upon it likely to be obtained, but an annual additional loss will probably be incurred by working it.

The building of a goods-station at Te Aro, within a mile of the existing terminus at Wellington, if carried out, is likely to lead to inconvenience in working, and unsatisfactory financial results.

When the Act for reclaiming at Te Aro was passed in 1887, a reserve for a passenger-station only was made The question of a goods-station there had been previously discussed with the professional advisers of the Government, and was negatived.

The terminal goods-station at Wellington had to be located to be capable of extension, and to give future connection with the wharf-extensions.

The Te Aro site of the terminus of the line does not afford adequate room for a suitable terminal goods-station, and is so limited by the Dock Reserve and the city that it cannot be conveniently extended. The plans of the Harbour Board involve an extensive increase in wharfage north of the Queen's Wharf. The present site of the terminal goods-station at Thorndon is the only one which meets the requirements, being convenient to the city, giving ready means of access to the projected wharf-extensions, and being capable of ample extension northwards.

The objection to two goods-stations dividing the traffic is that an increase in expenses throughout the line would result, without any corresponding revenue being obtained.

At the same time, serious inconvenience would arise both to the railway and the city through conducting a shunting business between Thorndon and Te Aro.

The Commissioners, believing that the 31st section of the Government Railways Act makes them responsible for checking the execution of works which they think would tend to injuriously affect the railways, have advised the Government against the erection of such a station, and have submitted plans for such accommodation as they deem sufficient.

Railways connecting seaports at short distances apart, and serving only very small areas of country, are not likely to pay any interest on the cost, and in many instances are not likely to pay even the expenses of working Such a line as that from Greymouth to Hokitika, which has been under construction for some years, is of this character

The lines to Rotorua and from Te Awamutu to Mokau cannot be expected to pay working-expenses until the country they serve is occupied and is made productive

All the extensions of late years, except those of the Napier–Taranaki and Wellington lines, have been of such a character as to add to the expenses without proportionately improving the revenue, so that better financial results would have been obtained without them.

It is desirable to avoid extravagances in station works, and inconvenient arrangements in construction, which are expensive to work, or which may give rise to public dissatisfaction , but in many instances this has not been done.

When, therefore, expressions of opinion in favour of making the railways pay a higher rate of interest on capital are given, it should be borne in mind that, while in the past capital has in many ways not been laid out with that object in view, the outlay of capital by the colony also still continues on works from which no direct return can at present be expected, and in some directions which will tend to make the financial results from working the present railways less favourable.

Expenditure connected with the export of coal at Greymouth should be proceeded with cautiously, as the completion of the Midland Railway, when effected, will divert a very large amount of traffic from the harbour, and will considerably affect the revenue of the railway, which goes to the Harbour Board.

A large number of local rates and regulations have been made during the year in continuation of the policy explained in former reports: particulars of these will be found in the appendix.

The diminished output of coal on the Whangarei and Kawakawa lines is such that the previously-existing very light traffic has almost ceased.