

Revenue and Expenditure.—The gross revenue for the year amounted to £467,316 9s. 11d., against £399,329 6s. 7d. The total expenditure was £321,970 11s. 6d., against £281,288 18s. 8d. for the previous year.

The subjoined tables give the receipts and expenditure on the various sections:—

		1877-78.								
Section.		Receipts.			Expenditure.			Expenditure per cent. of Receipts.		
		£	s.	d.	£	s.	d.			
Christchurch	...	293,991	12	4	197,925	12	11	67·32		
Dunedin	...	104,146	0	6	71,430	1	7	68·58		
Invercargill	...	47,852	6	8	34,149	11	5	71·36		
Greymouth	...	8,763	1	1	5,738	4	1	65·48		
Westport	...	1,382	16	11	1,749	6	11	126·50		
Nelson	...	6,189	5	6	5,903	14	4	95·38		
Picton	...	4,991	6	11	5,074	0	3	101·66		
Total	...	£467,316	9	11	£321,970	11	6	68·89		
		1876-77.								
Christchurch	...	248,661	13	5	177,635	8	11	73·48		
Dunedin	...	89,141	5	5	57,661	4	4	64·68		
Invercargill	...	40,806	6	0	30,155	17	11	73·89		
Greymouth	...	7,920	11	7	4,346	19	6	54·88		
Westport	...	858	12	6*	833	6	6	97·05		
Nelson	...	6,209	13	3	5,490	9	5	88·42		
Picton	...	5,731	4	5	5,165	12	1	90·35		
Total	...	£399,329	6	7	£281,288	18	8	70·44		

* From 5th August, 1876.

It will be observed, from the above, that the traffic is being rapidly developed, and, so far as the railways in Otago and Canterbury are concerned, we are now only beginning to realize what may ultimately be expected when the interior of the country is opened up. Hitherto the earnings have been gathered chiefly within a few miles of the large towns, principally on the short lengths connecting the chief towns with the several ports, such as Christchurch to Lyttelton, Dunedin to Port Chalmers, and Invercargill to the Bluff. Business is now fast extending to the interior; therefore both passenger and goods traffic is largely on the increase, the result of which will be a considerable outlay of fresh capital for some time to come, in providing additional rolling stock, improved station accommodation, erection of goods-sheds, new sidings, and the building of commodious workshops and engine-sheds. The increased traffic necessitating all this expenditure insures the financial success of the railways, which, I feel confident, will in two or three years, with careful management, fully cover the interest of the capital expended in their construction.

CHRISTCHURCH SECTION.

Traffic.—The total receipts for the year on this section amounted to £293,991 12s. 4d., being an increase of £45,329 18s. 11d. over the previous year's receipts. Of this increase £26,437 was derived from passenger traffic alone. The revenue from merchandise has not kept pace with the increased tonnage carried, which is to be attributed to reductions in the tariff, and the system of charging all goods for the interior by actual weight instead of measurement as heretofore. The number of tons of goods carried was 450,641, being an increase of 93,721 tons over the previous year.

The proportion of expenditure to receipts is 67·32 per cent., as compared with 73·48 per cent. for the year 1876-77, showing a reduction of nearly 6½ per cent. on the gross receipts, equal to a sum of £17,570.

The gross tonnage handled at Lyttelton Station, exclusive of carriages, sheep and cattle, amounted to 262,836, being an increase of 27,183 tons over the previous year.

The amount of grain carried over the whole line was 145,614 tons, being an increase of 44,558 tons for the year 1877-78. This increase had to be met without a corresponding addition to the supply of rolling stock. The consequence was that the resources of the department were strained to the very utmost, but I am pleased to say that the efforts made by the staff were fully appreciated by the public.

Maintenance.—The main line and branches on this section have been well maintained during the year. The total cost of the maintenance has been £59,361 3s. 7d., equivalent to £154 7s. 4d. per mile per annum. Details of this expenditure are given in the Appendix H. There are several descriptions of rails in use, some of which give excellent results, the heaviest weighing 75 lb., and the lightest 28 lb., to the yard. The greatest length of road is laid with 40-lb. iron rails, fitted with "Ibbotson's patent clip-joints." These are wearing out rapidly; the joint is a bad one, causes great trouble, and it is impossible to keep it tight. The Resident Engineer (Mr. Lowe) reports, "The joint holds the rail ends against lateral movement, but allows considerable vertical play, so that they are always depressed; they will, however, last out the life of the rails." The 52-lb. rail, which is now being imported, is an immense improvement, as also the fish-joint used with it.

Of the Oregon sleepers laid between Oamaru and Moeraki, although down only two years, large numbers have already been replaced, and but a very small proportion will last beyond another year. About two and a half miles of 40-lb. iron rails have been replaced, costing about 6 per cent. of the total maintenance. This expenditure will continue to increase year by year until the whole of the main road is laid with heavier material.

There are ninety-five bridges exceeding 20 feet in length: of these seven have iron girders, and one, the Waitaki, has iron cylinders in addition. The others are chiefly constructed of wood. The aggre-