

Since last year this line has been extended as follows:—

	m.	ch.
August 13th, 1877.—From Mercer to Newcastle	30	69
December 19th, 1877.—From Newcastle to Hamilton	10	76
March 26th, 1878.—From Hamilton to Ohaupo	9	24

The length from Auckland to Mercer, 43 miles, is well ballasted, and in all respects in good running order; that from Mercer to Ohaupo is also in fair condition; but the embankments crossing the swamps between Mercer and Newcastle will for some time require careful watching, and extra cost of maintenance.

During the year a large amount of material has been used for renewals; these consist of 858 52-lb. rails, 1,351 sleepers, and the necessary fastenings; a considerable amount of ballasting, widening of embankments, and fencing has also been done.

The locomotives and rolling-stock are in very fair working order, but the cost of maintenance has been somewhat heavy.

The workshops are most inconveniently placed, being right in the middle of the goods yard at Auckland, and in consequence greatly impede the working of the traffic, and the sooner they are removed to Newmarket, where a reserve has been provided for the purpose, the better.

Several changes tending to economy are being effected in the workshops arrangements. The foundry will be closed, and tenders called for castings; the large staff hitherto maintained for conducting the works as a general workshop will be reduced to an extent equal to the work required on the Auckland line only, as it has been found that the practice of sending work for repairs from the other sections costs more for freight charges than the job is worth; hence the desirability of calling for tenders for work to be done locally, until arrangements are made for each railway having its own workshop.

Reductions have been made in the staff, effecting a saving of over £7,000 per annum.

Napier Line.

The total receipts for the year on this section amounted to £25,263 13s. 11d., being an increase of £3,889 0s. 1d. over the previous year.

The traffic generally on this line has been steadily increasing, but not proportionally with the additional mileage opened during the year. I have no doubt that ere long the timber district tapped by the extension will supersede the large import of timber from the northern districts.

The road generally is in good working order. The embankments have been widened, and the line substantially ballasted where requisite. The Oregon sleepers used in the construction of this line have proved a failure. During the year 2,658 have been replaced with totara, and about 4,000 more will have to be removed during the current year.

The locomotives and rolling-stock are in excellent condition, and very creditable to the management.

The saving effected in the staff amounts to about £500 per annum.

Wanganui Line.

The total receipts for the year on this section (including the Foxton end) amounted to £15,040 19s. 1d., being an increase of £6,500 17s. 5d. over the previous year.

Up to May 20th, 1878, the railways in this district were detached, and under separate management. On the date named the connecting link between Halcombe and Marton was handed over to the working department, and a daily through service was at once established in connection with the coaches between Wellington and Wanganui, *via* Foxton, and *vice versa*.

In justice to my department, I am bound to mention that proper provision in engine power and rolling-stock was not made for this extension, and the consequence is that bitter complaints are continually made by the public, and serious loss arises through our inability to carry the traffic with proper despatch, owing to the scarcity of wagons; inconvenience is also felt by our inability to provide sufficient passenger train accommodation for the want of engines. Some relief will shortly be afforded, and I trust we shall be able to cope satisfactorily with the largely increased and increasing traffic.

The line runs through a fine country, and has the great advantage of a port at each terminus.

In one month after the connection of the two districts the receipts went up to an average of £22 per mile, as against £14 in the corresponding month of the previous year.

When we have adequate engine power and rolling-stock, and the saw-mills get into full work, with the addition of extended operations likely to ensue in agricultural production by reason of the railway communication afforded, the results will be highly satisfactory to the railway department and all concerned.

I take this opportunity of urging the necessity of speedy action being taken in the matter of additions and improvements contemplated for Wanganui and Foxton wharves connecting with the railway, as I feel sure these works are essential to the development of the railway traffic.

Several miles of the main line are laid with 30-lb. rails, and it is desirable to replace these with heavier ones with as little delay as possible.

The engines and rolling-stock are in fair working order.

The permanent-way is also in good order, except between Foxton and Palmerston, a considerable length of which requires ballasting. This work has been kept back for want of engine power.

A considerable saving has been effected on this line by the merging of the management consequent on the through connection.

Wellington Line.

The total receipts for the year on this section amounted to £16,100 3s. 9d., being an increase of £4,581 5s. 6d. over the previous year.