

Traffic expenditure has absorbed 16·63 per cent. of revenue, against 17·52 per cent. for the previous year.

Locomotives have cost 13·41d. per train-mile, against 13·47d. last year.

Cars and wagons have cost 4·64d. per train-mile, against 3·97d. last year.

Maintenance has cost £149·77 per mile of railway, as against £141·45 for 1895–96, and £138·57 for 1894–95.

Miles run by trains for 1896–97	...	...	...	...	3,409,218
As against for 1895–96	...	...	...	...	3,307,226

An increase of ... 101,992 train-miles.

Taking into consideration the increased number of passengers and tonnage carried, besides the very considerable additions to the regular train services, the increase in the train-mileage is inconsiderable, and this may be taken to indicate that the trains generally have been better loaded, and care taken to avoid unnecessary mileage.

The increased cost for locomotives is due to the increased tonnage hauled, as well as on account of the work carried on of replacing light locomotives with engines of a heavier type and of increased capital value. For this latter work a sum of £1,400, fairly chargeable to Capital Account, has been debited to working expenses.

The increased cost on account of maintenance of cars and wagons is explained by the unusual amount of new work which has been done by this Department at the cost of working expenses, amounting to £11,125. Were this amount deducted from working expenses and charged to capital, as might fairly be done, the cost of maintenance for cars and wagons would be practically the same as last year. I may here mention that the wagons built to replace those sold to the Western Australian Government have twice the carrying capacity. The cost of such additional carrying capacity is £9,019, charged to ordinary working expenses, notwithstanding the fact that the capital value is increased to this extent. Besides these particular wagons, five four-wheeled brake-vans, twenty D cars, and thirty-three C cars were in process of conversion to an equal number of bogie stock, and the cost of this, as well as 150 sets of continuous draw-gear, is charged to working expenses. (See Returns Nos. 13 and 14, and Locomotive Superintendent's report.)

The increased cost of maintenance is accounted for by higher prices for steel rails, and by the determination to take advantage of the present buoyant state of the revenue by spending more money on the lines and structures, so as to bring about a higher state of efficiency. My engineers assure me that the condition of the lines is steadily improving; but it must be borne in mind that this item of expenditure must necessarily largely increase, seeing that the age of the lines and the demands of a larger traffic will necessitate very heavy renewals for some years to come. There still remain 267 miles of 40 lb. iron rails and 67 miles of 30 lb. iron rails in the South Island, and 116 miles of 40 lb. iron rails in the North Island, to be relaid with heavier rails, whilst the increasing age of wooden buildings and wooden bridges necessitates a larger expenditure year by year.

I consider that it would be good policy to improve the heavily-graded main lines of the colony in the direction of reducing the grades and strengthening the permanent way and bridges, so as to carry locomotives with greater tractive power, thereby cheapening the transit cost.

The present successful financial result achieved on the New South Wales Railways has been largely brought about by the use of modern locomotives for working on the steep gradients of that colony.

It would not be out of place at this point to show what has been achieved in the direction of economy in our own colony. Reference to the New Zealand Railway Report for 1879–80 will show that the expenditure on the Hurunui-Bluff Section, with a mileage of 755 miles, was for that year £439,718, whilst for 1896–97, with a mileage of 1,133 miles, it was only £431,918, the revenue being respectively £575,236 and £728,678.

By a judicious capital expenditure on the main lines, so as to admit of the use of more powerful engines, still better results may be attained in the future.