

Notwithstanding the increased expenditure, the interest earned by the railways for the three years ending 31st March, 1898, during which term the railways have been managed by the present Government, has been £1,447,594, as compared with £1,305,505 for the previous three years. This gives an increased profit of £142,089. In addition to this increased return, the concessions in fares and freights for the same period amount to £145,000; from which, in order to make an impartial comparison, should be deducted the net amount (£52,096) paid by the Postal and other Government Departments for carriage of mails and other services rendered; also the interest at $3\frac{1}{4}$ per cent. (£30,517) on the capital cost of mileage added to the working railways for the same period.

It will be seen from the accompanying reports of the principal Traffic Managers throughout the colony that a fairly prosperous current year is anticipated, and that with the existing plant it is quite impossible to give reasonable satisfaction to the users of the railways. I have, therefore, to call the attention of Parliament to the urgent necessity of providing additional funds, more particularly for the purpose of increasing the number of locomotives, carriages, and wagons, but also to give increased accommodation at stations, greater stability to our lines and structures, more telegraph facilities, and more safety appliances.

It should be borne in mind that during the past three years the policy adopted *ab initio* by this Government has increased the number of passengers by 20 per cent.; season tickets, 70 per cent.; parcels, 20 per cent.; sheep, 55 per cent.; chaff, lime, &c., 108 per cent.; timber, 57 per cent.; grain, 10 per cent.; merchandise, 23 per cent.; minerals, 22 per cent.; total tonnage, 23 per cent.; revenue, $19\frac{1}{2}$ per cent. To be in a position to cope with this increased business (assuming the plant in 1895 was only barely sufficient for the traffic at that time, which I am fully assured was the case) as well as to provide plant for sixty-two miles of additional railway, our rolling-stock should be at least 20 per cent. more to-day than it was in 1895; and as trade and population expands in the future so must the business of our railways.

The following table shows the present position in respect to rolling-stock:—

	Locomotives. Number.	Carriages. Number.	Brake-vans. Number.	Wagons. Number.	Tarpaulins. Number.
Rolling-stock on the 31st March, 1895 ...	269	498	204	8,264	5,477
Additions up to the 31st March, 1898 ...	4	45	3	504	605
What the increase would have been, had the 1895 plant been increased by 20 per cent. }	54	100	41	1,653	1,095

The additional rolling-stock required to-day, therefore, amounts to fifty locomotives, fifty-five carriages, thirty-eight brake-vans, 1,149 wagons, 490 tarpaulins, at an estimated cost of £291,207. Even were the funds provided, it would be impossible to overtake the whole of this work during the current financial year.

The Government has procured the services of Mr. A. H. Johnson, Electrical and Interlocking Signal Engineer, who is now engaged in preparing plans for a uniform system of interlocking for points and signals on the New Zealand Railways, and, as soon as plans are complete and approved, the work of applying this system in the first place to the existing signal-boxes will proceed. Hitherto these safety appliances have not been provided, and in this respect the New Zealand Railways are behind the age. The estimated cost for the year ending the 31st March, 1899, is £5,000, and expenditure in this direction is expected to go on for some years to come. Additional telegraphs and telephones, to cost during the year £3,000, are also required.

The proposal to adopt a continuous automatic brake remains in abeyance until more pressing requirements have been satisfied.

In view of future probable requirements, plans of suitable dining and sleeping carriages are being prepared.

The Government recognises that Auckland is much isolated from the rest of the colony, and desires to establish more frequent through communication between Auckland and Wellington, *via* New Plymouth, believing that any improvement in that respect must not only benefit Auckland, but promote trade throughout the country. Arrangements are being made to inaugurate an improved through service, which, so far as the train service between New