening traffic, a large amount of rolling-stock has to be provided by the Department which is only used at those times, placing the Department under a heavy capital expense. In the opinion of your Commission, the time has arrived when such traffic should bear a greater proportion of the cost of transport, the rates now charged being unremunerative. At the present time passengers under this regulation are being conveyed at an average fare of 2·48d. per journey for an average distance of eight miles or 0·31d. per mile. By comparison with the rates in operation in Australia and South Africa we find that in New Zealand the rates charged at present are low.

We submit a new scale (column No. 2) which shows an increase on the present rates charged, and which (in the aggregate) will provide a substantial increase in the revenue :—

Distance.	New Zealand.		New South Wales.	Victoria.	South Australia.	Western Australia.	Queensland.	South Africa.
	Present. (1)	Proposed. (2)						
Miles.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.
2	1 9	1 10	2 4	1 10	1 4	2 0	1 4	2 3
3	2 3	2 2	2 11	2 3	1 10	2 3	1 4	2 9
4	2 3	2 6	3 5	2 8	2 3	2 9	2 2	3 3
5	2 3	2 9	3 11	3 1	2 7	3 6	2 8	4 0
6	2 3	3 0	4 4	3 5	2 11	4 3	3 6	4 6
7	2 3	3 3	4 8	3 9	3 3	4 9	3 6	5 3
8	2 6	3 6	5 0	4 0	3 7	5 3	3 9	5 9
9	2 6	3 9	5 3	4 2	3 11	6 0	4 4	6 6
10	2 6	4 0	5 6	4 3	4 3	6 6	4 7	6 9
11	2 9	4 3	5 9	4 6	4 7	7 0	4 10	6 9
12	3 0	4 6	6 0	4 8	4 10	7 3	4 10	7 0
13	3 0	4 9	6 2	4 10	5 1	7 6	5 5	7 0
14	3 3	4 11	6 4	4 11	5 4	7 9	5 8	7 3
15	3 3	5 0	6 6	5 0	5 7	8 0	5 11	7 6
16	3 9	5 2	6 8	5 2	5 10	8 0	5 11	7 6
17	3 9	5 3	6 10	5 3	6 0	8 3	6 2	7 6
18	4 0	5 5	7 0	5 5	6 2	8 3	6 5	7 9
19	4 3	5 7	7 2	5 7	6 5	8 3	6 5	7 9
20	4 3	5 8	7 4	5 8	6 6	8 9	6 9	7 9

It will be seen from the scale recommended that the proposed rates compare favourably with those charged in any of the above countries. It is estimated that the increased revenue from this alteration will be £22,060.

(4) Whether the goods tariff is such as to produce the best results, having regard to the charges that the various classes of goods can bear economically, and the competition from other forms of transport.

The classification and the scale of charges in respect of the New Zealand Railways were made some years ago. The motor competition as it now exists was then unknown. It was found that additional revenue could be obtained from the carriage of Classes A, B, C, and D goods, and the Department was therefore able to give low rates for goods in Classes E, F, K, N, P, Q, and R, which include such articles as grain, timber, coal, metal, chaff, lime, and at the same time obtain the revenue required to meet working-expenses and the policy rate of interest, which in 1897 was fixed at 3 per cent. The policy then laid down provided that all revenue earned by the railways in excess of 3 per cent. should be returned to the users of the railways by means of reductions in passenger fares, goods rates, and by the provision of additional train services to assist in the development of the country and its industries. This policy was continued until 1914, when the war broke out. Percentage increases were then made to provide increased revenue to assist in meeting the general financial position.

Motor competition, which exists more or less throughout the Dominion, has now completely altered the outlook, and it has been found necessary to meet the position by the introduction of a large number of local competitive rates in various parts of the Dominion. Broadly speaking, motor competition is confined to the higher and more remunerative classes of railway traffic, while the transport of the lower-rated goods is in nearly every case left to the railway. The railway rates for the latter class of traffic are unremunerative, and in many cases barely cover the cost of transportation. For instance, agricultural lime is carried at an average rate of 0·72d. per ton per mile; New Zealand hard coal, 1·81d. per ton per mile; New Zealand brown coal, 1·08d. per ton per mile; road-metal, 1·92d. per ton per mile; New Zealand timber, 1·93d. per ton per mile; manures, 1·67d. per ton per mile; and New Zealand fruit, 1·67d. per ton per mile.

In 1926 a special concession in railway rates was made for fertilizers, and this reduction on the average distance of a 52 mile haul amounted to 3s. 10d. per ton. This equals an amount of approximately £120,000, half of which is borne by the Railways Department, and we are of opinion that this loss to the Railways Department should not be allowed to continue.

With regard to the free carriage of lime, the conditions of the country have changed to such an extent as to render this concession no longer justified.

Although appeals have been made from time to time to farmers and others to give preference to the railway for the carriage of the higher-rated class of goods because of the concessions given to them for lime, fertilizers, and produce generally, it has had little effect. In many cases firms such as dairy companies obtain their fuel and rough goods by rail and arrange for the carriage of the manufactured produce by motor.

Your Commission is of opinion that, so far as the goods tariff is concerned, the only action to be taken in assisting to balance the finances of the Department is by raising the rates and/or conditions of carriage on the lower-rated commodities.

Regulation 1 (Classified Rates).—The classified rates of Classes A, B, C, and D are for ordinary merchandise, and it is for this class of traffic that the motor-lorry is in keen competition with the Department. At the present time it would not be advisable to make a general reduction in the rates, as by so doing the Department would lose a considerable amount of revenue where competition does not exist. To meet the motor-lorry competition, local rates have been made use of to a large extent, and your Commission suggests that this method of meeting competition should be continued. The other rates are dealt with separately under their respective classes.

Regulation 3 (Scale for Small Lots).—No alteration to this regulation is recommended. Where competition exists, the charging under provisions of this regulation is frequently cancelled and goods carried at *pro rata* of the tonnage rate.

Regulation 4 (Class E).—The goods carried under this class are of the produce type, such as grain, potatoes, &c. It is recommended that, except in the case of grain, a 10-per-cent. increase be made in the classified rate. The estimated additional revenue will be £12,000.

Regulation 5 (Class F).—Goods charged under this regulation are of more or less the “scrap” class, such as firewood, straw, and the like. This is the lowest rate in the tariff, and your Commission recommends that all goods charged under the provisions of this regulation should be increased by 10 per cent. The estimated additional revenue will be £3,200.

Regulation 6 (Class H).—Your Commission does not recommend any alteration to this regulation, which applies to the carriage of wool only. Wool is a highly-competitive traffic, and, in many cases, to secure the business the Department has to reduce the present rates.

Regulation 7 (Sawn Timber, Logs, &c.).—The only alteration your Commission recommends to this regulation is in respect of the minimum load up to seventy-five miles. It is considered that this minimum is an unpayable one, and it is recommended that the following minima should apply for this class of traffic, irrespective of the distance the goods are carried:—

	Sup. ft.
Each four-wheeled truck (not otherwise specified)	2,000
Each LA or RD truck	3,000
Bogie trucks R and U, or pair of timber-trucks	4,000
Bogie trucks RB and UB	5,000

Regulation 8 (Live-stock).—No alteration to this regulation is recommended.

Regulation 9 (Class N).—The goods carried under the provisions of this regulation are chiefly imported coal and goods manufactured from cement. This rate is one of the lower classes, and it is recommended that same should be increased by 10 per cent. The estimated additional revenue will be £2,900.

Regulation 10 (Class P).—The goods carried under this regulation are, in the main, New Zealand anthracite or bituminous coals, concrete blocks, bricks and tiles, &c. This is another one of the lower rates, and it is recommended it be increased by 10 per cent. The estimated additional revenue will be £33,000.

Regulation 11 (Class Q).—This regulation deals with bulk goods, such as gravel, metal, chaff, hay, and lime. It is considered that an increase of 10 per cent. would have little effect on this traffic and would bring in additional revenue to the Department, and a recommendation is made accordingly. The estimated additional revenue will be £20,000.

Regulation 12 (Class R).—The only class of goods carried under this regulation is New Zealand brown coal. This rate appears to have been made in favour of long-distance traffic. Your Commission recommends that the rate on New Zealand brown coal should be increased by 10 per cent. up to 100 miles, and then gradually increased up to 15 per cent. for distances up to 200 miles, and a flat increase of 15 per cent. beyond 200 miles. The estimated additional revenue will be £65,000.

Regulation 13 (Lime for Manuring Farm Lands).—At the present time lime is carried free for the farmers for distances up to 100 miles, the Railways Department and the Department of Agriculture sharing the cost between them. Your Commission recommends that the Railways Department should receive the proposed Class F rate for this traffic, and, should it be decided to grant some concession to this traffic by means of lower rates than those recommended, the loss in revenue should not be borne by the Railways Department. The estimated additional revenue will be £30,000.

Regulation 14 (Road-metal for Use of Local Bodies).—At the present time concession rates are granted for the carriage of this traffic. Metal consigned to local bodies for use on feeder roads is charged five-eighths Class Q, and metal to be used on other than feeder roads is charged under the provisions of paragraph 3 of this regulation. Your Commission cannot see that the Department should be called upon to carry this class of traffic at a very unremunerative rate, and recommends that the Railways Department should receive the proposed Class Q rate for this traffic. Should it be decided to grant some concession to this traffic by means of lower rates than those recommended, the loss in revenue should not be borne by the Railways Department. The estimated additional revenue will be £29,000.

Regulation 15 (Fresh Fruit, Vegetables, Nuts).—Paragraph 4 of this regulation provides a special rate for this class of traffic. This rate, which is a very cheap one, has a maximum rate of 32s. 6d. per ton for all fruit consigned for 211 miles and over. Your Commission recommends that this scale be extended to 300 miles at a rate of 5d. per ton for each five miles. The rate at 300 miles would amount to 40s., and a further 10 per cent. to be added to the rates. The estimated additional revenue will be £13,200.

Regulation 41 (Artificial Manures and Raw Material, except Lime, for the Manufacture of Artificial Manures).—Prior to 1926, fertilizers were charged Class E. In that year a reduction of 40 per cent. was made by the Government on 6-ton lots and over, and a lesser reduction for smaller quantities. Your Commission has considered this matter in its various aspects, and recommends that the Railways Department should receive payment for the carriage of goods carried under the provisions of this regulation at the present Class E rate. Should it be decided to grant some concession to this traffic by means of lower rates than those recommended, the loss in revenue should not be borne by the Railways Department. The estimated additional revenue will be approximately £61,000.

Regulations 2, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 39, 40, 42.—No alteration to these regulations is recommended.

Part IV—Goods: Local Rates.—With regard to local rates, these are made and cancelled from time to time as necessity requires. With comparatively few exceptions, they are determined by circumstances of competition. The necessity for meeting motor, and, for that matter, other forms of competition, by means of local rates has grown enormously since the advent of the motor, and in the absence of regulatory authority on rates charged it appears that this means of charging will have to be further extended. It is not possible to lay down any definite rule regarding this method of charging, each case having to be decided, more or less, on its merits.

Representations were made by the Shipowners' Association with reference to the imposition of special rates to ports served by coastal steamers. The association maintains that in many cases these rates are low in comparison with classified rates, and leave little or no margin for profit. In cases where a train service has to be maintained to a port, low rates are justifiable, provided that a rate of not less than the actual cost of haulage and handling is obtained.

Local rates are in many cases governed by competition, but where competition does not exist such rates should be increased by the appropriate percentage.

Part V—Classification.—As regards classification, it is found that alterations are made from time to time regarding the classification of goods carried by rail, and it is not considered that any material alteration is necessary to this part of the tariff.

The question of charging a higher rate for an imported commodity as against a lower rate for locally produced article has been fully considered, and your Commission's recommendation is that where this system operates it should be discontinued and any protection necessary for the locally produced goods should be obtained per medium of the Customs tariff.

Part VI—Wharves.—Your Commission has no alterations to recommend in connection with this section of the tariff.

Part VII—General.—Your Commission has no recommendations to make in connection with this part of the tariff.

(5) Whether the existing arrangements for the carriage and delivery of parcels and/or goods are the best from the point of view of the net earnings of the railways therefrom, the necessity of meeting competition, co-ordination with the Post Office, or any other relevant consideration.

Owing to the better service given by motor transport, there has been a decrease in parcels and small lots of goods conveyed by rail. A motor service which can collect, transport, and deliver such traffic without rehandling has an advantage over the railways. If, however, arrangements were made to collect and deliver parcels and small lots of goods at a competitive rate, motor competition would, we think, be arrested.

It may not be possible to arrange for collection and delivery at all stations, but we are of opinion that arrangements could be made at the main centres and larger towns throughout the Dominion. Whether this work could be best done by contract or by agreement with local carriers is a matter which can be determined by the Department, but your Commission does not favour the establishment of a special departmental motor service for this purpose.

If such a system is brought into operation at any centre or town, provision would have to be made for the rates to include collection and/or delivery. In fixing such rates, consideration would have to be given to competitive rates now operating, even to the extent of the railway rate including the cost of collection and delivery. We do not consider the work could effectively be undertaken by co-ordination with the Post and Telegraph Department, although it may be possible to arrange that some use could be made of their existing motor services in the larger towns for the collection of parcels from depots.

Your Commission recommends that arrangements for the collection and/or delivery of parcels should be made in the larger towns and elsewhere where this service can be satisfactorily carried out.

With respect to the collection and delivery of goods, it does not appear that this would have any effect in arresting competition by road motor for distances up to about fifty miles. The cost of collection and delivery would be too great a proportion of the total charge to permit of this being done at a payable rate. It is on account of the avoidance of these costs that a motor service possesses an advantage.

It is estimated, however, that for distances of fifty miles and over rates could be fixed, including collection and delivery, which would largely meet the position.

Your Commission recommends that the collection and delivery of goods carried or to be carried by rail be undertaken by the Railways Department between towns

where it is desirable to combat motor competition, and, where necessary, local rates be made use of to give effect to this recommendation. The Department to co-operate as far as possible with, or make use of, existing carrying firms or companies, either at agreed-on rates or by calling for public tenders, rather than establishing a departmentally operated carrying service.

(6) Whether the existing arrangements with the Post Office for carriage of mails is equitable to the Railways.

Upon investigating the arrangements between the Railways Department and the Postal Department your Commission found itself in the position of not being able to find any definite written agreement between the two Departments, and there exists at the present time a difference of opinion as to the services that should be rendered by the Railways Department for the carriage of mails, or, conversely, for the rates that should be paid by the Postal Department for the services rendered.

We are of opinion that in future a definite written contract should be entered into for a specified term on a basis to be clearly defined.

The difference of opinion at present existing between the Postal Department and the Railways Department is, in the main, in respect to the carriage of what may be termed the second-class mail-matter transported by mixed and goods trains in four-wheeled wagons. In 1925, 5,520 wagons were utilized for the carriage of mail-matter, with a wagon-mileage of 1,015,924 miles. The number of wagons used in 1930 was 10,686, with a wagon-mileage of 1,840,852, for which no payment was made to the Railways Department.

The above figures show that during the last few years this traffic appreciably increased, and your Commission is of opinion that the time has arrived when payment should be made for this service.

Under the present system there is no inducement for the Postal Department to economize in the number of wagons used, by reason of the fact that no charge is made per wagon-mile. Consequently, parcel traffic is accepted by that Department which makes unprofitable freighting for the Railways Department.

In November, 1929, tallies were taken, and it was found that the amount due to the Railways Department for the carriage of mails at full parcel rates, and including a charge for wagons not heretofore made, would be £212,811.

The total number of bags and hampers handled in 1929 was estimated at 1,953,978, an increase of 158,630 over the number carried in 1925; while the total weight of bags and hampers handled in 1929 was estimated at 19,776 tons, an increase of 3,657 tons over the weight carried in 1925, the percentage increase in bags and hampers being 8.83 and in weight 22.7 respectively.

The following are the amounts paid to the Railways Department for the carriage of mails for financial years: 1924-25, £101,316; 1925-26, £103,675; 1926-27, £103,000; 1927-28, £117,338; 1928-29, £114,991; 1929-30, £117,867.

The basis of payment is at present as under:—

	£	s.	d.
Main lines, per mile	21	2	6
Branch lines, per mile	16	0	0
Postal sorting-cars on express trains, haulage per mile	0	1	4
Bogie wagons on express trains, per mile	0	0	9

An annual grant of £555 is also made to the Railways Department for the Queenstown-Kingston service.

Your Commission recommends that in future the charges to the Postal Department should be on the following basis:—

In guards' vans of mail, express, passenger, mixed, and goods trains: Mails at half parcel rates.

Postal sorting-cars attached to express or mail trains: Haulage per car-mile, 1s. 4d.

Bogie wagons on express trains: 9d. per mile.

Four-wheeled wagons conveying mail-matter on mixed or goods trains: 6d. per wagon-mile.

The charges for the Lake Wakatipu service to remain as at present.

On the basis of the present mails carried, this would provide a revenue of £154,740.

- (7) Whether the net returns from the various subsidiary services maintained by the Department, such as the Lake Wakatipu steamers, refreshment-rooms, advertising, dwellings and other buildings, road motors, &c., are satisfactory, having regard to the returns obtained therefrom, economy in administration, and generally all the surrounding circumstances.

City Booking-offices.—City booking-offices for the purpose of providing facilities to passengers securing their tickets and reservations have been established in Auckland (Queen Street), Wellington, and Christchurch for some years, and in each case they appear to have justified their establishment. The figures shown below indicate that so far as Auckland (Queen Street office) is concerned the percentage of expenditure over the total receipts is considerably in excess of that of Wellington and Christchurch. The former, however, has not been established as long as those in the latter cities. It is quite possible that when the new railway-station, which is some distance from the centre of the city, is opened, the business done in the Auckland City booking-office will increase considerably and the percentage expenditure be reduced.

Auckland.—More recently two additional offices were established—one in Symonds Street, and the other in Karangahape Road; the percentage expenditure in relation to receipts is out of all proportion. As shown, the percentage is 12·67 in the case of the Symonds Street office and 16·90 in the case of Karangahape Road office. From evidence taken and personal observations made your Commission has come to the conclusion that there is no justification for the continuance of either of these offices, and we recommend that they be closed. In each case leases have been entered into by the Department for the properties, and it is recommended that the leases be disposed of to the best advantage.

Rotorua.—In the case of Rotorua, which is a tourist and health resort, there should be a greater co-ordination between the Tourist and Railways Departments. The Commission recommends that this office be closed.

Napier Central.—This office has been established for some considerable time, and is worked in conjunction with the bus service. The expenses for running are out of proportion to the receipts, as is shown by the figures below. There does not appear to be any justification for its continuance, and we recommend that it be closed.

Courtenay Place, Wellington.—In September, 1929, a booking-office was established in Courtenay Place. It is probably not reasonable to judge this office on the results so far obtained, and for that reason your Commission is of the opinion that the office should be continued meantime and the returns kept under very close review. Unless there is a substantial increase in the business done in the near future, consideration should be given to the question of closing it.

Consequent on the regrading of positions in 1927 and 1929, your Commission finds that the grading of the staff in these various booking-offices, having regard to the responsibilities of the work done, is too high, and appointments should be made more commensurate with the services rendered. We are of opinion that considerable economy should be obtained in this direction. This, we may say, applies to all such booking-offices throughout the Dominion.

The savings under this heading will amount to £2,260 per annum.

STATEMENT OF EXPENDITURE AND RECEIPTS, YEAR ENDED 31ST MARCH, 1930.

	Expenditure.				Total Sales.	Percentage of Expenditure to Total Receipts.
	Salaries.	Rent.	Miscellaneous.	Total.		
Auckland—	£	£	£	£	£	£
Queen Street ..	1,395	975	239	2,509	34,946	7·18
Symonds Street ..	377	263	50	690	5,444	12·67
Karangahape Road ..	357	284	158	799	4,864	16·90
Rotorua	196	32	24	252	1,982	12·71
Wellington—						
Central	1,729	763	230	2,722	115,241	2·36
Courtenay Place ..	501	320	163	984	10,081	9·76
Napier Central ..	370	100	49	519	3,247	15·98
Christchurch Central ..	1,118	500	146	1,764	45,817	3·85

Symonds Street, Auckland, opened, March, 1929; Karangahape Road, Auckland, opened, May, 1929; Courtenay Place, Wellington, opened, September, 1929; Rotorua opened, January, 1930.

Departmental Dwellinghouses.—There are at present some 3,617 houses, the capital cost of which was £1,883,469, and, including the land specially acquired, £2,094,487. For the year ended 31st March, 1930, the rentals received amounted to £109,648, equal to 5·23 per cent. on the above capital cost. This rate is too low to enable the houses to be properly maintained and to pay depreciation, insurance, and interest on the cost. If no loss were to be incurred the present rentals would require to be increased by approximately 75 per cent. The expenditure last year, apart from interest, was £103,592, made up of repairs for maintenance, £62,375; depreciation, £36,435; and insurance, £4,782. The maintenance cost is very high, being 3·31 per cent. of their cost; but a number of the houses are old and not up to modern requirements, so that the cost of maintaining them will be higher than the average generally. The loss for the year ended 31st March, 1930, was £78,167, as against £64,176 for the year ended 31st March, 1929.

In 1920 the Department embarked on a house-building programme, and erected and equipped a factory to provide factory-cut houses in the North Island. Altogether some 1,380 houses of standard types were cut and erected. The necessity for their construction was on account of the difficulties of railway men obtaining houses, and the large expenditure that the Department was being put to for transfers and providing accommodation for these men. The factory has now ceased operation and the assets are being realized. We understand that there will be a loss of £52,270 on the realization. This will, presumably, be charged against the capital cost of houses, and will entail an additional loss by way of interest charges of some £2,220 per annum.

The rents of dwellinghouses are at present fixed on a basis of not more than one day's pay of the employec per week.

We recommend that the whole of the Department's houses be classified in accordance with their type, condition, accommodation, and conveniences, and that a rate per square foot be fixed for each class of house as a basis for assessing the rental value. In doing this, consideration would have to be given to the location and the proximity and the amenities available.

Taking into consideration the desirability of the Department in providing, so far as is reasonably possible, for the convenience and comfort of its employees, we do not think that it will be advisable to fix rates that would enable the interest and fixed charges on the full capital cost to be obtained. We are of opinion, however, that an increase in the rentals should be made, and in fixing the rate per square foot for each type of house we recommend a basis be taken so that the rentals are increased by 33½ per cent. This will still leave a loss to the Department of approximately £40,000 per annum.

Lake Wakatipu Steamers.—The capital expenditure shown in the accounts as at 31st March, 1930, sets out the sum of £44,387 3s. 3d. as being the amount expended on the assets of this service. The fleet consists of three ships—viz., the "Earnslaw," which is stated to be in good condition but not altogether suitable for the service, the "Ben Lomond," and the "Mountaineer," both of which are in poor condition and for which only temporary licenses can be obtained from the Marine Department.

An investigation shows that the sum of £26,123 should be written off to provide for accrued depreciation and dead assets still remaining in the capital account of this service.

It is estimated that the cost of refitting the "Ben Lomond" and the "Mountaineer" would amount to £4,800, giving the vessels a further ten years' life.

A statement of the revenue and expenditure for the past three years is set out hereunder :—

	1928.	1929.	1930.
	£	£	£
Revenue	9,885	10,941	11,447
Expenditure	15,627	17,425	18,374
Loss	£5,742	£6,484	£6,927

The cost of repairs to the vessels for the past three years was—1928, £2,197; 1929, £3,850; 1930, £3,523.

The wages and the salaries paid during the past three years were as under : Shore staff—1928, £1,547 ; 1929, £1,520 ; 1930, £1,552. Steamer staff—1928, £5,250 ; 1929, £5,402 ; 1930, £5,688.

The evidence submitted to your Commission showed that the service was not properly organized and scheduled, and that considerable savings could be made under more efficient management. It would appear that the most satisfactory method of management would be to place the service under an officer stationed at Queenstown, and hold him responsible for the service. This officer should be in a position to reduce the staff and by economical methods of handling cargo curtail many of the expenses with which the service is now burdened.

As the service is self-contained, provision should be made by a reduction of expenditure and an increase in rates so that each year's working would result in no loss.

Your Commission has fully considered the advisability of recommending the purchase of a new steamer, costing approximately £26,000, which would replace the "Ben Lomond" and the "Mountaineer" now engaged in the service. In dealing with this matter consideration has been given to the probability of the road between Queenstown and Kingston now under construction being completed. If this road is completed, undoubtedly a large amount of traffic now being conveyed by the steamers will pass over the road, and the revenue of the lake service will be considerably reduced. Definite evidence cannot be obtained as to whether or not this road will be completed. There is little call by the settlers in the district for the construction of the road, and, provided the work is not further proceeded with, your Commission feels justified in recommending the purchase of a new steamer.

New Zealand Railways Magazine.—The benefits derived by the Railways Department and the staff are not commensurate with the loss that has been incurred, which in 1929 amounted to £5,254 and in 1930 £5,208. We therefore recommend that unless the magazine can be printed and circulated without financial loss to the Department this publication be discontinued.

Napier-Hastings Bus Services.—Five buses were purchased on 11th October, 1926, for £3,796, at an average cost per bus of £759. At 31st March, 1930, these machines were assessed in the balance-sheet at a total value of £172, which is an average value of £34 per bus. It was found necessary to write off an average of £725 per vehicle. Eight additional buses were purchased on the 29th February, 1926, for £7,307, an average cost of £913 per bus. The balance-sheet at 31st March, 1930—a period of three years and four months after purchase—showed a total value of £239. It was found necessary to write off a depreciation of £883 per vehicle for this period. It would therefore appear that in both cases the price paid for the vehicles was too high.

In addition to the above-mentioned amounts paid to the vendors, a sum of £1,004 was disbursed, and this amount has been treated as goodwill. The accounts for this service show a loss for the year ended 31st March, 1929, of £621, and for the year ended 31st March, 1930, £7,925. The total running-expenses of the buses were practically the same in each year, as in 1929 it was £21,329, and in 1930, £21,304. The revenue in 1929 was £20,617, and in 1930, £13,378—a decrease of £7,239.

On this route the Department is subject to keen competition, and it would appear that the public is well served in the matter of transport. Should the Railways Department decide to withdraw its bus service, there would be no necessity for increased trains.

In view of the statement that the Railways Department is now saving £7,000 per annum in train-mileage and that the public would be adequately served by private motor-car service now operating on the Napier-Hastings route, a further benefit to the Railways Department would accrue from discontinuance of the Railway buses, and the public would not suffer thereby. Unless, therefore, the service will within the next six months pay its way, we recommend that it be terminated, and the buses be transferred or otherwise disposed of.

Christchurch-Midland-Springfield.—In view of the loss in operating this service, your Commission recommends that it be discontinued, and the vehicles disposed of or utilized elsewhere. The losses on this service for the last two years were as follows : 1929, £1,112 ; 1930, £2,560.

Oamaru-Tokarahi Service.—Your Commission recommends that the service be continued, but that the fares be adjusted in such a manner as to obviate any loss.

Hutt Valley Service.—The evidence before your Commission showed that forty-one buses were purchased from private owners at the inauguration of this service, at a total cost of £53,365. The Railways Department, on taking possession of the buses from the private owners, arranged for a revaluation, with the result that the buses were valued at £36,835, the difference between this figure and the purchase price of £53,365—namely, £16,530—being charged to goodwill.

The original purchase price of the buses, based on the revaluation figure of £36,835, showed that the average cost of these buses was £898 each. At the 31st March, 1930, the original forty-one buses were valued at £9,452—that is, an average value per bus of £230. It was therefore found necessary in a period of two years and following the Department's own valuation made immediately after purchase, to write off a total depreciation of £27,383, or an average depreciation per bus of £668. On a percentage basis these buses were reduced in value by 75 per cent. in a period of two years.

The fact that the Railways Department had to write off such a large percentage of depreciation in a comparatively short period is a clear indication that the purchase price, based on the revaluation figure, was much too high. On account of the high rate of depreciation which has been charged against the revenue, the accounts for the period suffered accordingly. For the year ended 31st March, 1929, the depreciation written off buses and goodwill was £16,994, and for the year ended 31st March, 1930, the amount written off on account of the same items was £17,544. In the 1930 accounts, included in the amount written off for depreciation was a sum of £2,990, covering depreciation on new buses and buses under construction.

The Commission finds that two years after the purchase took place from the private owners only twenty-three of the original forty-one buses were on the road. The accounts for the year ended 31st March, 1929, showed a loss of £7,212, and for the year ended 31st March, 1930, a loss of £815.

Comparing the returns of 1929 and 1930, the revenue received increased by approximately £10,000, and, assuming that no extraordinary expenditure takes place and the management is made efficient; the undertaking should prove to be a success. In addition to the profits that should accrue from the operations of this service, it has been estimated that the saving in the cost of train-mileage on the Wellington-Hutt line amounts to £10,000 per annum.

The Department should give consideration to the revenue-earning possibilities of advertising on the buses and on the passenger tickets.

Important transport undertakings such as the bus service between Wellington and Hutt require the services of an experienced and practical manager, and the fact that such an appointment has not been made has had the effect of decreasing the net revenue from the services. We are strongly of the opinion that it is wrong in principle to appoint a man to a service in which he has had no training, solely by reason of the fact that he is a railway man, and that in appointments such as these only men who are capable and have had experience in the particular line should be placed in charge of undertakings of such magnitude.

Your Commission visited the garage of the Hutt services and came to the conclusion that the control there was not satisfactory and the best results were not being obtained from the labour employed, which appeared to be in excess of requirements. A proper reorganization would result in a substantial saving under this heading. Also the control of benzine supplied to buses, and the reconciliation and the check on same, was not, in the opinion of your Commission, satisfactory.

Your Commission is of opinion that the operation of this service should be continued, and that full consideration be given to the recommendations regarding the management.

Advertising Branch.—This Branch was inaugurated by the Railways Department on the 1st January, 1915. Prior to this date contracts were let to outside firms for the sole rights of advertising on certain sections. On the 1st July, 1920, the Advertising Branch opened its own studios for the preparation of advertising matter.

The returns show that the revenue for the past four years was as under: Year ended 31st March, 1927, £47,387; 1928, £52,600; 1929, £53,983; 1930, £53,532. From the above it will be seen that the revenue during the past three years has remained practically stationary.

For the year ended 31st March, 1928, the salaries, wages, and allowances totalled £12,540. In 1929 they were £13,675, and in 1930 £14,572. These figures disclose that, although no substantial improvement was made in the revenue, the salaries, wages, and allowances were on the increase.

The evidence before your Commission showed that, with a thorough reorganization of the staff, substantial savings could be made, and, although this reorganization has only now been given effect to, it could have been put into operation some years previously.

As a result of the reorganization it is estimated that the following savings will be effected in the expenditure :—

	Per Annum.
	£
On account of sales staff	2,000
On account of production staff	2,600
On account of photography staff	400
On account of carpenters and linemen	2,000
	<hr/>
	£7,000
	<hr/> <hr/>

So far the reorganization has not affected the clerical staff, which consists of twelve clerks and cadets; this number appears excessive, and additional saving of at least £1,000 per annum could be made.

Your Commission, in view of the many advantages of outdoor advertising, considers that the management should be more alive to the increased revenue obtainable from the sites and hoardings available on railway property.

The possibilities in this Branch are very great indeed, but it requires a man with vision, initiative, and experience in the business of advertising to control it. We are reluctantly compelled to say that, in our opinion, the officer at present controlling the Branch does not come within this category.

In view of the many avenues for increasing the business, we recommend that the control should be placed in the hands of a thoroughly competent and experienced advertising-man, who would exploit all possible avenues, and your Commission is firmly of opinion that highly satisfactory results would be obtained.

Refreshment Branch.—With regard to the Refreshment Service, the functions of this Branch include the administration and control of the Department's Refreshment Service of twenty-nine rooms and catering on Lake Wakatipu steamers, control of workshop dining-rooms at Otahuhu, Hutt, Addington, and Hillside, hire of cushions for passengers, laundry-work and contracts in the North Island for all branches of the service, and laundry-work at Christchurch and Invercargill, train attendants, and all arrangements in connection with the purchase of foodstuffs by Government Departments, including contracts under authority of the Stores Control Board.

The operating profit of the Refreshment Service for the year ended 31st March, 1930, was £25,270 18s. 1d. Against this profit was charged interest on capital, £1,099; rent, £11,170; freight and fares, £4,520 18s.; betterments, £1,500: a total of £18,289 18s., leaving a net profit for the year of £6,981 0s. 1d.

At present the superintendence staff consists of—

	£
Controller	765 per annum.
Assistant Controller	515 „
Inspector	470 „
Three Supervisors at £425	1,275 „
	<hr/>
	£3,025
	<hr/> <hr/>

It would appear that each Supervisor has at least one cadet or clerk under his charge, therefore the sum of £600 for clerical assistants should also be included against the cost of the superintendence of this Branch. The cost of superintendence has increased by £894, comparing the charges made for the year 1925–26 with the year 1929–30, although there was a decreased revenue of approximately £7,000.

In view of the fact that the Branch controls only thirty rooms, including Lake Wakatipu steamers and four workshop refreshment-rooms, the Controller, together

with the Assistant Controller and one Inspector, should be able to organize the service and conduct all the necessary superintendence without the services of three Supervisors and their clerical staff. We are of opinion that a reduction approximating £1,500 per annum could be made in the control of this Branch.

As previously stated, this Branch acts as purchasing authority for all Government Departments for foodstuffs and groceries, employing a staff for this work costing approximately £1,100 per annum, but no charge is made for this service. The evidence before your Commission showed that the average purchases for other Government Departments totalled £167,000 per annum, and the purchases on behalf of the Refreshment Service amounted to £50,000 per annum. We are of opinion that a charge of $\frac{1}{2}$ per cent. commission should be made for the service rendered. This would bring a revenue of £835 per annum.

With regard to the staffing of the various refreshment-rooms, some saving could be effected by making use of temporary employees for special services, provided due consideration was given to the reorganization of the tea-room staff as opportunity offers.

With regard to the catering for workshops, this shows a loss for the year ending 31st March, 1930, of £173 17s. 9d. No charge is made against the workshops catering for equipment or for the use of rooms, including rent, light, and fuel. If these charges were made the loss on this service would be correspondingly greater. From returns presented to the Commission it was shown that only 469 employees out of a total of 3,773 avail themselves of this service.

The capital expenditure on the workshop luncheon-rooms was £16,806, and consideration should be given by the Refreshment Service to an adjustment of prices so that no loss would be incurred by the Department in conducting these rooms. Inquiries should be made as to the reason why the rooms are not patronized by the workers, and whether or not the employees desire them to be continued.

Unless better results are obtained, it would be advisable to close down some of these rooms.

(8) Whether the existing staff establishment, including casual employees, is such as to ensure a satisfactory standard of economy and efficiency, and whether staff conditions generally are reasonable.

The rates of pay and conditions of employment are embodied in Orders in Council made under the Government Railways Act, 1926, and its amendments. The schedule of rates of pay and the regulations applicable to the staff are in conformity with the recommendations of respective Wages Boards and the agreements made from time to time between the Minister and the executive of the societies representing the railway staff.

The conditions are generous and have been liberally interpreted and applied to give the staff the fullest benefits. The staff establishment as at 31st March, 1930, comprised an average of 19,410 employees of all grades, of whom 108 were engaged in bus operations.

The following table shows the personnel of the respective branches and the total amount expended in payment of salaries, wages, and allowances each year :—

—	1924.	1925.	1926.	1927.	1928.	1929.	1930.
	Number.	Number.	Number.	Number.	Number.	Number.	Number.
Head and Departmental ..	652	714	760	822	851	881	849
Stores	160	327	381	428	454	395	426
Traffic	5,124	5,212	5,466	5,579	5,511	5,553	5,749
Maintenance	3,706	3,807	3,930	4,087	4,075	4,000	4,169
Architectural	104	190	176	155	147	95	..
Signals	381	387	386	404	455	496	470
Locomotive workshops	3,499	3,653	3,709	3,641	3,562	3,592	4,179
Locomotive running	2,496	2,692	2,878	3,021	3,059	3,023	3,031
Refreshment-rooms	231	264	294	321	329	339	356
Advertising .. ..	..	..	..	..	68	71	73
Road motor services .. ..	..	..	..	..	30	91	108
	16,353	17,246	17,980	18,458	18,541	18,536	19,410

Expenditure :—	Salaries and Wages.	Revenue.
	£	£
1924	4,070,901	6,984,211
1925	4,385,704	7,112,254
1926	4,610,662	7,589,274
1927	4,745,015	7,423,472
1928	4,811,671	7,343,845
1929	4,884,136	7,524,864
1930	5,197,956	7,473,993

The staff variations for the years 1925 to 1930, due to some extent to the employment of casual labour to meet the unemployment problem, were :—

	Increase.	Decrease
1926	734	..
1927	478	..
1928	53	..
1929 .. .. .	..	66
1930	857	..
	2,122	
Less	66	
Total increase	2,056	

The opening of 220 miles of new lines and the running of additional trains combined with increased hours worked on some lines and an increase in goods-tonnage necessarily involved some additional staff being employed. Nevertheless, the evidence shows that the staff is now and has for some time past been in excess of requirements.

Between November, 1926, and October, 1928, there was a surplus in the workshops varying in number from a maximum of 172 to a minimum of sixty men. Their wages cost from £854 to £2,957 per four-weekly period, the gross amount for the twenty-six periods covered by the dates specified being £45,753. Recommendations in regard to the disposal of these men were made, and they were notified that their engagement would be terminated on a specified date. The notice was subsequently withdrawn, and the men were retained. A gradual reduction in this number was ultimately brought about by voluntary retirements.

Your Commission appreciates that conditions may arise under which it may be necessary to require the Railways Department to provide relief work for unemployed, but is of opinion that in such cases the Department should be subsidized on the same basis as local bodies in respect of the wages expenditure incurred.

A review of the staff establishment was commenced by the General Manager prior to the appointment of the Commission. Some further progress has since been made, and the evidence placed before us shows that when the proposals are finalized and brought into operation substantial economies will be effected in respect of the portion of the service that has been reviewed. A further and substantial saving should accrue as the result of examination into the staffing of several important branches now engaging attention.

First Division.—This Division, comprising the managerial and clerical staffs, in all branches, has a personnel of 3,449—including 245 casual office staff—and is subdivided into : (1) General management ; (2) branch management ; (3) salaried staff.

Salaries are fixed at an annual rate, those in excess of £765 being subject to vote of the Legislature. Rates of £765 and under are provided in the schedules gazetted from time to time. There are eight ordinary and three special grades into which staff in receipt of salaries up to £765 are graded and appropriate rates for each of the respective grades.

Thirty-eight hours constitute a working-week in head and departmental and district offices, as also at eleven main stations, and forty-eight hours a week in all other offices and stations. Where night duty is regularly worked the duration of the shifts embracing the hours midnight to 4 a.m. is limited to seven hours.

Compensation for time worked in excess of forty-eight hours is made by giving an equivalent time off duty to all members receiving up to £515 per annum, Grade 2. This involves the provision of a relieving staff of twenty-one men at an expenditure of £6,900 per annum.

All time worked between midnight on Saturdays and midnight on Sundays, and on Christmas Day, Good Friday, Anzac Day, Sovereign's Birthday, and Labour Day is paid for as follows:—

	Rate per Hour.	
	s.	d.
Employees in receipt of salaries up to and including £165 per annum	2	3
Employees in receipt of salaries over £165 and up to £200	3	0
Employees in receipt of salaries over £200 and up to £270	3	9
Employees in receipt of salaries over £270	4	0

In addition, any employee who works on any or all of the five days has an extra day added to his annual leave for each of the special days worked.

The approximate cost of this is £16,000, exclusive of the cost of the days that may be added to annual leave.

Leave of absence is granted annually for a period of twelve working-days to those with less than ten years' service and eighteen working-days where the period of service is over ten years. In addition, emergency and sick leave for a total of not exceeding fourteen days in any year may be granted on full pay on the approval of the General Manager. The approximate cost of providing relief for annual leave is £90,000 in salaries alone.

Further, sick-leave is granted on full pay in cases of sickness for periods of one to three months with extension for further periods on half-pay and one-third pay on the approval of the General Manager in each case. Cost, £11,000 per annum.

In 1927 a special committee was appointed to grade the positions of the First Division and generally bring the staff system of the Railways into line with that operating in the Public Service. The evidence placed before the Commission shows that the alteration, although extremely costly in its application, has not proved satisfactory or suitable for the purposes of a highly competitive business concern into which the Railways have now developed. Moreover, the rigid adherence to the definition and grading of positions which is the foundation of the grading system is highly inconvenient and really impracticable, inasmuch as it prevents the best use being made of the men available.

The table following shows the number of men and salaries paid at 31st March, 1925, 1928, and 1930:—

	1925.		1928.		1930.	
	Number.	Salary.	Number.	Salary.	Number.	Salary.
General and branch administration	10	£ 12,349	29	£ 27,525	27	£ 27,300
Special Grade 1	39	29,321	22	15,680	28	19,720
Ordinary Grade 1	21	12,265	41	24,715	58	34,220
" 2	58	29,295	57	29,305	43	22,070
" 3	77	35,440	87	40,665	122	55,950
" 4	116	48,425	172	72,450	158	66,600
" 5	233	87,340	303	113,690	376	141,655
" 6	466	154,400	541	180,020	641	213,035
" 7	1,162	329,980	1,057	296,860	1,316	348,770
" 8	534	56,880	646	76,865	427	52,500
	2,716	795,695	2,955	877,775	3,196	981,820
Increase over 1925 .. .. .	..	..	239	82,080	480	186,125
Increase over 1928 .. .. .	..	..	..	..	241	104,045

Comparing the figures in the foregoing table for the years 1928 to 1930, your Commission finds that the personnel of the administrative and special Grade 1 has increased from fifty-one to fifty-five and the cost from £43,205 to £47,020, an increase of four in personnel and £3,815 in cost. The average salary of the twenty-seven administrative and branch officers in 1930 was £1,011.

For the same year the personnel of the ordinary grades 1 to 4 inclusive increased from 357 to 381 and the cost from £167,135 to £178,840. Increase in number, twenty-four, and in cost, £11,705.

The following comparative table gives the strength of the staff in the administrative and branch offices as at 31st March on each of the years named :—

	1926.	1927.	1928.	1929.	1930.
General Manager	80	75	75	73	75
Chief Engineer and Land Office	46	51	50	48	58
Architectural Branch	22	22	22	13	..
Signal and Electrical Branch	36	43	46	51	51
Chief Mechanical Engineer	58	67	64	66	63
Chief Accountant	139	147	156	165	161
Comptroller of Stores	34	24	26	27	28
Advertising Branch	11	13	13	13	13
Refreshment Branch	22	22	22	23	23
Divisional Superintendents	17	16	16	16	16

Your Commission is of opinion that the staff employed in all the administrative offices is too large at the present time, and that close investigation in that connection should be made for the purpose of reducing expenditure on that behalf.

The amount paid for travelling expenses and allowances in 1928 was £87,336, and in 1930 £97,015. The increase is mainly due to the cost incurred in sending officers abroad, the necessity for travel in connection with new works under construction, and activities of the Commercial Branch, cost of Appeal Board, and increase in the regulation allowance.

All members of Division I when specially booked on duty on a Sunday or departmental holiday are paid for a minimum of four hours.

The summary attached shows the cost incurred in connection with staff regulations which have been more particularly referred to under the headings of Division I and Division II. The total amount is £462,911, indicative of the extent to which the expenditure is influenced by the conditions imposed by regulation. Free passes and privilege tickets issued to members of the Service afford them a substantial benefit in respect of travel.

Second Division.—This Division embraces all outdoor staff, including workshops employees, and numbers 15,961, including 5,253 casual hands.

Crossing and bridge keepers and tablet-porters are paid at a rate per day, night-watchmen and female waiting-room attendants at a weekly rate, and all other employees at a rate per hour.

The working-conditions vary in the different branches of the Department in respect of both hours and overtime.

	Hours	
	Per Week.	Per Day.
Tablet porters at stations where duties are intermittent	56	..
Crossing and bridge keepers where duties are intermittent	60	..
Locomotive drivers, firemen, cleaners, depot chargemen	44	8
Workshops (locomotive and maintenance and signals) and all other locomotive employees other than running	44	..
Tablet-porters, night-watchmen, crossing and bridge keepers, female waiting-room attendants, and messengers	48	..
Guards, porters, shunters, signalmen, crane-drivers, horse-drivers, and storemen	48	8
Permanent-way and line gangs (Maintenance Branch) .. .. .	..	8

In the Locomotive Running Branch (drivers, firemen, cleaners, depot chargemen, and night foremen of cleaners) overtime is paid for as follows :—

For all time worked in excess of eight hours and not more than twelve hours in any shift, at one and a quarter times the member's ordinary rate of pay.

For all time worked in excess of twelve hours in any shift at one and a half times the member's ordinary rate of pay.

For all time worked in excess of forty-four hours and not more than forty-eight hours in any week, at the member's classified rate of pay: Provided that if such time is worked between the hours of 10 p.m. and 6 a.m. payment for such time shall be made at one-and-a-quarter times the member's ordinary rate of pay.

For all time worked in excess of forty-eight hours and not more than sixty hours in any week, at one-and-a-quarter times the member's ordinary rate of pay.

For all time worked in excess of sixty hours in any week, at one-and-a-half times the member's ordinary rate of pay.

In the Locomotive, Maintenance, and Signal Branch workshops rate and a half is paid for all time worked in excess of the daily hours.

In the Traffic and Stores Branches overtime is paid for on the following basis:—

Tablet-porters at stations where duties are intermittent: Rate and a half after fifty-six hours per week.

Crossing-keepers and bridge-keepers at stations where the duties are intermittent: Rate and a half after sixty hours per week.

Tablet-porters, crossing-keepers and bridge-keepers (other than those mentioned above) night-watchmen, female waiting-room attendants, messengers: Rate and a half after forty-eight hours per week.

Guards, shunters, signalmen, storemen, porters (other than tablet-porters), crane-drivers, and horse-drivers: Rate and a quarter after eight hours per day, and rate and a quarter plus one quarter for overtime worked between 10 p.m. and 6 a.m. (Reg. 113.)

Night rate, computed at rate and a quarter of the daily rate of pay, is paid to members of the Locomotive Running Branch and to guards, porters, shunters, signalmen, storemen, crane-drivers, and horse-drivers for work performed between 10 p.m. and 6 a.m., applying in all cases, irrespective of whether the employee is commencing a fresh shift or completing a shift, and, where time in excess of the weekly or daily hours is worked in either such cases, overtime as affecting the period worked between 10 p.m. and 6 a.m. is computed at rate and a quarter on rate and a quarter. Engine-cleaners, whose work is necessarily performed at night-time, in all cases are paid at rate and a quarter of the schedule rate (involving an expenditure of £4,500 per annum, which is included in the total cost of overtime). Your Commission is of opinion that this payment is not justified, and should be abolished.

In the Maintenance and Signals Branches the overtime rate of pay and a half is made for all time worked between 6 p.m. and 6 a.m.

The amount paid in respect of overtime in all branches, including special payment in respect of shifts between the hours of 10 p.m. and 6 a.m. is £106,694.

For duty on Sundays, Christmas Day, Good Friday, Sovereign's Birthday, Anzac Day, and Labour Day, which involves the payment of double the ordinary rate of pay to members of Division II, an expenditure of £20,000 is incurred, and, in addition, one day is added to the annual leave of those employees who work on all or any one of the days specified, except Sundays.

With the exception of emergency casuals, all members are guaranteed a minimum amount of pay which is equivalent to what their earnings would be provided they worked the full week at the ordinary schedule rate of pay. Payment for Sunday time is not taken into account in connection with the guarantee.

We find that as a result of the misconception or the misapplication of this arrangement unnecessary expense had been incurred by finding work for men whose earnings had reached the minimum of one week's pay. The General Manager has had this matter adjusted.

Standing-time.—Division II: In any case where any member of Division II is booked on duty and duly reports he is paid a minimum of four hours.

Traffic: At home stations if employees are booked off for less than eight hours they are paid for two hours at ordinary rates. Guards absent from headquarters and booked off between shifts are paid for three hours in cases where booking-off is less than eight hours; if booked off during a shift, paid for four hours.

Locomotive:—

At home station—

Booked off for less than ten hours through train running late: Three hours.

Booked off for less than ten hours on duty sheet: Time worked immediately before and after break in shift counted as continuous.

Booked off duty for less than eight hours on duty sheet: Two hours standing-time and time worked immediately before and immediately after break counted continuous.

At foreign station—

Booked off for less than eight hours through late running of trains: Three hours' standing-time.

Booked off duty for less than eight hours on duty sheet: Total time between shifts regarded as standing-time, and time worked immediately before and immediately after break is counted as continuous.

Estimated cost per annum for standing-time and wet weather (Maintenance Branch) time is:—

	£
Locomotive Branch	32,369
Maintenance Branch	27,049
Signal and Electrical Branch	2,984
Traffic Branch	1,350
	<hr/>
	£63,752
	<hr/> <hr/>

Standing-time is counted from arrival at to departure from engine-shed points. Time required for coaling, watering, turning, drawing, trimming, and getting ready before going out again is included in the standing-time, also the time the engines are standing in sheds and the men are not employed in duties such as cleaning engine, drying sand, or in doing other shed-work.

Allowances and Leave.—As regards the Locomotive Running Branch the system of payment by mileage is in operation, under which the pay of the enginemen is calculated on a mileage basis where that is more advantageous to the men. This arrangement involves an increased expenditure of £2,500 per annum.

An allowance of ten minutes per day is given to guards and engine-drivers for attending to correspondence, at a cost of £6,800 per annum.

Allowances approximating £1,000 per annum are made in respect of apprentices on passing certain examinations.

Fitters, boilermakers, and other tradesmen employed at the running-sheds receive an allowance of 6d. per day, which represents an expenditure of £1,100 per annum. The payment of 1s. per day is granted where employees are engaged on what is known as "dirty" work.

A meal allowance of 2s. is paid to employees who are on duty for a continuous period of not less than eleven hours, involving an expenditure of £14,000 per annum. Originally this was paid only to members who were absent from their headquarters for periods of eleven hours or over from time of booking on duty. The application of the regulation was later extended to apply to all members, and made applicable in cases where the member returned to his home station, but was not booked off for a meal. The application was later on further extended, and it has for some years past been applied to all men on duty continuously whether at home or foreign station. We are of opinion that this present system is costly and unsatisfactory, and that the arrangements should be reviewed, and actual out-of-pocket expenses only should be paid.

An extra 2s. per day is paid to boilermakers when engaged on boiler-inspection work, costing £1,000 per annum. An extra day's leave on pay is granted to gangers as compensation for attending to correspondence and time-sheets in relation to their gangs. This costs £470 per annum.

Gangers and surfacemen are granted one day off per month in lieu of time spent inspecting track, and in suburban areas each member of the gang is granted alternate Saturday afternoons off. This costs £20,000 annually.

The annual leave for members of Division II is as follows: Members with less than ten years' service, six working-days per annum; members with not less than ten years' service, nine working-days per annum. In addition, members of Division II are granted the departmental holidays as in the case of Division I.

Approximate annual cost of leave (permanent staff only): £77,000.

Discipline.—Prior to 1926 discipline for breaches of the regulations was met by infliction of cautions, reprimands, fines, reduction in status or pay, and dismissal. The measure of punishment was the gravity of the offence. Dismissal was only inflicted in most serious breaches and only on the approval of the Minister being first obtained.

In 1926 this system was altered, and what is known as the Brown system substituted. Discipline under this system is by merit marks for good conduct, and demerit marks, reduction in status or pay, and dismissal for bad conduct. The approval of the Minister is required for dismissal. Merit marks are cumulative and cancel an equal number of demerit marks. Reduction in status or pay and dismissal are subject to the right of appeal. Infliction of demerit marks is the only disciplinary penalty the management can now impose without being subject to jurisdiction of the Appeal Board.

The evidence before your Commission shows that the present system is not satisfactory nor efficacious, and the officers have not sufficient power to control and enforce discipline. We are of opinion that the Brown system should be abolished, and the system in operation prior to 1926 be reinstated.

Appeal Board.—As originally constituted the Railway Appeal Board consisted of a District Judge or Magistrate appointed by the Minister and two members of the Railway staff elected by the members of the Service. The Department had no representation on the Board.

Members of the Service had the right of appeal in respect of all fines exceeding £2, reduction in status or pay, supersession, withholding promotion, and dismissal. The decision of the Appeal Board was in each case transmitted to the Minister and became effective when confirmed by him.

In 1927 the constitution of the Board was altered, and now consists of a Magistrate, one member nominated by the Minister, and one member elected by the staff. The decision of this Board is final without the necessity of confirmation by the Minister.

The right of appeal is in respect not only of reduction in status or pay, withholding of promotion, supersession, and dismissal, but extends to grading of positions and filling of vacancies that arise in the First Division. These latter are now advertised by notice or circular issued to the staff and inviting applications for the positions vacant. Every unsuccessful applicant has the right of appeal in respect of every position for which he applies, and the vacancy cannot be filled until every such appeal has been heard and disposed of by the Board.

The result is a large amount of staff disorganization and increased expenditure in making temporary arrangements to carry on the business, but, in the opinion of your Commission, a more important aspect of the matter is the far-reaching and detrimental effect of making the Appeal Board, which has no responsibility whatever in regard to the results of any of its decisions, the final arbiter in matters vitally affecting the efficient and economic operations and discipline of the Railway service, and may also involve safety of the public.

The evidence shows that in connection with the appeals against regrading, the Assistant General Manager was wholly engaged and away from his office for some months, and at the same time numerous other officers were in attendance as witnesses for varying periods, with resultant disorganization and expense, to which were added, when the Board's decision became operative, the dissatisfaction of those members who by reason of their merit and suitability had been selected for and would have received promotion, and the inefficiency resulting from the appointment of men to positions for which they were not fully qualified.

In the course of its investigations your Commission became acquainted with cases where both efficiency and economy were being seriously affected as the outcome of decisions of the Appeal Board, and instances have been given where discipline has been affected in like manner. We are of opinion that promotion should in all cases be made on merit, efficiency, and suitability, and on no other consideration.

We have investigated the appeal systems in operation in other countries and find that on railways controlled by Commissioners the final decision rests with the Chief Commissioner and on British railways, the General Manager; and, in this connection your Commission recommends that the New Zealand Railways be brought into line with those other countries.

Staff Control.—The control of the Department is by Act vested in the Minister, the executive head being the General Manager, who by statute acts as directed by the Minister. In so far as the General Manager is concerned, his powers are restricted to the very narrowest limits. In regard to staff he may appoint casual hands only, and must obtain Ministerial approval in respect of all appointments to the permanent staff, increases in pay, promotions, reductions, transfers, and dismissals.

Your Commission is of opinion that, in line with ordinary business practice, the control of the staff should be vested in the General Manager. We think that no system can be satisfactory which does not enable the responsibility for the efficient and economical working of the Department to be definitely fixed on the executive head. This matter is, of course, one aspect of the general system of control of the Department which is dealt with elsewhere in this report, but efficient control of the staff is essential to the successful working of the Department, and the need of an alteration in this connection along the lines indicated herein is necessary, and we therefore desire to emphasize this phase of the Department's organization.

Your Commission has in another portion of its report recommended increases in rates to bring in additional revenue. In making this recommendation your Commission has had prominently before it the necessity for reduction in the operating expenditure, which should go hand-in-hand with the increase in revenue. We are of opinion that many of the working-conditions embodied in the staff regulations, and which were granted under circumstances widely different from those now prevailing, are not justifiable under present-day conditions, and that the time has arrived when a more equitable arrangement should be made.

We therefore recommend that the whole of the staff regulations should be very thoroughly overhauled with a view to effecting economies in expenditure; also that the staff establishment in all branches should be subjected to the closest scrutiny and be brought within the narrowest limits of the actual business requirements, so that the expenditure of the Department on account of salaries and wages would bear proper relation to the revenue.

The matters to which we more particularly refer are:—

First Division: Payment for Sunday duty and departmental holidays, and subsequently adding the same holidays to annual leave.

Second Division: Allowance for meals, correspondence, standing-time, payments for night duty, including between the hours of 10 p.m. and 6 a.m. and all overtime rates before a full ordinary day has been worked, and the forty-four hour week now applicable to Locomotive Running Branch.

SUMMARY OF COST.

Division I only.

	Cost per Annum. £
(1) Time off in lieu of time worked in excess of forty-eight hours per week—cost of providing relief	6,900
(2) Payment in respect of time worked on Sundays, Christmas Day, Good Friday, Anzac Day, Sovereign's Birthday, and Labour Day (not including cost of days on annual leave)	16,000
(3) Sick-leave	11,000
(4) Cost of granting annual leave	90,000

Division II only.

(5) Overtime payments at rates over and above ordinary rates for time worked as overtime (including a sum of £3,035 to members of Locomotive Running Branch in respect of time worked in excess of forty-eight hours per week).. .. .	58,181
(6) Payment of ordinary night rates <i>over and above cost at schedule rates</i> (including the sum of £4,500 paid to cleaners)	48,513
(7) Payments at additional rates for time worked on Sundays, Christmas Day, Good Friday, Anzac Day, Sovereign's Birthday, and Labour Day (not including cost of days on annual leave)	20,000

	Cost per Annum. £
(8) Payments in respect of standing-time, minimum periods of rest, &c.	63,752
(9) Payment on mileage basis to engine-drivers and firemen—Additional cost	2,500
(10) Correspondence allowance to guards and engine-drivers	6,800
(11) Isolation allowance	600
(12) Diploma allowance to apprentices	1,000
(13) Allowance to mechanics and assistants working in running-sheds ..	1,100
(14) Meal allowances	14,000
(15) Allowances to boilermakers engaged on inspection of boilers ..	1,000
(16) Special allowance to engine-drivers, firemen, and guards employed on the Rimutaka Incline	220
(17) Correspondence allowance to gangers—Extra day on annual leave ..	470
(18) Gangers and surfacemen granted one day off per month in lieu of time occupied in inspecting track	20,000
(19) Sick Benefit Society—Maximum subsidy paid by Department ..	8,000
(20) Cost of granting annual leave	77,000

Divisions I and II.

(21) Allowance to widows—Value of retiring-leave due to husbands ..	1,400
(22) Cost of supplying uniforms to staff	14,475
Grand total	£462,911

(9) Whether the maintenance costs of the permanent-way, works, and signals are down to a minimum consistent with the maintenance of a proper standard of safety and efficiency in operation.

Your Commission is of opinion that the track is properly maintained, and the question arises whether the costs are down to a minimum consistent with safety and efficiency.

The expenditure on maintenance of way and works for the year ended 31st March, 1930, was £1,146,013, as compared with £1,111,229 for the previous year.

The route mileage of the railway is 3,302 miles and the track mileage 3,365 miles, of which 3,239 is single track and 126 miles double track.

Main lines are laid with 70 lb. rails, and branch lines with 55 lb. rails; there are nearly fifty-four miles of bridges and twenty-nine miles of tunnels, and a comparatively high percentage of steep grades.

On some of the secondary lines there are a number of grades of about 1 in 36, while nearly 6 per cent. of the mileage has curves of 10 chains and under, and a total of 26 per cent. of the track is curved.

The maximum speed allowed on straight track is fifty miles per hour, with restrictions on curves varying down to a maximum of twenty-five miles per hour.

The Chief Engineer is responsible for the safe, efficient, and economical maintenance of the tracks, bridges, buildings, &c., and for the design and construction of additions to existing lines. He controls expenditure on new works, plant, and equipment. His staff consists of an Assistant Chief Engineer, an Inspecting Engineer, and a Designing Engineer, with Assistant Engineers, draughtsmen, and clerical staff.

District Engineers have control of districts—four in the North Island and three in the South Island—and are responsible for the maintenance of track, bridges, buildings, and structures, and for all new work executed. They have each an Assistant District Engineer, Inspectors of Permanent-way, a Foreman of Works, and Inspectors of Bridges on their staff. Whether an Assistant District Engineer is required in each district is doubtful; a senior Assistant Engineer should be able to fill this position in some instances.

In the event of full district divisional control being introduced, the District Engineer would be attached to the District Divisional Superintendent's Office, but would require to be in close touch with the Chief Engineer and report to him through

the District Divisional Superintendent on matters relating to the maintenance of proper standards as laid down by the Chief Engineer. With respect to the maintenance of track, the average number of miles maintained per man is, in the North Island 1·83, and in the South Island 2·13. On the branch lines the proportion is somewhat greater. Some saving has been made in maintaining branch lines and by the use of motor-trolleys. A further saving of probably £20,000 per annum could be made if branch-line passenger services are curtailed, speeds reduced, and gangs furnished with motor-trolleys.

Since 1925, £250,000 per annum has been charged against maintenance renewals, the amount being based on the life of the rails. It is estimated that an average of 100 miles of track should be relaid each year, so that if less than 100 miles is laid the full contribution is made to the Renewal Fund. Last year 53½ miles of track were re-laid with 70 lb. rails, as compared with 36½ miles for 1929.

In the case of bridges, a contribution of £10,000 per annum is made to a Bridge Renewal Fund, but this amount has been found to be insufficient for the required purpose.

The cost per mile for maintenance of way and works and buildings was last year £347 per mile, compared with £340 and £359 per mile for the two previous years, the average cost for the past five years being £350 per mile.

The Chief Engineer stated in evidence that the number of casual men employed during the past two years would have been reduced had it not been for the unemployed difficulty which existed. We are of opinion that all casual labour should be employed and dispensed with in accordance with the requirements of the works on which they are employed, and by the officer in charge of such work.

Your Commission is of opinion that if the present standard of maintenance (which we consider necessary for the safe running of trains at the present scheduled speeds) is maintained, the cost of maintenance on main lines cannot be materially reduced. Some reduction in expenditure can be made on branch lines where our recommendation for the elimination of passenger traffic is given effect to, but in neither case should the standard of maintenance be reduced below a proper margin of safety. When the works now in hand on Additions to Open Lines and Railway Improvement Authorization Programmes are completed a considerable reduction in staff should be possible.

With respect to the cost of maintaining signals, for the year ended 31st March, 1930, this amounted to £117,576, which was at the rate of £35·64 per mile; there has been a gradual increase in the annual expenditure brought about by the equipment of greater mileage. The cost of materials increased by nearly £4,500, while oversight and inspection increased by £1,787. The amount paid for wages was slightly lower in 1930 than in 1929, but greater than in 1928. Casual labour is employed for new works where needed, but is dispensed with when the work is completed. The Branch appears to be well organized, and, apart from the cost of oversight and inspection, there does not appear to be any probability of any great saving being made in expenditure, but some economy can be effected by the abolition and consolidation of the positions of some of the members of the staff.

(10) What reserve fund should be set aside from revenue each year to cover depreciation and renewals, including deferred maintenance and/or depreciation and/or renewals, if any, or by way of general reserve.

The General Balance-sheet of the Department as at the 31st March, 1930, shows that the accumulated loss from the 1st April, 1925, to the 31st March, 1930, amounted to £2,042,017 and sets out the following liabilities:—

	£	£
Sundry creditors	344,528	
Advance from Consolidated Fund	150,000	
Collections for refund	19,951	
Sick Benefit Fund	5,794	
Items to be written off	5,087	
	—————	525,360
Liability to capital for depreciation and renewals from 1st April, 1925, to 31st March, 1930, only		1,687,562
		—————
Total liabilities		£2,212,922
		—————

The assets shown in the Balance-sheet as at 31st March, 1930, were as under :—

	£	£
Sawmills and timber stocks	202,215	
Stores and material on hand	840,548	
Sundry assets in subsidiary services	97,584	
Sundry debtors, &c.	193,289	
Cash balance at stations and freights owing	209,044	
Sick Benefit Fund investment	6,528	
Cash balance	70,936	
	<hr/>	1,620,144
Deficiency in Working Railways Account		<hr/> <hr/> £592,778

The amount shown above as “ liability to capital for depreciation and renewals ” covers the amount which during the past five years has been debited to Revenue Account as a charge against the income earned, and, so far as the proportion covered by the depreciation is concerned, should have been, had the financial position permitted, repaid to the Treasury Department in reduction of the Railways Department’s indebtedness for capital loans.

The amount of £1,687,562 is made up as under :—

Accrued depreciation for five years from 1st April,	£
1925, to 31st March, 1930	1,350,235
Reserve for re-laying of track	337,327
	<hr/>
	<hr/> <hr/> £1,687,562

A perusal of the accounts of the Department shows that approximately £1,300,000 is required by the Department to cover the expenditure in assets such as are enumerated below :—

- Sawmills and timber stocks.
- Stores and material.
- Sundry assets in subsidiary branches.
- Sundry debtors covering advances to capital.
- Work undertaken on behalf of other Government Departments.
- Advances to railway employees for housing purposes.
- Work in progress, &c.

It is further shown that during the busy months of the year sufficient capital must be retained in liquid form to finance the expenditure during those months of the year when the revenue from the working of the railways is not sufficient to meet the outgoings. Experience has shown that a sum of approximately £700,000 is necessary for this purpose. Your Commission is of the opinion, therefore, that in order to place the finance of the Working Railways Account on a sound basis it is necessary to create a general reserve of approximately £2,000,000. The figures submitted to your Commission by the Chief Accountant show that in order to give effect to this, and after making certain adjustments in the accounts of the Department, it is necessary to set aside out of revenue a further sum of approximately £1,100,000 to raise the General Reserve Account to a figure of £2,000,000. This sum of £1,100,000 should, in the opinion of your Commission, be raised by charging in each year a fixed amount against the earnings of the Department, and not more than £200,000 should be debited to working-expenses and credited to General Reserve Account in any one year. This General Reserve Account is, to all intents and purposes, the capital employed by the Department in its Working Railways Account.

Accrued Depreciation.—From the inception of the Department and up to the 31st March, 1925, the accounts were kept on a cash basis, and no means were available whereby provision could be made for deferred maintenance, accrued

depreciation, or reserves of any kind. Renewals of assets were, in many instances, charged against working-expenses, but in other cases assets were abandoned or worn out, and the necessary adjustments of capital to take these assets out of the accounts were not made. There arrives a time when it is not economically sound to keep an asset which has been in existence and in use for a long period of years in commission by continually undertaking repairs, and the Department is now faced with this position. It has been found necessary within a period of a few years to scrap a considerable number of the engines and rolling-stock, practically the whole of the original workshop facilities, numerous bridges, and many of the principal termini. The effect is that the revenue of the Department is not sufficient to carry in any one year, or even over a period of years, the charge for depreciation accrued from the date of purchase or construction to the 31st March, 1925, and this accrued depreciation has now to be considered and dealt with, as in very many instances the assets are worn out and are being discarded.

Evidence before your Commission showed that as a result of investigations conducted by the heads of departments in conjunction with the Chief Accountant it was estimated that a sum of £10,000,000 was necessary to cover the accrued depreciation of assets from the inception of the Department to the 31st March, 1930, and this sum would include the loss on assets which have been, or shortly will be, scrapped.

From the 1st April, 1925, onwards, the Department has been charging against working-expenses the necessary depreciation incurred in each year, and the amounts charged are covered in the sum of £1,350,235 previously mentioned in this report.

By authority of section 20 of the Finance Act, 1929, the capital liability on which the Department is required to earn interest was reduced by £8,100,000, but no authority was given to the Department to write down its capital liability and to reduce its assets by a corresponding amount. As stated above, the assets of the Department have been reduced in value by the sum of £10,000,000 either by way of depreciation or by loss and abandonment. A proper and correct adjustment of the position should be made by writing down the assets and by reducing the capital liability of the Department accordingly. A reduction of capital by £10,000,000 will be covered by the cancellation of loan capital of the railways by the sum of £8,100,000, specially dealt with in the Finance Act, 1929, and by a further appropriation by the Treasury of £1,900,000.

Your Commission is of opinion that this adjustment of capital should be made so that the assets of the Department will be shown at their true value.

Reserve Fund to be set aside each Year to cover Depreciation and Renewals.—From the information given above, it will be noted that under the present system of accounting, which has been in operation since 1st April, 1925, and in each year's accounts a reasonable and sufficient amount is being charged against the revenue earned to cover depreciation and renewals for the year and without this charge being made the true and correct result of the year's operations cannot be ascertained. The amount under this heading to be set aside each year should be fixed according to the value and state of the assets, and your Commission is satisfied, after fully considering the schedules of assets and the rates of depreciation allowed thereon, that proper provision is now being made.

(11) Whether the present arrangements for the maintenance of combined railway and road bridges are equitable to the railways.

The total number of combined road and rail bridges in the railway system is thirty-four, with a length of approximately 33,450 lineal feet. The total amount at present contributed by local bodies for the use of these bridges is approximately £4,307 per annum. The amount of contribution for each bridge was fixed by a Commission which was set up in 1904, but since that time the position has greatly altered. The cost of renewals has more than doubled, and, owing to the increase in weight, speed, and density of road traffic, very much heavier wear-and-tear is involved. Further, the proportion of competitive to feeder traffic has largely increased through the development of motor-vehicles carrying goods and passengers long distances, which at the time the Commission sat were carried by rail.

We are of opinion that the present arrangements are not equitable to the railways. The sum of £4,307 mentioned above is not sufficient to cover the extra annual charges to the Railways Department incurred for providing the use of the bridges for road traffic. An estimate of the actual extra charges is as follows:—

Firstly, interest, maintenance, and depreciation charges on the extra materials in the combined bridges due to the presence of the road.

Secondly, the cost of retaining bridge-keepers and maintaining bridges; the extra cost of maintaining the main structures due to the presence of decking and the road traffic.

This is estimated at £15,500 per annum, made up as shown in the schedule below, as against £4,307 now being contributed.

COMBINED ROAD AND RAILWAY BRIDGES.—TOTAL CHARGES DUE FROM ROAD TRAFFIC.

(Column 2 calculated from three tallies to hand on 31st July, 1930.)

Name of Bridge.	Number.	Line.	Length, in Feet.	Amount paid by Local Body.	1. Estimated Annual Cost of providing for Road Traffic using Bridge.	2. Percentage Tonnage of Road Traffic to Total Tonnage of Road and Rail Traffic.	3. Estimated Annual Total Fixed Charges—i.e., Interest, Maintenance, and Depreciation (on Main Structure).	4. Proportion of Fixed Charges due from Road Traffic (according to Relative Tonnage).	Total Charges due from Road Traffic (1 + 4).
				£	£	%	£	£	£
Whakatane ..	141	E.C.M.T.R. ..	1,200	173	427	4.6	1,680	77	504
Huntly ..	1	Huntly-Awaroa ..	994	90	319	24.0	1,663	399	718
Matapuna ..	100	Main Trunk ..	464	204	681	5.9	1,074	63	744
Rangitikei ..	98	Wanganui Main Line	600	250	492	1.5	1,663	25	517
Ngawapuru ..	114	Wellington Main Line	1,194	220	725	22.0	2,070	455	1,180
Waikohu ..	19	Gisborne ..	400	40	115	25.0	810	202	317
Motupiko ..	38	Nelson ..	804	80	174	12.6	900	113	287
Ure River ..	64	Picton ..	400	46	78	24.5	338	81	159
Rakaia ..	10	Main South Line	5,934	600	4,607	18.0	3,240	584	5,191
Waimakiriri ..	15	Oxford Branch ..	352	35	122	10.0	714	714	836
Waiau-ua ..	26	Cheviot Branch ..	2,326	230	597	16.0	2,070	332	929
New River ..	12	Ross Branch ..	157	16	52	10.9	81	9	61
Teremakau ..	14	" ..	726	73	161	10.0	1,466	146	307
Arahura ..	27	" ..	673	67	175	11.0	620	68	243
Hokitika ..	32	" ..	2,800	150	740	22.8	2,610	595	1,335
Ngahere ..	1	Blackball Branch	1,679	168	487	11.4	2,313	264	751
Waitahu ..	74	Reefton ..	523	52	159	26.0	540	141	300
Boatman's ..	76	" ..	24	24	73	20.5	990	203	276
Larry's Creek ..	79	" ..	320	32	99	20.5	315	65	164
Landing ..	86	" ..	300	32	83	25.5	656	167	250
Buller ..	1	Cape Foulwind ..	1,048	104	246	93.6	1,898	1,778	2,024
Bradshaw's Creek	2	" ..	121	12	142	83.3	54	45	187
Ngakawau ..	30	Mokihinui ..	583	58	142	27.0	360	97	239
Waitaki ..	114	Dunedin Main Line	3,740	426	2,354	8.6	3,135	270	2,624
Maerewhenua ..	21	Kurow Branch ..	327	50	712	30.5	255	78	790
Upper Waitaki ..	35	" ..	980	100	203	83.0	677	563	766
" ..	36	" ..	1,531	152	326	83.0	1,143	950	1,276
Manuherikia ..	85	Otago Central ..	297	30	105	0.76	500	4	109
Sutton's Creek ..	23	" ..	100	10	38	1.0	211	2	40
Lumsden ..	1	Mossburn ..	657	57	161	43.8	450	197	358
Mataura ..	3	Switzer's ..	594	60	180	37.5	477	179	359
Karangahake ..	1	E.C.M.T.R. ..	340 railway, 180 road	123	96	10.0*	654	65*	161
Awatere ..	42	Picton	1,034 railway, 870 road	543	429	10.0*	1,800	180*	609
				4,307	15,500	..	37,427	9,111	24,611

* Tallies not available—10 per cent. assumed.

Your Commission is of opinion that the Railways Department is entitled to receive an additional £11,193 on this account, and, if possible, payment be made by the Main Highways Board direct to the Railways Department out of sums payable to the various local bodies affected from the Main Highways Board Fund.

In addition to this amount, the question arises whether the Railways Department is not entitled to receive an additional sum as a proportion of the interest, depreciation, and maintenance charges on the main structures. These charges are estimated at approximately £38,000 per annum for all combined bridges. Were these bridges not in existence for road traffic the Highways Board would be compelled to incur heavy expenditure in providing road-bridges, thereby entailing a large

annual cost, and it seems to us that, in equity, some payment should be made to the Railways Department on this account. The basis on which such payment could be fixed is rather a difficult one, but traffic tallies might be taken at the larger bridges so that the proportion of passenger and goods traffic using the bridges by railway or road could be arrived at and the payment based on the information thus obtained.

Your Commission recommends that tallies be made of the traffic passing over these bridges, and that the necessary legislative authority be obtained so that an additional payment can be made by the Main Highways Board to the Railways Department.

(12) Whether the rolling-stock is being economically maintained at a proper standard of safety and efficiency.

Locomotives.—In connection with the repairs of locomotives, a system is in operation whereby a standard divisional mileage rating for locomotives is fixed; this, together with the condition of a locomotive, serves as a sound basis for determining the time at which a general overhaul should be made. Running and light repairs are undertaken as occasion demands, and do not necessitate sending engines to the main locomotive shops.

The system of pooling locomotives now in vogue will no doubt effect economy in transportation costs, but we are of opinion that it will increase the cost of repairs if it is applied generally; this aspect should be taken into account when estimating the value of the system.

The cost of locomotive repairs and engine-mileage run for the year ended 31st March, 1930, and for the two preceding years were as under:—

				Cost of Locomotive	
				Repairs.	Engine Mileage.
				£	
1928	..	..	..	593,454	15,383,051
1929	..	..	..	586,105	16,150,146
1930	..	..	..	768,645	16,735,624

The cost of maintaining locomotives increased considerably in 1930, due to the change over to the new locomotive-shops at Hutt and Hillside. During the transition period repairs fell into arrears, and this necessitated the employment of additional men on night shifts and at overtime rates to overtake the work.

In 1930, 241 engines received a general overhaul, as compared with 153 in 1929 and 189 in 1928. This should effect a reduction in the number of locomotives to be overhauled this year, with a consequent reduction in expenditure estimated at approximately £80,000. Even if this is so, the present-day cost will still be greater than it was prior to 1930. Provided, however, sufficient work passes through the shops to keep them fully employed the overhead charges should diminish, with a corresponding decrease in the cost of repairs.

Cars, Vans, and Wagons.—During the last three years the cost of repairs to cars, vans, and wagons was as follows:—

				Cars and Vans.	Wagons.
				£	£
1928	..	..	..	188,157	342,598
1929	..	..	..	199,503	380,475
1930	..	..	..	219,774	428,989

The train-mileage in 1930 was higher than in 1928 and 1929, but the increase in cost of maintaining rolling-stock is largely due to the change-over to the new shops. The expenditure required for the present year will, we believe, be lower than for last year, but to what extent we are unable to say.

General repairs in the main shops are regulated by the condition of the vehicles which when overhauled are brought up to a set standard of safety and efficiency. The Westinghouse brake equipment and running-gear are, however, regularly overhauled and kept in good order.

On 31st March, 1930, the number of wagons on the railways was 26,909, many of which are over thirty years old. Allowing forty years as their average life, it will during the next few years be necessary to build a considerable number of wagons for replacements.

The number of men employed on repairs to rolling-stock has a most important bearing on the cost of the work, and we are of opinion that Workshop Managers should have full authority to employ or dispense with casual men as circumstances warrant.

Your Commission is of opinion that greater economy can be obtained in the maintenance of the rolling-stock without reducing the standard of safety and efficiency.

(13) Whether the maximum of benefit is being obtained from the new workshops recently erected in the four main centres, and whether the volume of necessary work will be sufficient to keep these shops fully occupied, and as to the general position of the workshops.

When the question of reorganization of the various workshops in the Dominion was considered and specially reported on in July, 1924, by the then Chief Mechanical Engineer, his proposals covered the erection of one main workshop for each Island. The cost was estimated to be in the vicinity of £1,000,000 for each Island, altogether a total of £2,000,000 for the Dominion. Amendments to the foregoing were made, however, following the report of the Royal Commission of 1924, and in April, 1925, a recommendation covering the erection of new workshops at Otahuhu and Hutt and the reorganization of the existing workshops at Addington and Hillside was approved, at an estimated cost of £1,642,853. This estimate was later amended, and the final approval for the work to be undertaken was given on an estimate of £1,696,000.

The actual cost of the workshops scheme, when completed, will be approximately £2,300,000, which exceeds the estimate by £604,000.

When the proposals for the reorganization and erection of new workshops were submitted it was estimated that an annual saving of £230,000 would be effected if the full expenditure of £1,696,000 was authorized, but against this saving would be offset the sum of £115,000, being the additional charge for interest and depreciation, &c., on the increased capital expenditure, thereby making a net saving of £115,000. This figure was arrived at as under:—

<i>Estimated Annual Savings.</i>				£	£
(a) Engine repairs	..	..	..	84,000	
(b) Car and wagon repairs	..	..	..	92,000	
(c) Building new stock	..	..	..	25,000	
(d) Reductions in time lost by rolling-stock under repair				17,500	
(e) Rentals from sites—Petone and Newmarket			..	11,500	
				<hr/>	230,000
Less increased annual charges for interest, depreciation, &c.	..	..	..		115,000
					<hr/>
Estimated net annual savings	..	..	..		<u>£115,000</u>

The principal items of the savings—viz., £201,000—covering the estimated savings on engine repairs, £84,000; car and wagons repairs, £92,000; and building new stock, £25,000, were apparently based on the assumption that labour costs per unit of output would be reduced by approximately one-third. With no increase in the volume of work it should, on this basis, be possible to reduce the staff by eight hundred men in the four shops, or, alternatively, if this reduction of staff was not made, then to increase the output of the workshops very considerably.

Figures submitted to your Commission show that although new workshops, equipped with modern machinery and laid out on the most approved and up-to-date

principles have been established, a comparison with the 1926 figures (when the old workshops were in existence) shows that a greater number of men are now employed and that the output is less :—

PERSONNEL.

—			Permanent Employees.	Casuals.	Term Casuals.	Emergency Casuals.	Totals.
1926	..	..	2,332	494	687	16	3,529
1927	..	..	2,355	475	674	33	3,537
1928	..	..	2,241	389	653	44	3,327
1929	..	..	2,211	413	643	383	3,650
1930	..	..	2,330	461	664	761	4,216

A total increase between 1926 and 1930 of 687. Although a large proportion of this increase in staff comes under the heading of "Emergency Casuals," many of whom were tradesmen and unskilled labourers and were engaged to relieve unemployment and were partly utilized in constructional work, it will be noted that the decrease in numbers under the other three headings totals only fifty-eight, a very small reduction when compared with the original estimates which anticipated a reduction in staff totalling approximately eight hundred.

The following is a statement of the output of the workshops for the years 1926 to 1930 inclusive :—

Repairs to			Heavy Repairs.	Light Repairs.	Repairs to			Heavy Repairs.	Light Repairs.
Locomotives—					Vans—				
1926	..	..	262	420	1926	..	..	423	314
1927	..	..	229	445	1927	..	..	361	313
1928	..	..	215	455	1928	..	..	343	291
1929	..	..	185	473	1929	..	..	295	277
1930	..	..	267	319	1930	..	..	402	200
Cars—					Wagons—				
1926	..	..	1,449	812	1926	..	..	14,397	11,023
1927	..	..	1,356	786	1927	..	..	13,446	10,080
1928	..	..	1,409	751	1928	..	..	12,612	7,634
1929	..	..	1,151	798	1929	..	..	11,431	8,246
1930	..	..	1,463	495	1930	..	..	14,878	6,105

The foregoing figures show that the volume of repair work carried out in the old workshops was in excess of similar work undertaken in the new workshops.

The work undertaken, covering the erection of new locomotives, cars, vans, and wagons in the years 1926 to 1930 inclusive, is as under :—

—			Locomotives.	Cars.	Vans.	Wagons.
1926	..	..	6	46	18	367
1927	..	..	12	6	6	216
1928	..	..	2	4	21	252
1929	..	..	..	10	6	497
1930	..	..	..	11	3	399

This again shows a greater volume of work carried out in 1926 in comparison with 1930.

Overhead Expenses.—As previously stated in this report, it was estimated when proposals for the reorganization of the workshops were formulated and approved that an annual saving of £230,000 would be effected, but that this saving would be reduced to a net figure of £115,000 by the increased overhead expenses.

The actual position of overhead expenses between the old and the new shops is set out below, and shows an increase of £276,657.

	1926.	1930.	Increase.
	£	£	£
Otahuhu (Newmarket) ..	45,474	111,093	65,619
Hutt	54,132	166,635	112,503
Addington	67,241	97,163	29,922
Hillside	49,025	117,638	68,613
	215,872	492,529	276,657

The overhead expenses in 1930 were in many respects abnormal in that certain expenses of a non-recurring nature were charged against overhead in this year, but it may be anticipated that the overhead expenses will be stabilized at about £250,000 per annum above the overhead of the old shops. Assuming that the original estimated saving of £230,000 will be realized, this saving will be more than counter-balanced by the increased overhead expenses, and no actual economy will accrue to the Department. Further, in order to effect the saving of £230,000 and to offset increased overhead a considerable reduction in staff would have to be made and the staff rather than decrease shows a decided tendency to increase.

Method of Costing.—Your Commission is of opinion that considerable improvement can be made in the system of costing in operation in the various workshops. The present method, which necessitates the full overhead expenses for each workshop being absorbed by a percentage added to the productive wages unduly penalizes the production costs in those departments where expensive machinery is not used, and, on the other hand, does not fully disclose the results of operation on machines which were purchased with the object of reducing costs by a saving in man-power. It is possible to apportion the correct overhead rating for each department, and to extend the system of costing to give more accurately than at present the costs of manufacture of various articles, but, in order to do this, a thorough reorganization of the present costing system, including the rating of individual machines, will require to take place.

Scheduling of Work.—The scheduling system now in force calls for no special comment, as it follows the same general lines as systems that have been in use for many years in the workshops of the principal British, American, and other railway systems. In respect of the more detailed routing of work through the shops it is capable of considerably more elaboration than has yet been attempted, or need be attempted until the staff as a whole has gained further experience. Local conditions in no way affect underlying principles. The system is employed elsewhere with valuable results, and it should be mentioned that so far as the schedules prepared for work in the locomotive shops at Hutt and Hillside go they appear to be somewhat on the "easy" side.

Equipment in excess of Requirements.—In a few cases equipment in excess of requirements has been purchased, but it is anticipated that reasonably full use of all equipment will be made as soon as the workmen are thoroughly trained in the use of the new machinery. It has been necessary in some instances to transfer machinery from one shop to another in order to locate the site where a particular machine could be used most advantageously, but any disadvantages suffered in this direction now appear to have been overcome.

Undertaking of Work for other Government Departments.—It can be said that the workshops now occupied by the Railways Department are the best equipped and most up to date in the Dominion. This being so, the Department should be able to undertake work required by other Government Departments at a less cost than this work can be catered for by private firms, and opportunity should be given to the Railways Department to tender for such work. Your Commission makes this suggestion, not with the object of taking away from private firms certain Government work which they are now carrying out, but rather with the object of utilizing to their full capacity the machines and equipment which is in the possession of the Government through the Railways Department.

Efficiency of Workshops Staff.—Your Commission in dealing with the efficiency of the workshops staff has given due consideration to the changed conditions under which the men find themselves as a result of the introduction of modern machinery. This change must come especially hard on those men who are nearing the retiring-age and who all their lives have worked under conditions entirely dissimilar to those now existing. The change in conditions should not affect the younger members of the staff, as the improved layout of the workshops, and the ideal conditions under which the men now work in comparison with the conditions existing in the old shops should result in a much better output per man than was the case a few years ago. Whilst it is realized that the workshops have not yet reached their maximum of efficiency, and will, perhaps, not do so for another year, no reason can be advanced for the comparatively poor results now being obtained. Your Commission is forced to the conclusion that in some instances there is an indisposition to make the most effective use of the facilities now available, with the result that the full benefit of efficient service is not being obtained. It would seem that the only method available to combat this lack of efficiency when the ability to carry out the work speedily and thoroughly is there, is to place in the hands of the management the power to discipline or dispense with those members of the staff who do not fulfil the usual conditions of employment.

Heating System.—An elaborate heating system, costing approximately £35,000, has been installed in the four main workshops. The method which has been adopted is very expensive in operation and, as far as we can judge, ineffective in its results.

Summary and Conclusion.—Your Commission is of opinion that the maximum benefit is not being obtained from the new workshops recently erected in the four main centres, and that the volume of regular repair work passing through the shops is not nearly sufficient to keep them fully employed. Therefore, without an adequate programme of replacement of obsolete locomotives and rolling-stock, the volume of necessary work is at present insufficient to keep all branches of the shops fully employed at their maximum capacity throughout the year.

(14) Whether locomotive transportation costs are down to a minimum consistent with the maintenance of a proper margin of safety and efficiency in operation.

The expenditure on locomotive transportation for the year ended 31st March, 1930, was £1,755,208, as compared with £1,650,793 for the previous year, an increase of £104,415, and an increase of £118,587 compared with 1928, when a new system of accounting came into operation.

For the year ended 31st March, 1930, the engine-mileage was 16,735,624, as against 16,150,146 for the year ended 31st March, 1929, and 14,657,039 miles for the year ended 31st March, 1926. While the train-mileage increased from 11,113,482 miles in 1929 to 12,022,043 miles in 1930, the cost per engine-mile in 1930 for stores, fuel, and wages was 20·52d. per mile, as against 20·12d. for 1929. Although the engine-mileage had increased, a decrease in stores, &c., per engine-mile might have been expected. The increase is largely due to the increased cost of fuel, which rose from £754,713 in 1929 to £834,968 in 1930; £779,930 of the latter amount was for fuel for steam-locomotives. Wages of drivers and firemen increased from £557,274 in 1929 to £576,295 in 1930, principally on account of the additional mileage run.

The cost of district superintendence, which was introduced in 1926, rose from £8,167 in 1926 to £11,402 in 1929, and for 1930 it was £10,093. The regrading of First Division positions and consequent increase in salaries since 1927 is the cause of a portion of this increase, and also for a portion of the increase in depot supervision.

The cost of cleaning engines has steadily decreased since 1926, when it was £87,839, as compared with £59,110 for 1930, due to a decrease in the amount of cleaning performed. The reduction in the amount of cleaning performed appears to be carried much further than is desirable. A reduction in the washing-out costs since 1926 has been brought about by the fact that there are fewer engines

in service, the engines now used being more powerful, and by a system of pooling, the number required has decreased. The practice of pooling will have the effect of increasing the cost of repairs if it becomes general.

The increase in other shed expenses is caused by the new stores system, which requires extra supervision. Examination and lubrication of rolling-stock has increased considerably, and is evidently due to the lubricants and material used being unsuitable.

As far as your Commission has been able to judge, the Locomotive Branch appears to be somewhat disorganized. There is no Chief Mechanical Engineer, and for some years past the actual control of the maintenance and general supervision of the running of locomotives has not been under the Chief Mechanical Engineer's control. We are of opinion that a Chief Mechanical Engineer should be appointed immediately, and made responsible for the running and maintenance of all locomotives. If divisional control is instituted, the Chief Mechanical Engineer should not be divested of responsibility for these matters, and for seeing that the establishment is not permitted to increase beyond actual requirements. The Locomotive staff is as follows: 843 drivers, 777 firemen, 541 cleaners, 13 washoutmen—2,174, plus 279 casual men; a total of 2,453.

Owing to the reduction in train-running, it will be possible to decrease this number. It was gathered from the evidence of the Acting Chief Mechanical Engineer that on account of the unemployment difficulty, casual employees who might have been dispensed with were kept on longer than was necessary. We are of opinion that all labour of this class should be engaged or dispensed with by the District Locomotive Engineer, or his deputy, as required.

Drivers' and firemen's wages are proportionate to the mileage run, but, in addition, there are allowances, night, and overtime rates now paid.

Overtime is paid for at the following rates:—

All time worked over eight hours and up to twelve hours	.. .. .	Rate and a quarter.
All time worked over twelve hours	.. .. .	Rate and a half.
All time worked over forty-eight hours and up to sixty hours	.. .. .	Rate and a quarter.
All time worked over sixty hours	.. .. .	Rate and a half.
Extra rates are also paid for all work performed between 10 p.m. and 6 a.m.		

We are of opinion that overtime should be paid for once only, either on the day's or week's work, and that a man on a regular run or on regular work at night-time should not receive extra payment.

Further, a meal allowance is paid to men who are on duty continuously for not less than eleven hours: this, we think, should be paid only when a meal is actually purchased. With respect to this and other allowances we are of opinion that, although when they were granted there may have been some reason or justification for them, conditions are now so changed that the whole matter should be reviewed.

A large item in locomotive transportation expenditure is attributable to coal. Of late years New Zealand coal has been largely used, but unless engines are equipped with boilers having sufficient grate area it may be found more economical in certain cases to use a proportion of a larger coal.

With regard to the handling of coal at locomotive depots, little has been done in providing mechanical appliances. A small coaling plant has been installed at Elmer Lane, which is said to be working satisfactorily, and is effecting a saving of about £500 per annum. At other depots most of the work of handling coal is performed by manual labour. This method is costly, and your Commission recommends that this matter should be fully investigated and, if found advisable, steps taken to install suitable coal-handling plants at the larger depots.

A matter that came under our notice was the age and different classes of locomotives in use—there are some 642 locomotives, of which 109 are between forty and fifty-six years old; there are twenty-two different types and forty-seven classes. As many of these engines are small and unsuitable for heavy traffic, they should be replaced with modern engines, with resultant economy.

Your Commission is of opinion that considerable economy can be effected in locomotive transportation costs without impairing the safety or efficiency of operation.

(15) Whether the existing arrangements for the purchase, distribution, and control of railway stores keeps stocks down to a minimum consistent with efficiency, and generally produces the maximum of economy in the use of stores.

The Stores Branch is in charge of a Comptroller of Stores, who is directly responsible to the General Manager for the purchase and distribution of all stores required by the Department.

During 1924 it was found that stores of an estimated value of £468,000 had been requisitioned for and supplied to various branches, but these stores had not been used, and, after supply, did not come under the jurisdiction of the Comptroller of Stores. It was further shown that the various departmental officers who had requisitioned these stores were not fully seized of their responsibility, and did not take charge and control of them in a manner to be expected from such responsible officers.

A new system of stores control was inaugurated and brought into operation at the end of 1925.

The evidence brought before your Commission shows that the stores buildings are located as follow: Main stores at Newmarket, Woburn, East Town, Wellington (stationery store), Addington, Hillside, Invercargill, and Westport. Bulk store at Wellington. Sub-stores are located at Otahuhu and Greymouth. Trust stores—thirty-nine located in the North Island and twenty-three located in the South Island, a total of seventy-three.

The staff engaged, including the staff in the Comptroller of Stores Office, also wages and salaries paid, are as follow:—

—			Division I.	Division II.	Total.	Salaries and Wages paid.
£						
1924	..	..	109	302	411	41,839
1925	..	..	113	197	410	43,891
1926	..	..	123	288	411	50,848
1927	..	..	139	321	460	59,762
1928	..	..	154	255	409	78,905
1929	..	..	163	231	394	72,430
1930	..	..	176	240	416	84,403

Included in the number shown under the heading "Division II" is the casual staff, which fluctuates according to the work on hand, the number of casual men employed being high when special work is required, such as the handling and stacking of timber-supplies.

Purchase of Stores.—The purchase of stores for main items is generally carried out in compliance with the conditions laid down under the regulations of the Government Stores Control Board, on which the Railways Department is represented. Many lines are purchased directly by the Comptroller of Stores, but these purchases, if in excess of £250 in value, must be approved of by the General Manager. District Storekeepers can purchase locally not more than £50 in value of any one kind of contract stores.

Your Commission is of opinion that the regulations governing the purchase of stores are satisfactory, and that every effort is made to purchase at the lowest possible price consistent with the precautions necessary in regard to quality.

Distribution of Stores.—Stores are distributed from either the main, trust, or sub-store, on requisition forms signed by an authorized approving officer, and the conditions governing the issue of stores are fully set out in the Stores Instruction-book.

Your Commission is of opinion that considerable improvement can be made in regard to the issue of stores, and finds that the system in operation is cumbersome, causing unnecessary waste of time, with resultant loss of efficiency. In some cases it has been necessary for a workman requiring a small quantity of material—sometimes only two or three screws or nuts—to make a journey of perhaps a quarter

of a mile to the store in the particular workshops where he is engaged, and, after arriving there, wait perhaps a quarter of an hour before his turn comes for issue. With the conveniences now obtaining in the workshops, no difficulty should be found in establishing trust stores in the various shops throughout the workshops, these trust stores to hold quantities of the stores which are being continually called for and being so arranged that expeditious service will be given to the workmen without the necessity of a visit to the main store for small lines. These trust stores, although situated in the various shops, should be directly under the control of the District Storekeeper, who should inaugurate a system of control such as would obviate any possibility of stores being misappropriated, and he should also be responsible for the stock in such stores.

Control of Stores.—Your Commission finds that the value of stores on hand as shown by the departmental accounts prepared on the 31st March in each year is as under :—

			£				£
1925	..	..	714,707	|	1928	..	831,465
1926	..	..	704,628	|	1929	..	806,285
1927	..	..	776,555	|	1930	..	840,547

One effect of the reorganization of control which was carried out should have been to reduce the quantities of stores actually carried, as all stores are now under the control of the Comptroller of Stores, whereas previously large quantities, which had been issued to other branches, were lost to his control. The figures given above show that, although the Stores Branch has had full control and is in a position to prevent undue requisitioning by other branches, the stocks carried show a decided tendency to increase in value.

The system of control now in use is by what can be termed “the bin-card method”—that is, on each bin containing stores is a card giving information in regard to the quantities received, the quantities sent out, and the balance on hand. Entry on the bin-card, covering receipt and issue, is made by the storeman actually dealing with the stores, and this entry is later checked by a member of the clerical staff.

From the evidence submitted to your Commission it would appear that the present method of control of stores necessitates the employment of an exceptionally large number both as regards the clerical staff and the stores staff, and a saving of labour, particularly in the former, approximating perhaps 33½ per cent. of the staff now engaged, could be made on a readjustment of duties without in any way affecting the efficiency in the control of stores. In the first place, your Commission would recommend that the bin-cards be transferred to the office, and the work on these cards carried out by the clerical staff, as it seems unreasonable to call upon storemen, who are more or less untrained, to make the necessary entries on the cards and thereby be to a large extent responsible for the accuracy of control in regard to the quantities of stocks. At present, when the clerical staff check the entries made by the storemen on the bin-cards, they, in many cases, make a count of the physical stock. This does not seem necessary, and a check of the stock, say, once per month, with snap checks carried out by responsible officers at frequent and irregular periods, should be sufficient. Under the old system of stores-control stock was checked once a year, but your Commission is of opinion that a monthly check as set out above should be carried out.

General.—Before concluding our remarks in regard to the Stores Branch we would like to stress the necessity of closer co-operation between the Chief Mechanical Engineer's and the Stores Branches. It has been found, especially where a programme of work is being carried out, that efficiency in the execution of this work is affected by the lack of co-ordination between these branches, as works are placed in hand and a time fixed for completion which could not be carried out, as it would be impossible to obtain the necessary stores within the period fixed. Further, the Chief Mechanical Engineer's Branch should be satisfied, before requisitioning for the purchase of stores, that alterations in design, &c., will not be made, rendering to some extent useless the stores which have been put on order as the result of prior requisitions.

- (16) Whether the traffic transportation costs are down to a minimum consistent with the maintenance of a proper standard of safety and efficiency in operation, having regard to the amount of service required under present competitive conditions and to any other relevant consideration.

Particulars of traffic transportation operations are as under :—

Year ended	Expenditure.	Revenue.	Train-mileage.
	£	£	
31st March, 1928 ..	1,760,459	7,343,845	10,838,594
31st March, 1929 ..	1,825,965	7,524,864	11,113,482
31st March, 1930 ..	1,883,918	7,473,993	12,022,043

For year ended 31st March, 1929, traffic expenditure increased by £65,506 over the previous year. The increased cost is partly due to publicity expenditure ; introduction of train-control ; taking over the Kirikopuni and Tauranga-Taneatua Sections, the two latter increasing the mileage of opened lines from 3,180 to 3,287, an increase of 107 miles. The increase in train-mileage run was due to the large amount of goods carried, services run on new lines, to the inauguration of fast passenger services, to a daily express between Auckland and Opua, to the Invercargill-Christchurch night expresses, and the development of Sunday excursion traffic. The increase in train-mileage would necessarily be reflected in the increased costs. The desire to combat motor competition appears to have been the principal cause of increasing the passenger train-mileage, but it has not been effective.

For the year ended 31st March, 1930, the traffic expenditure increased by £57,953 ; for the same period 5,037,775 passenger train-miles and 6,984,268 goods-miles were run, an increase in the former of 203,784 and the latter 704,777. The goods carried increased by 175,528 tons, but the number of passengers carried decreased by over 500,000, indicating that advantage was not taken of the improved train services provided. Recently the running of a number of these trains has been discontinued, which should enable considerable economies to be effected in traffic transportation costs.

The increased cost of traffic transportation was mainly due to the increased train-mileage, which is always the principal factor in railway costs. Speaking generally, the lower the train-mileage required to carry a given traffic, the lower will be the total operating-costs, and it is essential that any increase in train-mileage should be closely watched.

Other factors concerned in the increased costs were the opening of additional booking-offices in Auckland, Rotorua, Napier, and Wellington ; regrading of staff and scale increments ; strengthening staff in various districts ; staffing of stations on the East Coast Main Trunk Railway ; and payment for Sunday duty in connection with week-end and Sunday excursions.

With respect to goods traffic, there is a continued increase in the tonnage of goods carried, which is principally of the lower-rated commodities. It is desirable that goods-trains be as fully loaded as possible, and that the greatest use is made of the rolling-stock. Operating statistics give full information on the freight traffic, and include net and gross ton-miles handled per train-mile, the number of loaded and empty vehicles per train-mile, the net and gross train-load, the revenue earned, and the traffic operating-costs, &c. These statistics, although they involve a considerable amount of labour, with consequent cost in compiling them, are extremely valuable, and afford to the officers a ready means of ascertaining and checking results ; appropriate action should be taken as a result of the information gained. Your Commission recommends the continuance of the compilation of such statistics.

Referring to the possibility of decreasing traffic transportation costs, the regrading of various positions held by officers of the First Division has had the effect of increasing the number employed and the salaries of the officers generally. From instances brought under our notice and from evidence tendered, your Commission is of opinion that the staff is in excess of requirements, and that by a careful review it could be reduced and economy effected.

With regard to additional payment made to members of the Second Division in connection with the running of trains after 10 p.m. and before 6 a.m., your Commission is of opinion that such allowance to men engaged on regular shifts is not warranted; and, further, the payment of meal allowance to employees who are eleven hours or over on duty should be paid only when a meal is actually purchased.

A reduction in the running of passenger, mixed, and goods trains will enable substantial economies to be made without affecting the safety or efficiency of the service.

Your Commission is of opinion that traffic transportation costs are not down to a minimum, having regard to the necessity for the maintenance of a proper standard of safety and efficiency in operation.

(17) Whether the abandonment of working (either wholly or in part) of any portion or portions of the railway system would be justified, having regard to the financial results of operating any such lines, the extent to which the various lines are used, and the alternative means of transport for passengers and goods available or feasible.

Your Commission gave facilities during its sittings at Auckland, Wellington, Christchurch, and Dunedin to organizations and individuals interested to present evidence in regard to the position of the various portions of the railway system, and considered the alternative means of transport for passengers and goods available or feasible.

Evidence was brought before your Commission by representatives of Chambers of Commerce, County Councils, Borough Councils, Town Boards, farmers' organizations, business firms interested in the operations of the railways, private individuals, and others concerned either by the curtailment or stoppage of the whole or any part of the services that affected them.

Your Commission was impressed by the evidence submitted, particularly in the South Island, and by the sincere desire of the people in certain districts to prevent the abandonment of lines. Though those persons benefiting from the railway service given did not in the past fully appreciate the facilities provided, now, with the possibility of abandonment, they expressed a keen desire to help the Department in every way, and we are convinced that representative organizations in various centres and districts will take steps to ensure that in future greater use will be made of the railway facilities, with resultant benefit to the Department. Your Commission has had submitted to it evidence concerning all lines in the Dominion—this evidence was given by both residents and settlers using the railways and by departmental officers.

MAIN TRUNK LINES.

So far as the Main Trunk lines are concerned, if through services are to be maintained it is obviously impossible to close any portion of them, and your Commission has no recommendation to make.

BRANCH LINES.

In dealing with this question your Commission had to bear in mind that, whatever action was recommended in regard to the abandonment or curtailment of services on branch lines, the interest on the capital expenditure on these lines would still remain as a charge against the Department; therefore, particular consideration was given as to whether by a readjustment of the goods services and the suspension of passenger services a position could be brought about whereby the revenue from the lines would more nearly meet the working and maintenance costs in the various sections dealt with. Evidence submitted showed that to a large extent the passenger traffic has left the railways either for the service car or the private car, and that the endeavour made by the Department in some instances to regain this traffic by means of increased and improved services was not successful—in fact, the increased passenger facilities which had been given only created a greater loss to the Department.

A statement of results of the working on branch lines and isolated sections for the year ended 31st March, 1930, is shown on page 72. Your Commission's report relative to the above is set out hereunder:—

Kaikohe Branch. (Distance, 24 miles 42 chains.)

The operating revenue and expenditure per mile for this branch for the past four years was:—

Year.	Branch Revenue.	Feeder Value.	Total Revenue.	Working-expenses.	Interest.	Total Loss.
	£	£	£	£	£	£
1927	563	238	801	566	587	352
1928	414	197	611	559	593	541
1929	317	241	558	613	593	648
1930	310	182	492	595	615	718

The operations for the whole of the branch for the last year were as follows: Branch revenue, £7,758; feeder value, £4,542; total revenue, £12,300; working-expenses, £14,871; interest, £15,375: total loss, £17,946.

An extension of this branch is now being built through difficult country from a constructional point of view, and, although a greater area of land will be opened up, it is unlikely that the line will ever pay more than working-expenses or that the position will improve as the line is extended.

The services on this line are now at a minimum, and it appears impossible to operate this branch other than at a considerable loss. The position and the results obtained in working this branch should be closely reviewed from time to time, and a close watch kept on the working. If it is found that the settlers do not support the railway, the advisability of closing the branch should be considered.

Kirikopuni Branch. (Distance, 14 miles.)

This branch runs from Waitotira, on the Main North Railway, and is being built to Dargaville, where it is to join the Kaihu Valley line. It has been completed to Tangowahine, and is at present being worked to Kirikopuni by the Railways Department, and from there to Tangowahine for goods traffic by the Public Works Department.

The country through which this railway passes is unstable, and is difficult from a constructional point of view. The cost of building was extremely high—viz., £1,059,350, for a distance of 13 miles 57 chains—equal to £77,325 per mile.

The operating revenue and expenditure for this branch for the past year was:—

Year.	Branch Revenue.	Feeder Value.	Total Revenue.	Working-expenses.	Interest.	Total Loss.
	£	£	£	£	£	£
1930	2,701	2,381	5,082	7,916	45,220	48,054

In 1927 the Chairman of the Railways Board reported that from investigations that had been made he estimated that there would be a loss on this branch of £77,000 per annum when it was completed. This loss is arrived at after allowing for a subsidy of £10,000 in respect of the Kaihu Valley line.

There is no prospect for this branch line ever paying. The interest charges, which last year amounted to £45,220, will continue, and be considerably increased when the Kirikopuni-Tangowahine Section is incorporated with the railway system.

Your Commission is of opinion that the operating of the line should be continued for a reasonable time, the results being carefully reviewed at intervals of six months, and if, after giving full consideration to the feeder value, it is found that the loss materially increases the advisability of closing the branch should be considered. (See also page 59—Kaihu.)

Waiuku Branch Line. (Distance, 12 miles 55 chains.)

The operating revenue and expenditure per mile for this branch for the past four years was:—

Year.	Branch Revenue.	Feeder Value.	Total Revenue.	Working-expenses.	Interest.	Total Loss.
	£	£	£	£	£	£
1927	509	300	809	638	698	527
1928	481	257	738	733	685	680
1929	423	242	665	727	688	750
1930	402	155	557	696	707	846

The operations for the whole of the branch for last year were as follows: Branch revenue, £5,225; feeder value, £2,016; total revenue, £7,241; working-expenses, £9,051; interest, £9,191: total loss, £11,001.

Your Commission recommends that the passenger service be discontinued, and that the locomotive depot at Waiuku be closed and the staff transferred; that goods traffic be worked as required, and that the rates be reviewed, the delegates appearing on behalf of the district having intimated that they would be willing to accept an increase and to make co-operative efforts to induce the traffic to the Department rather than risk the loss of the line.

Estimated saving, £900 per annum.

Taneatua Branch Line. (Distance, 111 miles.)

The operating revenue and expenditure for this branch for the past year was:—

Year.	Branch Revenue.	Feeder Value.	Total Revenue.	Working-expenses.	Interest.	Total Loss.
	£	£	£	£	£	£
1930	69,276	13,752	83,028	116,478	120,546	153,996

The capital cost of this line was £2,732,185, the construction of which was quite unwarranted; the annual loss per mile is £1,387, and the total annual loss is £153,996.

There is no possibility of this railway ever paying its way. As the interest charges have to be met, an endeavour should be made to extinguish the loss in working, and your Commission recommends that the express service between Taneatua and Tauranga, and *vice versa*, be curtailed to three days a week and a further reduction made in the goods service. At present the Department is running twelve goods-trains per week between these stations, whereas nine such trains should suffice.

There is a considerable amount of sea and road competition along the greater part of this railway, which can only be defeated by the settlers making full use of the railway. If an improvement in results is not obtained, the service might be further diminished and expenditure reduced in operating and maintenance costs by running goods-trains only as required beyond Tauranga.

Estimated saving, £12,000 per annum.

Toko Branch. (Distance, Stratford-Tahora, 48 miles.)

The operating revenue and expenditure per mile for the last four years was:—

Year.	Branch Revenue.	Feeder Value.	Total Revenue.	Working-expenses.	Interest.	Total Loss.
	£	£	£	£	£	£
1927	377	55	432	568	688	824
1928	323	50	373	513	671	811
1929	329	54	383	582	671	870
1930	330	42	372	587	692	907

The operating revenue and expenditure for the whole branch for last year was as follows: Branch revenue, £15,860; feeder value, £1,996; total revenue, £17,856; working-expenses, £28,157; interest, £33,216: total loss, £43,517.

This line extends from Stratford to its present terminus at Tahora, and will eventually connect with the main line at Okahukura. The capital cost of construction up to date amounts to approximately £764,000, which is an average of £16,000 per mile. In view of the fact that it is a Main Trunk line and is nearly completed, your Commission has no recommendation to make. A portion of the traffic now being carried via Marton will then go via this line when completed. Last year the total tonnage carried via Marton to stations in Taranaki, including Wanganui and New Plymouth, was 75,474 tons, and from these stations to Taumarunui and northwards 4,565 tons, or an average of 260 tons per day. The operation of this line will result in a heavy loss without any apparent increase in revenue, unless by the development of a coal-mine at Tangarakau.

Opunake Branch. (Distance, 23 miles.)

The operating expenditure and revenue per mile for the last four years was:—

Year.	Branch Revenue.	Feeder Value.	Total Revenue.	Working-expenses.	Interest.	Total Loss.
	£	£	£	£	£	£
1927	110	78	188	219	506	537
1928	172	110	282	370	817	905
1929	198	143	341	387	829	875
1930	227	122	349	414	854	919

The operating revenue and expenditure for the whole branch for the last year was as follows: Branch revenue, £5,224; feeder value, £2,803; total revenue, £8,027; working-expenses, £9,525; interest, £19,642: total loss, £21,140.

There is practically no passenger traffic on this line, and it would be better to abandon such traffic and thereby reduce the cost of maintenance. During the last three years, however, goods traffic on this line has increased appreciably.

Your Commission recommends that goods traffic only be worked on this branch. The estimated saving amounts to £600 per annum.

Motor competition is very keen in this area, and unless the settlers and others support the railway and the position materially improves consideration should be given to abandon the line altogether.

Greytown Branch. (Distance, 3 miles.)

The operating revenue and expenditure per mile for this branch for the past four years was:—

Year.	Branch Revenue.	Feeder Value.	Total Revenue.	Working-expenses.	Interest.	Total Loss.
	£	£	£	£	£	£
1927	235	627	862	1,156	184	478
1928	189	526	715	1,116	181	582
1929	184	543	727	1,080	180	533
1930	163	377	540	974	185	619

The operating revenue and expenditure for the whole of the branch for last year was as follows: Branch revenue, £488; feeder value, £1,132; total revenue, £1,620; working-expenses, £2,921; interest, £555: total loss, £1,856.

Owing to the heavy loss incurred in working this branch, the Department has recently made arrangements to work the traffic to and from this branch by means of a rail tractor.

The clerical and running staff located at Greytown are to be transferred elsewhere.

A porter will be located at Greytown who will operate the rail tractor and carry out the station duties at the latter town. The estimated saving will amount to £1,800 per annum.

Raetihi Branch. (Distance, 8 miles 40 chains.)

This line leaves the main line at Ohakune Junction and terminates at Raetihi. The operating revenue and expenditure for the branch for 1929 was as follows :—

Year.	Revenue, including Feeder Value.	Expenditure.	Loss on Working.	Loss, including Interest.
1929	£ 5,066	£ 6,380	£ 3,300	£ 7,316

The figures for 1927, 1928, and 1930 are not available.

A fair amount of timber and firewood is carried on this line, and there is also a considerable business in live-stock during the season. Passenger traffic is small, and should be discontinued. This will result in some saving in maintenance costs. Until the timber is cut out the branch should, we think, continue to be operated; after that, unless the traffic warrants it, the closing of the branch should be seriously considered. The estimated saving will amount to £500 per annum.

Foxton Branch. (Distance, 19 miles 18 chains.)

The operating revenue and expenditure for the branch for 1929 was as follows :—

Year.	Revenue, including Feeder Value.	Expenditure.	Loss on Working.	Loss, including Interest.
1929	£ 14,800	£ 12,100	£ 2,800	£ 5,000

The figures for 1927, 1928, and 1930 are not available.

The branch line, which is one of the oldest in New Zealand and at one time carried a heavy traffic, runs between the Port of Foxton and Longburn. Owing to trouble with the port and to motor competition, traffic has diminished. There is, however, still a fair trade, but the railway has not been supported by the settlers and others as well as it should have been, most of the business being the transport of the lower-rated commodities.

The Sanson Tramway, which junctions with the Foxton Branch at Himatangi and runs to Sanson, serves an extensive productive district from which a large amount of traffic might be expected, but most of it has been captured by motor-lorry.

In view of the comparatively small loss on the Foxton Branch your Commission recommends that the line continue to be operated as at present.

Eskdale Branch. (Distance, 11 miles 67 chains.)

The operating revenue and expenditure per mile for this branch for the past four years was :—

Year.	Branch Revenue.	Feeder Value.	Total Revenue	Working-expenses.	Interest.	Total Loss.
1927	£ 265	£ 57	£ 322	£ 608	£ 612	£ 898
1928	305	130	435	587	618	770
1929	336	113	449	595	623	769
1930	296	142	438	616	644	822

The operating revenue and expenditure for the whole of the branch for last year was as follows : Branch revenue, £3,552 ; feeder value, £1,702 ; total revenue, £5,256 ; working-expenses, £7,418 ; interest, £7,708 ; total loss, £9,870.

This line is portion of the main line now being constructed from Napier to Gisborne. The railway has been completed to Putorino, some 38 miles 61 chains beyond Napier, but has not yet been handed over to the Department. As the line extends, the losses will be enormously increased, and there is no prospect of this line ever paying.

Rangiora—Oxford and Kaiapoi—Bennett's. (Distance, 54 miles.)

The operating revenue and expenditure for these branches for the last four years was:—

Year.	Branch Revenue.	Feeder Value.	Total Revenue.	Working-expenses.	Interest.	Total Loss.
	£	£	£	£	£	£
1927	186	30	216	360	128	272
1928	154	27	181	352	127	298
1929	176	34	210	340	127	257
1930	163	26	189	368	132	311

The operating revenue and expenditure for the whole of the branch lines for last year was as follows: Branch revenue, £8,814; feeder value, £1,392; total revenue, £10,206; working-expenses, £19,884; interest, £7,128; total loss, £16,806.

These two branch lines are roughly parallel to one another, and at no point between Kaiapoi and Bennett's, and between Rangiora and Bennett's, are they more than approximately six miles apart.

The Rangiora—Oxford line should be able to serve the whole district, although if Eyreton Branch were closed there would be some loss in revenue. There would be a saving of about £3,343 in maintenance and a total saving of £4,480 if working on the latter branch was discontinued. There is a flour-mill at Wetherall, on the Eyreton Branch, which could be served from Kaiapoi.

The passenger traffic is light on the Rangiora—Oxford line, and does not justify the continuance of passenger-trains. The goods traffic to be catered for by the running of goods-trains from Christchurch to Oxford; this will permit of the locomotive depot at the latter station being closed and the staff transferred.

For year ended 31st March, 1930, the revenue obtained from goods forwarded from stations between Rangiora and Bennett's amounted to approximately £4,900, and from stations between Eyreton and Bennett's amounted to approximately £6,000. The additional revenue received from the latter branch is accounted for by the fact that a large quantity of goods which could have been forwarded via Rangiora was, for the convenience of settlers, forwarded from Horrelville instead of from Cust.

Your Commission therefore recommends that the Eyreton Branch line be closed, unless the guarantee against loss offered by the settlers is satisfactorily arranged.

Cheviot Branch: Waipara—Parnassus. (Distance, 44 miles.)

The operating revenue and expenditure per mile for this branch for the past four years was:—

Year.	Branch Revenue.	Feeder Value.	Total Revenue.	Working-expenses.	Interest.	Total Loss.
	£	£	£	£	£	£
1927	369	59	428	740	350	662
1928	373	54	427	740	357	670
1929	407	42	449	678	369	598
1930	406	51	457	698	383	624

The operating revenue and expenditure for the whole of the branch for last year was as follows: Branch revenue, £17,883; feeder value, £2,225; total revenue, £20,108; working-expenses, £30,703; interest, £16,852; total loss, £27,447.

A fast passenger-train conveying an average of twenty-five passengers per day runs daily between Christchurch and Parnassus connecting with a motor service to and from Blenheim. A substantial saving could be effected by discontinuing the running of the passenger-trains in question, and substituting mixed trains between Waipara and Parnassus connecting with the Christchurch—Culverden or Waiiau train at Waipara. Your Commission recommends accordingly.

The saving will amount to £2,000 per annum.

Little River Branch. (Distance, 22 miles 13 chains.)

The operating revenue and expenditure per mile for this branch for the past four years was:—

Year.	Branch Revenue.	Feeder Value.	Total Revenue.	Working-expenses.	Interest.	Total Loss.
	£	£	£	£	£	£
1927	462	21	483	690	216	423
1928	422	17	439	713	218	492
1929	413	18	431	709	219	497
1930	408	16	424	675	222	473

The operating revenue and expenditure for the whole branch for last year was as follows: Branch revenue, £9,381; feeder value, £371; total revenue, £9,752; working-expenses, £15,536; interest, £5,106; total loss, £10,890.

The passenger traffic, which is maintained by an electric rail-car, averages about twenty-four per trip, including school-children, and, unless there is a marked improvement, your Commission recommends discontinuing the passenger service, also that the goods-train at present running daily be run on three days per week only. It is estimated that the reduced train service will effect a saving of £1,200 per annum.

Southbridge Branch: Hornby to Southbridge. (Distance, 25 miles 39 chains.)

The operating revenue and expenditure per mile for this Branch for the past four years was:—

Year.	Branch Revenue.	Feeder Value.	Total Revenue.	Working-expenses.	Interest.	Total Loss.
	£	£	£	£	£	£
1927	945	81	1,026	902	205	81
1928	884	75	959	788	188	17
1929	917	78	995	894	189	88
1930	862	60	922	899	198	175

The operating revenue and expenditure for the whole branch for last year was as follows: Branch revenue, £22,422; feeder value, £1,550; total revenue, £23,972; working-expenses, £23,393; interest, £5,148; total loss, £4,569.

If the locomotive depot at Southbridge cannot be closed the only saving that can be made on this branch is by cutting out mixed trains and running goods-trains in lieu thereof, saving about £900 per annum. Your Commission recommends that this be done.

Whitecliffs Branch: Darfield-Whitecliffs. (Distance, 11 miles 41 chains.)

The operating revenue and expenditure per mile for this branch for the past four years was:—

Year.	Branch Revenue.	Feeder Value.	Total Revenue.	Working-expenses.	Interest.	Total Loss.
	£	£	£	£	£	£
1927	323	156	479	470	97	88
1928	306	131	437	693	93	349
1929	256	122	379	348	95	64
1930	202	86	288	365	93	170

The operating revenue and expenditure for the whole of the branch for last year was as follows: Branch revenue, £2,424; feeder value, £1,034; total revenue, £3,456; working-expenses, £4,389; interest, £1,116; total loss, £2,049.

Goods traffic only is worked on this branch. The passenger traffic is catered for by a railway bus service, which your Commission has recommended be discontinued. The only economy which can be effected on this line is a slight saving in maintenance costs.

Methven Branch : Rakaia-Methven. (Distance, 22 miles 20 chains.)

The operating revenue and expenditure per mile for this branch for the past four years was:—

Year.	Branch Revenue.	Feeder Value.	Total Revenue	Working-expenses.	Interest.	Total Loss.
	£	£	£	£	£	£
1927	489	136	625	568	166	109
1928	525	141	666	653	163	150
1929	597	162	759	574	162	23*
1930	539	118	657	558	168	69

* Indicates profit.

The operating revenue and expenditure for the whole of the branch for last year was as follows: Branch revenue, £12,396; feeder value, £2,715; total revenue, £15,111; working-expenses, £12,850; interest, £3,864; total loss, £1,603.

No saving could be effected on this branch, except by discontinuing the passenger service, the revenue for which is decreasing. If there is no improvement in the passenger traffic during the next twelve months your Commission recommends that it be discontinued.

Springburn Branch. (Distance, 27 miles 27 chains.)

The operating revenue and expenditure per mile for this branch for the past four years was:—

Year.	Branch Revenue.	Feeder Value.	Total Revenue.	Working-expenses.	Interest.	Total Loss.
	£	£	£	£	£	£
1927	225	41	266	318	108	160
1928	203	39	242	295	107	160
1929	206	38	244	391	107	254
1930	196	30	226	447	111	332

The operating revenue and expenditure for the whole of the branch for last year was as follows: Branch revenue, £5,500; feeder value, £828; total revenue, £6,328; working-expenses, £12,526; interest, £3,108; total loss, £9,306.

The services on this line cannot be reduced. A suggestion has been made as to the desirability of closing that portion of the branch between Mount Somers and Springburn, about four miles, whereby a saving of £500 per annum could be effected. Your Commission is of opinion that this might have the effect of inducing motor competition which would affect the revenue of the whole branch. Your Commission therefore recommends the closing of this extension unless full use is made of it by the settlers for the carriage of all classes of goods.

Fairlie Branch. (Distance, 36 miles 13 chains.)

The operating revenue and expenditure per mile for this Branch for the past four years was:—

Year.	Branch Revenue.	Feeder Value.	Total Revenue.	Working-expenses.	Interest.	Total Loss.
	£	£	£	£	£	£
1927	446	62	508	488	186	166
1928	437	53	490	546	187	243
1929	455	58	513	614	188	289
1930	415	46	461	536	195	270

The operating revenue and expenditure for the whole of the branch and for last year was as follows: Branch revenue, £15,373; feeder value, £1,684; total revenue, £17,057; working-expenses, £19,866; interest, £7,215: total loss, £10,024.

Although special facilities were given on this branch to passenger traffic, the returns from this source show a falling-off in revenue of £1,400 over the past three years. Your Commission recommends that the present passenger service be discontinued, and that a mixed train be run daily between Fairlie and Timaru, and *vice versa*. The requirements of goods traffic can be met by running a special goods service as required.

Estimated saving, £2,800 per annum.

Waimate Branch. (Distance, 12 miles 55 chains.)

The operating revenue and expenditure per mile for this branch for the past four years was:—

Year.	Branch Revenue.	Feeder Value.	Total Revenue.	Working-expenses.	Interest.	Total Loss.
	£	£	£	£	£	£
1927	376	338	714	784	184	254
1928	358	286	644	714	181	251
1929	338	288	626	809	181	364
1930	274	213	487	741	188	442

The operations for the whole of the branch and for last year were as follows: Branch revenue, £3,563; feeder value, £2,768; total revenue, £6,331; working-expenses, £9,631; interest, £2,444: total loss, £5,744.

Your Commission recommends that the present daily service between Waihao Downs and Waimate (distance, 8 miles 21 chains) be discontinued, and that a goods service as required be run on this section. That the locomotive depot at Waihao Downs be closed and staff transferred. That the service between Waimate and Studholme Junction be reviewed and reduced to a minimum.

Estimated saving, £1,200 per annum.

Kurow Branch. (Distance, 37 miles 41 chains.)

The operating revenue and expenditure per mile for this branch for the past four years was:—

Year.	Branch Revenue.	Feeder Value.	Total Revenue.	Working-expenses.	Interest.	Total Loss.
	£	£	£	£	£	£
1927	358	59	417	406	166	155
1928	296	48	344	436	162	254
1929	356	72	428	462	162	196
1930	350	63	413	498	176	261

The operations for the whole of the branch and for last year were as follows: Branch revenue, £13,295; feeder value, £2,399; total revenue, £15,694; working-expenses, £18,898; interest, £6,688: total loss, £9,892.

Your Commission recommends that the present passenger service be discontinued, and that a mixed train be run daily, which train will be substituted for the present passenger and goods service. It is further recommended that the line from Kurow to Hakataramea (distance, 1 mile 20 chains) be lifted, unless a satisfactory arrangement can be made with the local bodies concerned to bear a higher proportion of the cost of repairs to the bridges over the Waitaki River.

Estimated saving, £1,800 per annum.

Ngapara-Livingstone Branch. (Distance, 27 miles 2 chains.)

The operating revenue and expenditure per mile for this branch for the past four years was:—

Year.	Branch Revenue.	Feeder Value.	Total Revenue.	Working-expenses.	Interest.	Total Loss.
	£	£	£	£	£	£
1927	197	58	255	358	271	374
1928	139	39	178	283	270	375
1929	161	38	199	286	267	354
1930	155	31	186	293	280	387

The operations for the whole of the branch and for last year were as follows: Branch revenue, £4,177; feeder value, £845; total revenue, £5,022; working-expenses, £7,920; interest, £7,560: total loss, £10,458.

Your Commission recommends that train services on the Windsor-Tokarahi Section (distance, 11 miles 66 chains) which have already been discontinued, be not reinstated.

Estimated saving, £2,000 per annum.

Waihemo Branch. (Distance, 8 miles 55 chains.)

The operating revenue and expenditure per mile for this branch for the past four years was:—

Year.	Branch Revenue.	Feeder Value.	Total Revenue.	Working-expenses.	Interest.	Total Loss.
	£	£	£	£	£	£
1927	217	138	355	304	178	127
1928	184	130	314	329	173	188
1929	185	143	328	363	175	210
1930	220	146	366	335	182	151

The operations for the whole of the branch and for last year were as follows: Branch revenue, £1,978; feeder value, £1,316; total revenue, £3,294; working-expenses, £3,007; interest, £1,638: total loss, £1,351.

Your Commission recommends that, provided the patronage given to this line continues, no alteration be made to the present services.

Otago Central Line. (Distance, 146 miles 61 chains.)

The operating revenue and expenditure per mile for this branch for the past four years was:—

Year.	Branch Revenue.	Feeder Value.	Total Revenue.	Working-expenses.	Interest.	Total Loss.
	£	£	£	£	£	£
1927	687	31	718	709	433	424
1928	651	26	677	740	434	497
1929	685	27	712	782	438	508
1930	680	20	700	813	455	568

The operations for the whole of the branch for last year were as follows: Branch revenue, £99,947; feeder value, £2,953; total revenue, £102,900; working-expenses, £119,479; interest, £66,885: total loss, £83,528.

There is at present in operation a winter and summer time-table, which does not appear to be justified, and your Commission recommends that the present winter time-table be operated throughout the year. This will have the effect of materially reducing the train-mileage, and will enable savings to be effected in the staff.

Estimated saving, £3,000 per annum.

Outram Branch. (Distance, 9 miles.)

The operating revenue and expenditure per mile for this branch for the past four years was :—

Year.	Branch Revenue.	Feeder Value.	Total Revenue.	Working-expenses.	Interest.	Total Loss.
	£	£	£	£	£	£
1927	279	96	376	528	206	358
1928	322	103	425	682	212	469
1929	308	101	410	672	210	472
1930	304	81	385	703	217	535

The operations for the whole of the branch and for last year were as follows : Branch revenue, £2,736 ; feeder value, £729 ; total revenue, £3,465 ; working-expenses, £6,323 ; interest, £1,953 : total loss, £4,811.

This is an instance of a service in excess of requirements, and it would appear that, had a review of the position been made, some curtailment could have been effected. The present time-table provides for the running of twenty-eight trains per week between Outram and Mosgiel. Evidence submitted showed that the minimum service required was one train each way per day, or a total of twelve trains per week.

Your Commission recommends that the locomotive depot at Outram be closed and the staff transferred, arrangements to be made for a goods service only, to meet the local requirements of the district.

Estimated saving, £500 per annum.

Roxburgh Branch. (Distance, 60 miles 40 chains.)

The operating revenue and expenditure per mile for this branch for the past four years was :—

Year.	Branch Revenue.	Feeder Value.	Total Revenue.	Working-expenses.	Interest.	Total Loss.
	£	£	£	£	£	£
1927	376	56	432	528	460	556
1928	334	50	384	558	474	648
1929	308	48	356	576	499	719
1930	290	32	322	555	521	754

The operations for the whole of the branch and for last year were as follows : Branch revenue, £17,665 ; feeder value, £1,977 ; total revenue, £19,642 ; working-expenses, £33,824 ; interest, £31,781 : total loss, £45,963.

Evidence submitted was to the effect that the train services have during the winter months been somewhat in excess of requirements, but we found that recently some reductions have been made.

Your Commission recommends that between Lawrence and Roxburgh goods traffic be catered for ; that between Lawrence and Milton goods traffic only be catered for, with a provision that on one day per week a passenger service be provided. This would mean an estimated saving of £3,800 ; but against this would have to be offset the loss in the present passenger traffic, amounting to £1,300, leaving a net saving of £2,500 per annum.

There does not appear to be much possibility of any great increase in traffic taking place other than by the elimination of motor traffic ; and, if it is found that full support is not being given to the railway, your Commission further recommends that the rates on this branch for the conveyance of low-class goods and fruit be increased.

Catlins River Branch. (Distance, 42 miles 57 chains.)

The operating revenue and expenditure per mile for this branch for the past four years was :—

Year.	Branch Revenue.	Feeder Value.	Total Revenue.	Working-expenses.	Interest.	Total Loss.
	£	£	£	£	£	£
1927	475	97	472	534	445	407
1928	440	89	529	633	462	566
1929	466	88	455	608	471	524
1930	454	82	536	588	487	539

The operations for the whole of the branch and for the last year were as follows : Branch revenue, £19,515 ; feeder value, £3,533 ; total revenue, £23,048 ; working-expenses, £25,261 ; interest, £20,941 : total loss, £23,154.

The evidence submitted showed that the services on this line were being economically operated, but the result of working was so unsatisfactory that consideration was given to possible suggested curtailments.

Your Commission is, however, of opinion that no decrease in the time-table should be made at present, but that the position be reviewed at definite periods with a view to taking action and curtailing services if no improvement results.

Tapanui Branch. (Distance 26 miles 11 chains.)*Waikaka Branch.* (Distance 12 miles 55 chains.)*Switzers Branch.* (Distance 13 miles 66 chains.)

The operating revenue and expenditure per mile for these branches for the past four years was :—

Year.	Branch Revenue.	Feeder Value.	Total Revenue.	Working-expenses.	Interest.	Total Loss.
<i>Tapanui Branch.</i>						
	£	£	£	£	£	£
1927	257	109	366	465	209	308
1928	231	92	323	537	205	419
1929	249	104	353	510	205	362
1930	245	79	324	506	214	396
<i>Waikaka Branch.</i>						
	£	£	£	£	£	£
1927	215	82	297	384	236	323
1928	185	73	258	350	233	325
1929	203	87	290	367	235	312
1930	190	65	255	399	247	391
<i>Switzers Branch.</i>						
	£	£	£	£	£	£
1927	134	57	191	309	254	372
1928	116	54	170	298	254	382
1929	116	60	176	356	254	434
1930	134	52	186	306	265	385

The operations for the whole of the branches and for the last year were as follows :—

—	Branch Revenue.	Feeder Value.	Total Revenue.	Working-expenses.	Interest.	Total Loss.
	£	£	£	£	£	£
Tapanui	6,623	2,125	8,748	13,660	5,778	10,690
Waikaka	2,475	840	3,315	5,178	3,211	5,074
Switzers	1,881	723	2,604	4,298	3,710	5,404

Your Commission recommends that in each of the above cases the passenger service be discontinued, and that the locomotive depots at Edievale and Waikaka be closed and the staff removed, arrangements to be made to work branch goods traffic as required.

Estimated saving, £1,500 per annum.

Glenham Branch. (Distance, 9 miles 25 chains.)

The operating revenue and expenditure per mile for this branch for the past four years was :—

Year.	Branch Revenue.	Feeder Value.	Total Revenue.	Working-expenses.	Interest.	Total Loss.
	£	£	£	£	£	£
1927	201	178	379	757	235	613
1928	163	139	302	657	234	589
1929	151	153	304	783	240	719
1930	159	114	273	578	248	553

The operations for the whole of the branch for last year were as follows : Branch revenue, £1,590 ; feeder value, £1,140 ; total revenue, £2,730 ; working-expenses, £5,778 ; interest, £2,480 : total loss, £5,528.

Your Commission recommends that the locomotive depot at Wyndham be closed and staff removed, and that passenger traffic be discontinued. Arrangements to be made to work goods traffic on the branch as required.

Estimated saving, £1,250 per annum.

Seaward Bush Branch. (Distance, 33 miles 64 chains.)

The operating revenue and expenditure per mile for this branch for the past four years was :—

Year.	Branch Revenue.	Feeder Value.	Total Revenue.	Working-expenses.	Interest.	Total Loss.
	£	£	£	£	£	£
1927	527	54	581	517	251	187
1928	426	46	472	529	242	299
1929	415	48	463	535	243	315
1930	445	48	493	561	253	321

The operations for the whole of the branch and for last year were as follows : Branch revenue, £15,133 ; feeder value, £1,629 ; total revenue, £16,762 ; working-expenses, £19,083 ; interest, £8,602 : total loss, £10,923.

At the present time one mixed train each way is run daily. Since 1927 the passenger revenue has declined by £3,000 per annum. Your Commission recommends that, unless a distinct improvement is shown in the revenue from this branch within the next six months, the passenger service be discontinued, and that a goods service be operated as business warrants.

Orawia Extension of the Tuatapere Branch. (Distance, 8 miles 23 chains.)

The operating revenue and expenditure per mile on this extension of the branch line for the past four years was :—

Year.	Branch Revenue.	Feeder Value.	Total Revenue.	Working-expenses.	Interest.	Total Loss.
	£	£	£	£	£	£
1927	77	61	138	367	514	743
1928	77	80	157	339	521	703
1929	81	76	157	310	523	676
1930	81	59	140	273	539	672

The operations for the extension for the last year were as follows: Branch revenue, £730; feeder value, £530; total revenue, £1,260; working-expenses, £2,461; interest, £4,851: total loss, £6,052.

The passenger traffic totals about £25 per annum—less than 10s. per week. The maintenance charges alone are more than twice the total revenue.

The earnings per mile per annum are £81—as compared with £2,312 per mile per annum, the average for our whole railway system—and are the lowest in New Zealand.

The main traffic on the extension is lime, timber, and live-stock.

Your Commission is of opinion that the continued operation of this extension is not justified, but that the Department should offer to the settlers and persons interested an arrangement whereby it could be leased at a nominal rental and operated by the residents as a tramway. By the closing-down of this extension it is estimated that an annual saving of £2,000 will be effected.

Forest Hill Branch. (Distance, 12 miles 68 chains.)

The operating revenue and expenditure per mile for this branch for the past four years was:—

Year.	Branch Revenue.	Feeder Value.	Total Revenue.	Working-expenses.	Interest.	Total Loss.
	£	£	£	£	£	£
1927	237	134	371	363	94	86
1928	206	109	315	557	89	331
1929	210	113	323	393	92	162
1930	222	92	314	387	97	170

The operations for the whole of the branch and for the last year were as follows: Branch revenue, £2,889; feeder value, £1,193; total revenue, £4,082; working-expenses, £5,035; interest, £1,261: total loss, £2,214.

Your Commission recommends that passenger services which are now provided for by private buses be discontinued and, if found practicable, the locomotive depot and train staff be transferred to Invercargill. Goods traffic to be worked as required.

This should effect a saving of £1,500 per annum.

Mararoa (Mossburn) Branch. (Distance, 12 miles.)

The operating revenue and expenditure per mile for this branch for the past four years was:—

Year.	Branch Revenue.	Feeder Value.	Total Revenue.	Working-expenses.	Interest.	Total Loss.
	£	£	£	£	£	£
1927	119	50	169	181	99	111
1928	84	39	123	126	98	101
1929	94	49	143	222	99	178
1930	102	45	147	113	103	69

The operations for the whole of the branch for the last year were as follows: Branch revenue, £1,127; feeder value, £537; total revenue, £1,764; working-expenses, £1,354; interest, £1,236: total loss, £826.

The cost of maintenance on this branch will in the near future have to be increased, with a corresponding increase in loss in working. Your Commission recommends that in the meantime the ordinary time-table services be discontinued and traffic worked by goods-trains as required. The position should frequently be reviewed, and if it is found that no improvement in the net results is obtained the branch should be closed.

Kaihu Section. (Distance, 24 miles.)

The operating revenue and expenditure per mile for this section for the last four years was :—

Year.	Total Revenue.	Working-expenses.	Interest.	Total Loss.
	£	£	£	£
1927	303	426	330	453
1928	291	395	330	434
1929	281	456	330	505
1930	271	400	340	469

For year ended 31st March, 1930, the total operating revenue and expenditure over the whole of the section was as follows: Total revenue, £6,504; working-expenses, £9,596; interest, £8,160: total loss, £11,252.

In view of the heavy loss on this section the Commission recommends that a curtailed train service be put into operation and, unless the loss is decreased in the near future, consideration be given to the closing of the line. (See also page 46—Kirikopuni.)

Gisborne Section. (Distance, 60 miles.)

The operating revenue and expenditure per mile for the section for the past four years was :—

Year.	Total Revenue.	Working-expenses.	Interest.	Total Loss.
	£	£	£	£
1927	605	705	595	695
1928	573	731	595	753
1929	591	743	594	746
1930	536	681	613	758

The operating revenue and expenditure on the whole of this section for last year was as follows: Total revenue, £32,160; working-expenses, £40,882; interest, £36,780: total loss, £45,502.

The section extends from Gisborne to Motuhora and from Makaraka to Ngatapa, the latter line being worked for goods traffic only by a shunting service from Gisborne. The Gisborne–Ngatapa line was originally built as part of the “inland route” from Gisborne at a cost of £167,430, but with the definite abandonment of this route for the coastal route the necessity for maintaining the Ngatapa line practically disappears. A return of traffic covering two years shows a total tonnage of 24,658 tons, of which 21,900 tons consisted of road-metal from the Repongaere Quarry, which quarry is owned by the Public Works Department and leased to the Gisborne County Council. The passenger traffic on the branch averages twenty passengers per day, and the train service equals six return trips per week between Gisborne and Ngatapa.

The total revenue on the branch during the last two years represented £130 per mile per annum, while the expenditure charges (excluding interest) were £742 per mile per annum.

Your Commission recommends, in view of the heavy losses incurred for services to the Public Works Department and Gisborne County Council, such losses should not be borne by the Railways Department, and, unless the bodies concerned are prepared to take the line over from the Department, it should be closed.

With respect to the Gisborne–Motuhora line, if the settlers and others continue to support the road motor services in preference to the railway for transport, the position should be reviewed from time to time and consideration given to discontinue working this section.

The saving will amount to £2,000 per annum.

Nelson Section. (Distance, Nelson to Kawatiri, 64 miles 2 chains.)

The operating revenue and expenditure per mile for this section for the past four years was :—

Year.	Total Revenue.	Working-expenses.	Interest.	Total Loss.
	£	£	£	£
1927	369	575	358	564
1928	332	584	376	628
1929	385	651	378	644
1930	403	648	389	634

The operating revenue and expenditure on the whole of the section for last year was as follows : Total revenue, £25,792 ; working-expenses, £41,496 ; interest, £24,896 : total loss, £40,600.

The loss on this railway is heavy, and will increase as it is extended. The service that is being run is in excess of requirements. We recommend that a daily mixed-train service be instituted between Nelson and Belgrove and a tri-weekly service Nelson to Glenhope. This will enable the locomotive depot at Glenhope to be closed. The adjustment of service will save a large number in staff personnel, the total saving in operation being approximately £6,000 per annum. Your Commission would not recommend discontinuing this diminished service at present, but suggests that the position be reviewed from time to time, and, should it be found that traffic still continues to decrease, the question of closing the line from Belgrove to Kawatiri be given serious consideration.

Picton Section. (Distance, 56 miles.)

The operating revenue and expenditure per mile for this section for the last four years was :—

Year.	Total Revenue.	Working-expenses.	Interest.	Total Loss.
	£	£	£	£
1927	696	844	508	656
1928	689	748	508	567
1929	663	773	509	619
1930	708	842	525	659

The operating revenue and expenditure on the whole of the section for the last year was as follows : Total revenue, £39,648 ; working-expenses, £47,152 ; interest, £29,400 : total loss, £36,913.

The present train service is in excess of requirements, and your Commission recommends a substantial curtailment in order to secure economy. Motor competition in this district is very keen, particularly for passenger traffic, and it is in the passenger-train services between Blenheim and Picton where economy can best be made. The mixed-train service which runs between Blenheim and Ward daily should be reduced to a thrice-weekly service.

If these proposals are given effect to the estimated annual savings will amount to £4,000.

- (18) **To what extent it is possible and desirable, in the interests of the economic welfare of the Dominion, to co-ordinate rail and road transport, having due regard to the rights of owners of road transport services, the necessity of a satisfactory standard of service, and all other relevant considerations.**

If by co-ordination of road and railway services is meant the utilization of these means of transport to the best advantage of the community from an economic point of view, your Commission is of opinion that, under existing conditions, it is not possible to co-ordinate rail and road transport unless the full control and operation of all such transport is vested in one authority. The whole matter, however, is one which requires a large amount of careful study and investigation, which, in the time at our disposal, your Commission is unable to give.

However, your Commission is of the opinion that it is essential that motor transport, particularly that engaged in freight service, be licensed, regulated, and controlled by a properly constituted authority, which would require to take all factors into consideration before licenses are granted. The effect of existing competition between railway and road is to increase the cost of transporting primary products and the lower-class goods, which usually are not carried by motor transport, and to reduce the costs on higher-rated goods and on general merchandise. The average railway rate on goods carried last year was 2.32d. per ton per mile. This is much lower than is possible by motor transport.

Owing to the loss in railway revenue from goods and passenger traffic, the average rate on goods carried will have to be increased, and, as the great bulk of the traffic is primary products and low-rated commodities, the increase will fall on them. The diversion of passenger traffic from the railway to the motor-vehicle has caused a large and continued decrease in passenger revenue, and will have the effect of materially increasing the goods rates, if losses are to be arrested.

It is uneconomic and most inadvisable that the cost of transporting primary products or of materials necessary for their production should be forced upwards, and is against the interests of the Dominion; but if motor transport is permitted full scope in all districts, without restriction, the effect will be to increase the total cost of transport and cause economic loss.

Under some conditions it is apparent that motor transport on all classes of goods will be more economical than railway transport, and should be permitted and encouraged; but in view of the fact that trunk railways are necessary for connecting distant centres and for the carriage of passengers and all classes of goods between them, as well as for the development of the Dominion, the folly of allowing unrestricted motor transport along these routes, which is, on the whole, more economically given by the railways must be apparent, and should, in our opinion, be permitted only in cases where it can be shown to be warranted.

For the purpose of co-ordinating rail and motor services it will be necessary to introduce legislation to provide for the establishment of a suitable authority to make regulations for the license, control, and regulation of motor transport throughout the Dominion. We recommend that consideration be given to the question of enacting the necessary legislation.

(19) Generally to review the administration and financial position of the Government Railways Department and to recommend what, if any, steps might be taken to secure a proper balance of economy, efficiency, and satisfactory service.

Administration.—The present administration of the Department is under the Government Railways Act, 1926, and amendments, and by the Legislature of the Dominion, and more especially by the Government in power, with the Minister of Railways as the executive officer of the Legislature, whilst the General Manager of Railways acts under the direction of the Minister.

For the purposes of this report, in so far as it deals with the administration of the railways and covers recommendations to secure a proper balance of economy, efficiency, and satisfactory service, it will be sufficient to consider the Hon. the Minister of Railways as the Ministerial head of the Department.

The position, then, is that the Minister of Railways has vested in him the control of the Department, and not only directs the general policy but takes an active part in the management.

The general administration of the Department is so dependent on the many phases of operation and control that it is deemed advisable to discuss and deal with the position under different headings.

Construction of New Lines.—The construction of new lines of railway is decided by the policy of the Legislature, and the Department is not usually consulted or called upon to advise as to whether or not a line should be constructed, or, if constructed, whether the line can be profitably and economically worked. It has been stated in evidence before your Commission that, having regard to the high cost of construction and also to the question of revenue resulting from the construction of new lines, that during the past fifteen years, with the exception of short

spur colliery lines, no new railway-line laid down had any likelihood of returning a reasonable rate of interest on the capital invested. The position, then, is that the Department is called upon to operate new lines which have not been constructed from financial considerations as regards their revenue-earning capacity, and the fact that no new lines, with the above-mentioned exceptions, have been constructed in recent years which, after operating-costs have been charged, will pay interest on capital, means that the loss shown in the accounts of the Department will become greater each year, and continue to increase as these unpayable lines are completed and handed over to the Railways Department for operation. At the same time as the Legislature is authorizing the construction of new lines further expenditure is being made on roads which in many cases run parallel to and serve the same area as the rail, with the result that the Department is called upon to operate a line that prior to being taken over has lost to competitors a certain amount of traffic that economically should be rail traffic. It is considered unreasonable to assist industries, whether primary or secondary, by what might be termed a concealed subsidy from the Railways Department, and this is happening in cases where the Department is called upon by the policy of the Legislature to undertake unprofitable work in order to render assistance and help by a reduction below a payable amount in the tariff rate. If the railways were not available, then the industries concerned would be called upon to bear the full cost of carriage. The railways should, therefore, be credited with their full earnings for the work undertaken, and the public advised of the amount paid by way of subsidy by a special appropriation. It is illogical to treat the railways as a commercial concern, and, on the other hand, to call upon them to undertake unpayable transport or to operate lines which it was known full well, before construction was undertaken, could never be worked on a payable basis. All questions of construction of new lines should be referred to the Board which is recommended to be appointed later herein, who shall report on the probable cost, estimated revenue, and working-expenses. If new lines are authorized and constructed by the Legislature for the purpose of developing certain areas or assisting specific industries, these lines should be definitely termed "developmental lines," and a record of the costs of operation kept separately and apart from the general working accounts of the railways, and the loss on these lines be borne by the Consolidated Fund.

Matters affecting the Staff.—Specific reference has already been made to matters affecting the staff, and it is not necessary to again traverse that ground. The references made here will be mainly along the lines of a review of the position as the result of the active participation in the management of the Department by the Ministerial head. It has been definitely stated in evidence before the Commission that the financial operations of the Department and the general efficiency of the staff is adversely affected by the present method of administration. By this is meant that the full measure of efficient service cannot be obtained from the staff, which numbers approximately 20,000, when the responsible officers have, to all intents and purposes, no effective control. Under the present system of administration, with the Ministerial head actively engaged in the management, it is imperative that all staff matters should be centralized at Head Office, and the Minister, dealing in many cases with staff questions more from the viewpoint of policy than of efficiency, may be required to make decisions which cannot be considered sound and prudent when these decisions are viewed in the light of the economical working of the railways. Several instances, extending over a period of many years, have been brought under notice of the Commission where substantial savings could have been effected by a reduction in the staff, but these reductions were not made by reason of the fact that they were not sanctioned by the Minister. In another case, where certain tradesmen were required to undertake special work, the system of central control caused a period of some months to elapse before the full number required were engaged, whereas the positions could have been filled in, say, one week, had the officer responsible for the work authority to engage the men without protracted correspondence with the Head Office.

It is apparent to us that the Minister, as head of the Department, must be continually occupied with petty matters affecting the staff which, under the present system, are brought under his notice, but which in our opinion should be dealt with by the responsible officers without reference to the Minister.

Later in this report we make recommendations which, if given effect to, will vest in the proper authority the control and discipline of the staff.

Necessity for more Frequent Reviews of Services, &c.—As a result of our investigations we are convinced of the necessity of more frequent reviews being made both in regard to train services and also in connection with various staff matters. At the present time the Railways Department is passing through a difficult period, due to a large extent to the falling-off in revenue without a corresponding decrease in expenditure being available as a set-off. We find that there has been an endeavour made to arrest the drop in revenue by arranging for special services and special or local rates and fares, these services being instituted by way of experiment; but a frequent and close review of the position has not been kept, with the result that services which are called experimental have been kept on for long periods with a consequent loss to the Department. If a return showing the results of these experimental services had been called for at frequent intervals there is no doubt that many would have been discontinued much earlier, with resultant gain to the Department and practically no hardship to the users.

Your Commission, in making its recommendations regarding branch lines, has been to a certain degree influenced by the representations of the deputations who gave evidence, much of this evidence being along the lines of the settlers undertaking to make greater use of the railway facilities in the future than has been done in the past, and your Commission would here urge the necessity for a review of the results of the various branch lines at frequent intervals, so that, if necessary, definite action can be taken to curtail or abandon the services.

It would appear that staff matters, both as regards personnel and numbers engaged, have not received the attention necessary from the responsible officers. In the case of casual labour employed at the various workshops there is ample evidence to show that recommendations covering the dismissal of surplus hands were not given effect to. In the other branches of the service reports have been submitted showing where considerable reductions can be made and a large sum thereby saved, and, although the investigation on this phase is now only taking place and is not yet completed, no satisfactory reason is given us as to why it was not put into operation at a much earlier date.

Separation of Department from Legislative Control.—With the Government of the country engaged in the administration and management of the railways it is not possible to achieve the best results, and in order to formulate proposals with a view to relieving the Hon. the Minister of Railways of his present responsibilities in management your Commission has considered the method of control adopted in other countries. In practically every country in the world it has been shown that the best result is not obtained through an intimate control as between the management and the Government. The position in the Dominion calls for drastic and immediate action, and the transfer of management to persons not subject to political influence. To illustrate the necessity of sound management and the call for commercial considerations in dealing with the operations of the Department, it is submitted that definite action would have been taken by commercial interests as a result of the following figures extracted from the Railway Accounts:—

			Gross Revenue.	Expenditure.
			£	£
1926	..	..	8,101,221	6,468,428
1930	..	..	8,288,115	7,358,858

In four years the gross revenue of the Department increased by only £186,894, whereas the expenditure increased by £890,430—in effect a cost in excess of the increased revenue earned of £703,536. It is suggested that a position such as this would not arise in a business conducted as a commercial enterprise. The endeavour to effect a joint control of the railways is unfair both to the Ministerial head and to the management, and it is submitted that the further the functions of Government of the country and the control of the railways can be separated the better will be the result of the railway operations.

Your Commission recommends that legislation be enacted to provide for the appointment by the Governor-General in Council of a Board of Directors, and that this Board be given full and complete control over all operations of the Department,

including control of the staff. In making this recommendation your Commission is fully seized of the necessity of keeping the expenditure of the Department as low as possible, and has in mind the appointment of directors who would give their services in a manner exactly similar to the services now rendered by the directors of a limited-liability company. It is estimated that the cost to the Department, including the necessary office and travelling expenses, should not exceed £4,000 per annum.

Your Commission recognizes that as regards future capital expenditure the proposed directors must be subject to the vote of the Legislature, but is of opinion that if the recommendations contained in this report covering the stabilization of the Department's finances are given effect to, and provided conditions do not materially change from the present-day position, the Department will be able to carry on its working operations with the present working capital and the further provisions which are recommended to be made within the next five years.

Financial Position.—The accounts show that at the 31st March, 1930, total loan capital invested in the railways was £59,201,545. The total loan capital invested as shown by the balance-sheet as at the 31st March, 1926, was £47,608,676—an increase in four years of £11,592,869.

The interest charge on capital in 1926 was £1,913,310, and in 1930 it was £2,132,324.

Lines which are at present under construction are subject to the control of the Public Works Department, and all expenditure in connection therewith is included in the accounts of that Department. It is estimated that when the construction is completed and these lines handed over to the Railways Department an additional charge to the Railway Capital Account of approximately £13,630,000 will be made, thereby increasing the total indebtedness of the Department on account of capital expenditure to £72,831,545. At 4½ per cent. the annual interest charge on this capital will be £3,095,341.

The following is a statement of the working-operations of the Department for the past five years:—

Year ended	Gross Revenue.	Expenditure.	Net Earnings before charging Interest on Capital.
	£	£	£
31st March, 1926 ..	8,101,221	6,468,428	1,632,793
31st March, 1927 ..	7,989,433	6,490,880	1,498,553
31st March, 1928 ..	8,034,969	6,685,123	1,349,846
31st March, 1929 ..	8,249,038	6,849,383	1,399,655
31st March, 1930 ..	8,288,115	7,358,858	929,257

For the years ended 31st March, 1926, 1927, 1928, and 1929 a subsidy, which included interest on the capital expended, was received from the Consolidated Fund on account of operating certain developmental lines and isolated sections, and under this heading the following amounts were received by the Department:—

	£
Year ended 31st March, 1926	359,540
.. 31st March, 1927	445,220
.. 31st March, 1928	489,568
.. 31st March, 1929	498,936

In the four years mentioned, and to the "Net earnings before charging interest on capital" as set out above, should be added the sums paid by way of subsidy, which, after adjustment, will give the result of working as under:—

	£
Year ended 31st March, 1926	1,992,333
.. 31st March, 1927	1,943,773
.. 31st March, 1928	1,839,414
.. 31st March, 1929	1,898,591
.. 31st March, 1930	929,257

By the provisions of the Finance Act, 1929, the subsidy previously paid to the Department on developmental lines and isolated sections was discontinued, but as a set-off against the withdrawal of the subsidy of £8,100,000, being portion of the loan capital of the Department, was treated as non-interest bearing; in other words, the Department was not to be charged interest on a sum which was less by £8,100,000 than the sum actually shown as investments by way of loan capital in the railways.

In the Department's accounts for the year ended 31st March, 1930, the losses on developmental lines and isolated sections are shown as £761,091, which sum includes the charge for interest on capital invested; and the saving in interest on £8,100,000 calculated at 4½ per cent. is £344,250—the result of the alteration in policy causing a loss to the Department of £416,841. This amount must necessarily be taken into consideration in making any comparison between the net earnings when dealing with the 1930 year and other years.

It has been the custom in the past to fix a rate of interest payable by the Department to the Treasury on the total loan capital, and debit the Railways Department with the full amount of interest chargeable in each year, whether or not this interest has been actually earned. The result has been that the Railways have been paying to the Treasury by way of interest amounts in excess of their actual earnings, with the following results:—

Year ended	Net Earnings before charging Interest on Capital.	Interest Payment to Treasury.	Payment of Interest in Excess of Earnings.
	£	£	£
31st March, 1926 ..	1,992,333	1,913,310	+79,023
31st March, 1927 ..	1,943,773	2,043,433	—99,660
31st March, 1928 ..	1,839,414	2,130,866	—291,452
31st March, 1929 ..	1,898,591	2,331,334	—432,743
31st March, 1930 ..	929,257	2,132,324	—1,203,067

For the period from 1st April, 1926, to 31st March, 1930, the Department has paid to the Treasury as interest on capital a sum of £1,947,899 in excess of the net earnings. The figure of £2,042,017 shown in the balance-sheet as at 31st March, 1930, as a debit balance to net revenue account, and being in reality the accumulated loss of the Department, is arrived at as follows:—

	£
Payments of interest in excess of earnings	1,947,899
Refund of subsidy on branch lines overcredited in 1929	8,201
Amounts debited to betterments—	£
In 1926	58,000
In 1930	27,917
	85,917
	£2,042,017

A proper adjustment of the position as between the Treasury Department and the Railways Department in regard to the payment of interest must take effect, for, in the opinion of your Commission, it is unsound and unreasonable for one Government Department to demand from another payments by way of interest which are in excess of the net earnings arrived at by approved accounting methods.

Accrued Depreciation and Loss of Capital.—Previously in this report your Commission has expressed its views in regard to the treatment of accrued depreciation, and it is not considered necessary to comment further, except to state that, in the opinion of your Commission, proper steps must be taken to provide for the loss of capital which has resulted from the abandonment, obsolescence, and wastage of various assets; and this can only be done by the cancellation of capital covering the full amount represented by assets coming under this description.

If the railways were privately owned this loss of capital would undoubtedly be written off, as the directors could not present, and the shareholders would not agree to, a balance-sheet showing assets much in excess of their value. It is only right,

therefore, that the shareholders in the railways—the citizens of the Dominion—should have disclosed to them a true and correct statement of the affairs of the Department; and if this is to be done, then the necessary reductions of capital must be made.

Your Commission has previously recommended the closing of certain branch lines. If the recommendations made are given effect to, a further loss of capital will result, and the necessary adjustments of capital on account of this loss will have to be made.

In the case of other branch lines, whilst it is realized that the operations on many of them can never result in financial gain to the Department, no recommendation as to closing down has been made, as your Commission is impressed with the necessity of retaining at least a goods service in order to allow the settlers to obtain the maximum productivity from the areas served.

Some interesting figures showing the position which has arisen as a result of the failure to provide for depreciation were placed before your Commission, and therein it was stated that the accrued depreciation on railways in South Australia amounted to £4,000,000, or 16 per cent. of the capital invested, and in Victoria to £16,500,000, or 22 per cent. of the capital.

Reserve for Renewals and Depreciation.—Since 1st April, 1925, a charge has been made in each annual account for the amount required to be written off as depreciation of assets in that year, and, as the amount so set aside is a reasonable estimate of the loss in value of the assets, so the reserve for depreciation becomes a capital liability of the Department. The obvious method of treatment, therefore, is to repay the amount so set aside to the source from which the capital was originally obtained—that is, the Treasury Department. In the past the amount so set aside has been retained in the Working Railways Account, with the result that when the full amount required to pay interest was not available the reserves are drawn upon to meet the deficiency, and the result was that the interest, to the extent of the shortage of revenue, was met by a payment out of capital. In order to prevent a similar position arising in future years, your Commission recommends that the annual amount set aside for depreciation be repaid to the Treasury Department in reduction of capital liability, and that this payment take precedence to the payment of interest.

Also, in each year's accounts should be charged a reasonable sum for renewals, the annual amount to be based on the experience of past years and to be so fixed that the operations of each year will carry an amount so adjusted as not to cause violent fluctuations in the expenditure of each year; the amount so charged as part of the working-expenses to be kept in a separate fund and invested, and requirements for renewals, &c., to be met by drawing on the fund.

Insurance Funds.—The Department carries its own liability both on account of fire and workers' compensation insurance. The amounts standing at credit of these accounts at 31st March, 1930, were—Fire, £33,910; workers' compensation, £15,501.

In order to have reasonable protection against the claims which might have to be met either for fire and/or workers' compensation insurance, your Commission is of opinion that these funds must both be considerably strengthened, and recommends that special grants be made to increase the amounts at credit. This recommendation will, of course, be regulated by the demands made on the Insurance Funds and can be adjusted accordingly over a period of, say, five years. Your Commission further recommends that the amount represented by these funds be invested outside the Working Railways Account, similar to the recommendation made in regard to the Renewals Fund.

Stabilization of Railway Finances.—Assuming that every effort will be made by the administration to increase the revenue and to keep down to the lowest possible point the costs of operation, thereby returning the highest possible amount as the net earnings of the Department, your Commission makes the following summary of their recommendations in regard to the stabilization of the Department's finances:—

- (1) That the capital liability of the Department and the corresponding assets be reduced by the amount of £10,000,000, being the estimated value of accrued depreciation and capital expended on works which have now been abandoned.

(2) That, after meeting the working-expenses entailed in operating the Department, the excess of revenue over expenditure be dealt with as follows :—

- (a) Repayment of annual depreciation to Capital Account :
- (b) Build up Insurance Funds to a reasonable amount to meet possible calls on these funds :
- (c) Build up a general reserve to provide the working capital necessary for the operation of the railways :
- (d) Payment to the Treasury Department of the balance remaining, which amount should be the highest return possible consistent with the economical operation of an efficient service.

Your Commission gives below a summary of its principal recommendations :—

Order of Reference Number.	Page.	—
1	8-10	That the existing departmental organization with two Divisional Superintendents superimposed thereon be abolished, and full divisional control instituted, the Chief Engineer, Maintenance Branch, and the Chief Mechanical Engineer, Locomotive Branch, to retain full responsibility for the maintenance of track, structures, and buildings, and of locomotives, rolling-stock, and workshops, respectively.
2	10-11	That the rates for passenger traffic be amended in terms of the detailed proposals submitted.
3	11-13	That the concession fares be amended in terms of detailed proposals submitted.
4	13-16	That the rates for goods traffic be amended in terms of detailed proposals submitted.
5	16-17	That arrangements be made for collection and/or delivery of parcels in the larger towns and elsewhere where a satisfactory service can be arranged, whether by agreement or contract is a matter for determination by the Department. Your Commission does not favour a special departmental service for this work. That the collection and delivery of goods carried or to be carried by rail be undertaken by the Department between towns where it is desirable to combat motor competition, local rates being made use of where necessary, and the Department to co-operate as far as possible with or make use of existing carrying services or companies at agreed rates or by contract rather than establishing departmental road services.
6	17	That the Railway be paid for services rendered to the Postal Department for conveyance of mail-matter at the rate of 1s. 4d. per mile for postal sorting-vans on mail and express trains, 9d. per mile for bogie wagons, 6d. per mile for four-wheeled wagons on mixed or goods trains, and half parcels rates for all mails carried in guards' vans of mail, express, mixed, or goods trains.
7	18	<i>City Booking-offices.</i> That the city booking-offices at Symonds Street and Karangahape Road, Auckland, be closed, and leases held by Department be disposed of. That Rotorua Booking-office be closed, and closer co-operation established between the Government Tourist Office and the Rotorua Railway-station. That Napier Booking-office be closed. That Courtenay Place Booking-office remain open meantime, and kept under observation for a period of six months, and be closed unless there is a substantial increase in business. That a review of the staffing of each booking-office be made, and costs reduced where found practicable.
	19	<i>Dwellings.</i> That the dwellings be classified and rents fixed on the basis of a rate per square foot, to give a better return on the outlay.

Order of Reference Number.	Page.	
7— <i>ctd.</i>	19-20	<p><i>Lake Wakatipu Steamers.</i></p> <p>That the organization and scheduling of the Lake Wakatipu steamer service be closely investigated and placed under more efficient management, with authority to reduce staff as required and adopt the most economical method of working the service.</p> <p>That, before any final commitment is made in respect of the purchase of a new steamer for the lake, a definite assurance be obtained by the Railways Department that the road now partly constructed between Kingston and Queenstown will not be further proceeded with, otherwise your Commission cannot recommend the building of the boat.</p>
	20	<p><i>Railway Magazine.</i></p> <p>That, unless arrangements can be definitely made to ensure that the <i>Railway Magazine</i> can be printed and distributed free of cost to the Department, it be discontinued.</p>
	20-21	<p><i>Road Motor Service.</i></p> <p>That, unless the Napier-Hastings bus service shows better financial results and pays its way within the next six months, it be discontinued, and the buses transferred or otherwise disposed of.</p> <p>That the Hutt Valley service be continued, and steps be taken to ensure greater efficiency in control and management and economy in operation.</p> <p>That, in view of the losses sustained in operating the Christchurch-Midland-Springfield bus service, they be discontinued, and the vehicles be disposed of or transferred elsewhere.</p> <p>That the fares on the Oamaru-Tokerahi bus route be revised and adjusted to obviate loss, and the service be continued.</p>
	21-22	<p><i>Advertising.</i></p> <p>That the Advertising Branch be thoroughly reorganized and placed under control of a competent and experienced man.</p>
	22-23	<p><i>Refreshment Service.</i></p> <p>That the staff be reviewed and reduction made in the supervisory staff at headquarters and at various refreshment-rooms.</p> <p>That a charge of $\frac{1}{2}$ per cent. be made by the Refreshment Branch on all Government Departments in respect of services rendered in arranging contracts and purchase of stores.</p> <p>That the charges for catering in workshop dining-rooms be reviewed and adjusted to obviate present loss, and inquiry made to ascertain the reason the rooms, erected at a cost of £16,806, are only being patronized by 469 out of 3,773 men.</p>
8	23-31	<p>That a close investigation be made of the whole staffing arrangements in all branches, and personnel reduced to a minimum, regulations be reviewed, and as far as practicable brought into line with the economic needs and circumstances now prevailing.</p> <p>That grading of positions be abolished and promotions be made solely on merit, efficiency, and suitability for the positions to be filled.</p> <p>That the Brown system of discipline be abolished.</p> <p>That the Appeal Board be reconstituted, and the final decision in all cases be with the Minister or other authority on whom for the time being rests the burden of responsibility for the efficiency of the Service and safety of the public.</p> <p>That the permanent head of the Department be invested with full powers to effectively control the staff, and authority to appoint, promote, and discipline.</p>
9	31-32	<p>That staffing be reduced by disposing of all surplus labour.</p>
10	32-34	<p>That a General Reserve Fund of £2,000,000 be built up by setting aside an additional sum of £1,100,000 out of the revenue of the Department, and for that purpose charging to the working-expenses a fixed sum not exceeding £200,000 in any one year and crediting same to the General Reserve Account annually.</p> <p>That accrued depreciation of assets be provided for by writing down the Capital Account of the Department by £10,000,000. This sum includes the £8,100,000 capital on which the Department has by section 20 of the Finance Act, 1929, been relieved of liability to pay interest.</p> <p>To give effect to the recommendation a further appropriation by the Treasury of £1,900,000 is necessary; but, in any case, we recommend that full effect be given to what was apparently the intention of the Legislature when the Finance Act, 1929, was passed by writing off the £8,100,000.</p>

Order of Reference Number.	Page.	
11	34-36	That in respect of railway and road combined bridges, the arrangements are not satisfactory. The Railways Department should receive from the local bodies an additional sum of £11,193 annually through the Main Highways Board. Tallies of the traffic should also be taken as the basis for determining what additional further sum the Railways are entitled to receive in respect of interest, depreciation, and maintenance charges on the main structures. Legislative authority should be given to enable an equitable charge to be made in this latter regard.
12	36-37	That care be taken not to carry the system of pooling engines beyond the limit within which economic results are combined with efficiency, and staff kept to the minimum necessary to meet requirements.
13	37-40	That the system of costing in workshops be reorganized to show more accurately the cost of the work done and more equitably distribute the overhead rating for each department. That the Railways Department be allowed to tender for any work for other Government Departments on the same terms and conditions as all other tenderers. That, to ensure efficiency, disciplinary authority be given to the management.
14	40-41	That a Chief Mechanical Engineer be appointed immediately and made responsible for the running and maintenance of all locomotives and rolling-stock and the workshops and establishment of the Locomotive Branch. That the staffing arrangements be reviewed, and costs of same reduced. That careful consideration be given to the cost of handling coal at the larger depots, and, in the event of further experience with the Elmer Lane mechanical coaling-appliances being satisfactory and economical, the advisability of extending the use of such appliances to other depots be gone into. That the quality and suitability of lubricants used be given close attention.
15	42-43	That bin-cards be transferred to the Stores offices, and the work on the cards be carried out by the clerical staff, and stocks checked monthly, with snap checks by responsible officers at frequent and irregular intervals. That closer co-operation between the Chief Mechanical Engineer and Stores Branch be established, and that the Engineering Branch should satisfy itself, before requisitioning for the purchase of stores, that the alterations in design, &c., will not render useless stores which have been put on order as the result of prior requisitions.
16	44-45	That a comprehensive review of train services on all lines be made, and train-mileage reduced to the minimum required to provide a reasonable service for the business to be catered for. Trains running at a loss should be discontinued, and goods-trains be loaded up to full capacity.
17	45-60	That train services on branch lines be reduced to the limits required to provide reasonable facilities for the carriage of goods traffic, and passenger services be discontinued on some of the branches. That the Orawia-Tuatapere Extension be offered to the settlers at a nominal rental to be operated as a tramway; that Eyreton Branch be closed unless arrangements can be made by those interested to give a guarantee satisfactory to the Department against loss. That in respect of each line a careful review of the operating results be made each period, and any line which fails to pay the operating costs for a period of three months be closed. The branch lines are dealt with individually and in detail on pages 45 to 60 of this report.
18	60-61	That road and rail traffic be co-ordinated, legislation to be enacted to provide for the establishment of a suitable authority to make regulations for the license, control, and regulation of motor transport throughout the Dominion.

Order of Reference Number.	Page.	
19	61-67	<p>That where new lines are constructed for the purpose of developing settlement or assisting industries they should be regarded as "developmental lines," and full and accurate accounts of all costs and earnings be kept separately and altogether apart from the general Railways Account, and any losses should be met out of the Consolidated Fund.</p> <p>That the Department be depoliticalized, and the railways be administered by a Board of Directors with full powers to control the operations and staff and be responsible for the results obtained.</p> <p>That a proper adjustment of the financial position be made as between the Railways and Treasury and the order in which charges against the Railways revenue are made be—</p> <ol style="list-style-type: none"> (1) Payment of all operating-expenses : (2) Payments to Railways Reserve Fund fixed amount per annum : (3) Payments to build up Insurance and Workers' Compensation Funds : (4) Payment of interest charges. <p>The Reserve Fund to take precedence over payment of interest, and be paid to the Treasury annually in reduction of capital liability.</p> <p>That a reasonable charge be made annually in the accounts to provide for renewals, the amount to be based on experience of past years and so adjusted as to avoid any violent fluctuations in the expenditure each year. The amount so charged to be kept in a separate fund and invested, the cost of renewals being met by drawing on the fund as circumstances require.</p> <p>That the Fire and Workers' Compensation Insurance Funds be strengthened, and the amounts invested outside the working accounts, and drawn on from time to time as liabilities occur.</p>

Summarizing the estimated additional revenue, and, after allowing for a possible decrease in traffic consequent on the higher rates, your Commission considers that the additional revenue which will accrue to the Department on account of the increased charges will be approximately £334,000.

The economies suggested by your Commission under Orders of Reference Nos. 7, 15, and 17 amount to approximately £142,000. In the event of the recommendation respecting Order of Reference No. 8 being given full effect, an additional saving of approximately £152,000 will be made, making a total saving in expenditure of £294,000. This amount, together with the increased revenue, should assist the finances of the Department to the extent of approximately £628,000 per annum.

A further and substantial saving will also be made in the event of the staff being reduced to the minimum required to meet the business needs of the Department.

In concluding our report we desire to express our appreciation of the ready manner in which the officers of the Department have assisted us and the celerity with which statistical and other information has been supplied.

We desire also to acknowledge and record the excellent work performed by Messrs. F. K. Mackay, J. K. Goodley, J. H. Bell, and Miss M. Mawhinney.

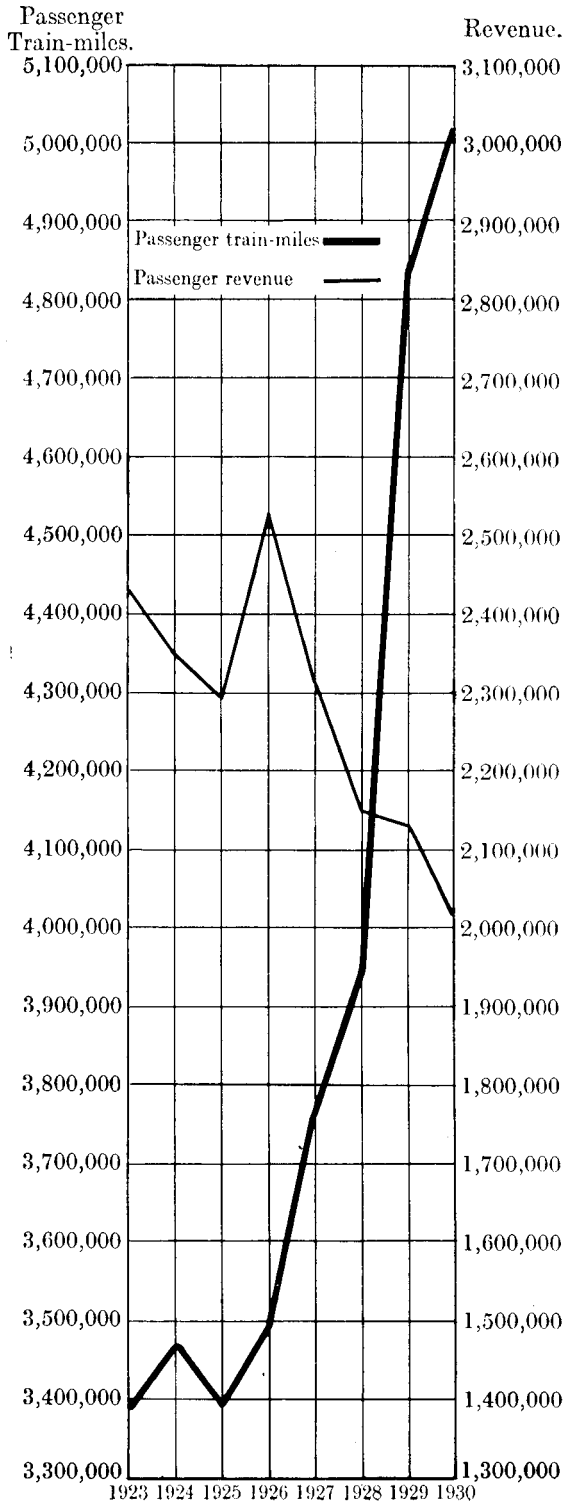
We return herewith Your Excellency's Commission.

Given under our hands and seals, this 17th day of September, 1930.

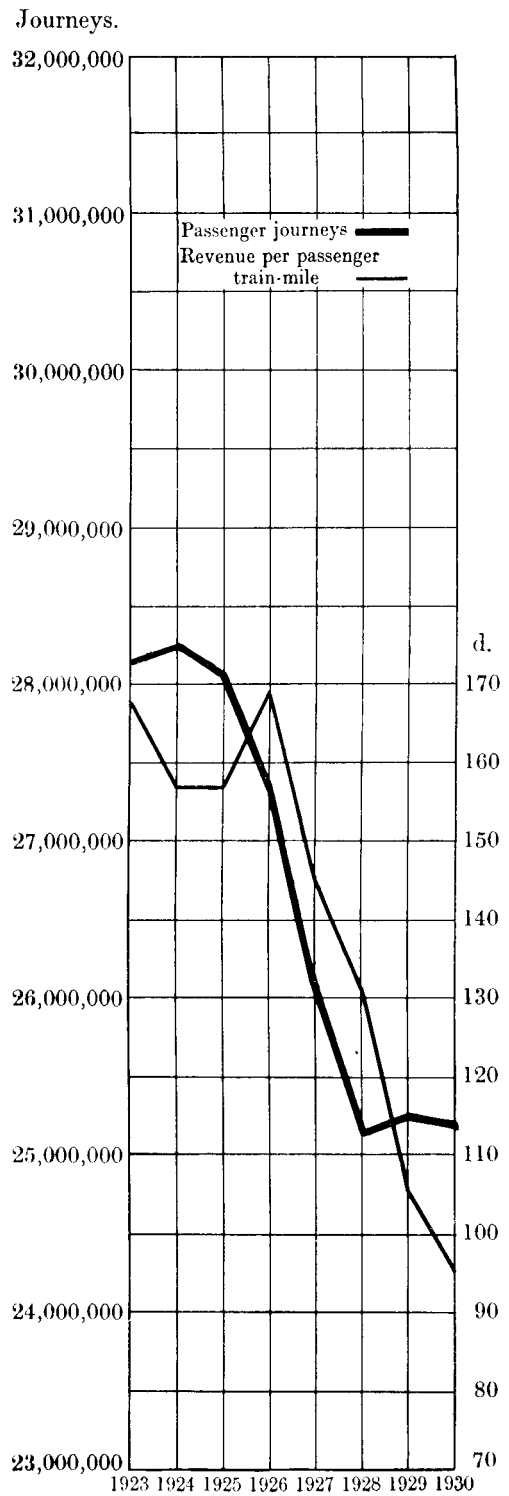
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R. MASTERS, Chairman.
J. MARCHBANKS,
J. D. HALL,
R. W. MCVILLY, } Commissioners.

PASSENGER TRAIN-MILES AND REVENUE,
1923-30.



TOTAL PASSENGER JOURNEYS AND REVENUE
PER PASSENGER TRAIN-MILE, 1923-1930.



STATEMENT OF LOSSES ON DEVELOPMENT BRANCH LINES FROM 3RD MARCH, 1929, TO 1ST MARCH, 1930, AND ISOLATED SECTIONS FROM 1ST APRIL, 1929, TO 31ST MARCH, 1930.

	Branches showing Loss.		Mileage.	Loss on Working.		Feeder Value.		Total Net Loss.		Loss, including Interest.		Average per Mile of Line.		Total Loss.
	£	s. d.		£	s. d.	£	s. d.	£	s. d.	£	s. d.	£	s. d.	
Kaikohe	25	7,116 15 2	4,542 0 4	2,574 14 10	17,945 19 7	182	492	310	595	615	718	..
Kirikopuni	14	5,212 7 11	2,380 17 9	2,831 10 2	48,053 12 4	170	363	193	565	3,230	3,432	..
Waikuku	13	3,825 16 11	2,015 12 3	1,810 4 8	11,000 10 5	155	557	402	696	707	846	..
Taneatua	111	47,186 0 2	13,752 3 0	33,433 17 2	153,995 18 8	624	748	624	1,049	1,387	1,907	..
Toko	48	12,334 2 6	1,996 5 7	10,337 16 11	43,517 2 9	330	372	330	587	692	907	..
Opunake	23	4,306 3 2	2,803 8 7	1,502 14 7	21,139 16 5	42	349	42	414	854	919	..
Greytown	3	2,433 10 1	1,131 16 8	1,301 13 5	1,855 19 4	163	540	163	974	185	619	..
Esksdale	12	3,847 19 4	1,702 9 9	2,145 9 7	9,869 15 10	142	438	296	616	644	822	..
North Island totals	249	86,262 15 3	30,324 13 11	55,938 1 4	307,378 15 4	442	564	442	788	1,010	1,234	..
Eyreton-Oxford	54	11,081 10 7	1,392 1 8	9,689 8 11	16,805 11 0	26	189	163	308	132	311	..
Cheviot	44	12,838 11 9	2,225 9 1	10,613 2 8	27,446 10 9	51	457	406	698	383	624	..
Little River	23	6,162 4 9	371 1 11	5,791 2 10	10,890 9 10	16	424	408	675	222	473	..
Southbridge	26	973 13 11	1,549 15 11	576 2 0*	4,569 6 9	60	922	862	899	198	175	..
Whitecliffs	12	1,962 15 3	1,033 15 6	928 19 9	2,049 5 0	86	288	86	365	93	170	..
Methven	23	448 5 10	2,714 11 0	2,266 5 2*	1,602 19 6	118	657	539	558	168	69	..
Springburn	28	7,024 0 8	827 9 10	6,196 10 10	9,306 4 6	30	226	196	447	111	332	..
Fairlie	37	4,484 0 0	1,683 11 6	2,800 8 6	10,023 17 11	46	461	415	536	195	270	..
Waimate	13	6,070 0 3	2,767 13 1	3,302 7 2	5,743 17 10	213	487	274	741	188	442	..
Kiwai	38	5,612 12 7	2,398 14 2	3,213 18 5	9,892 0 9	63	413	350	498	176	261	..
Ngapara-Livingstone	27	3,731 4 5	845 0 5	2,886 4 0	10,458 2 11	31	186	293	335	280	387	..
Waihemo	9	1,031 4 9	1,315 19 5	284 14 8*	1,351 7 10	146	366	220	813	455	568	..
Otago Central	147	19,579 8 5	2,952 10 4	16,626 18 1	83,528 3 8	20	700	680	703	217	535	..
Outram	9	3,583 17 8	729 8 7	2,854 9 1	4,810 11 1	81	385	304	555	521	754	..
Roxburgh	61	16,167 1 5	1,977 9 9	14,189 11 8	45,963 4 10	32	322	290	588	487	539	..
Cedars River	43	5,761 18 4	3,532 12 11	2,229 5 5	23,153 10 2	82	536	454	506	214	396	..
Tapanui	27	7,048 8 4	2,125 6 11	4,923 1 5	10,690 6 0	79	324	324	324	247	391	..
Waikaka	13	2,705 19 7	839 16 3	1,866 3 4	5,074 3 3	65	255	190	399	265	385	..
Switzers	14	2,420 5 6	723 5 10	1,696 19 8	5,404 0 0	52	186	134	306	248	553	..
Glenham	10	4,183 8 5	1,139 16 2	3,043 12 3	5,527 14 7	114	273	159	578	248	321	..
Seaward Bush	34	3,948 8 7	1,629 5 5	2,319 3 2	10,923 0 9	48	493	445	561	253	672	..
Oravia	9	1,727 14 4	529 10 5	1,198 3 11	6,052 4 3	81	140	81	273	539	672	..
Forest Hill	13	2,153 4 10	1,193 2 3	960 2 7	2,214 4 8	92	314	222	387	97	170	..
Mararoa	12	134 10 6	536 19 11	402 9 5*	825 17 4	45	147	102	113	103	69	..
South Island totals	726	130,834 10 8	37,034 8 3	93,800 2 5	314,306 15 2	399	450	399	579	304	433	..
Cape Foulwind	8	1,385 18 2	15 15 11	1,370 2 3	5,140 2 6	2	49	47	220	471	642	..
Total	983	218,483 4 1	67,374 18 1	151,108 6 0	626,825 13 0	69	476	407	629	484	637	..
Isolated Sections.	24	3,330 19 9	..	3,330 19 9	11,251 15 1	..	271	..	400	340	469	..
Kaihu	60	8,839 10 0	..	8,839 10 0	45,501 6 7	..	536	..	681	613	758	..
Gisborne	64	15,090 16 4	..	15,090 16 4	40,599 12 9	..	403	..	648	389	634	..
Nelson	56	8,388 8 3	..	8,388 8 3	36,912 17 0	..	708	..	842	525	659	..
Pictou	204	35,649 14 4	..	35,649 14 4	134,265 11 5	..	510	..	682	486	658	..
Grand total	1,187	254,132 18 5	67,374 18 1	186,758 0 4	761,091 4 5	..	..	..	..	..	..	..

* Indicates profit.

Approximate Cost of Paper.—Preparation, not given; printing (900 copies), £77 10s.