The train-miles run for 1898–99 were	3,968,708
As compared with 1897–98	3,666,483
Increase...	302,225

Express-train service, Auckland to Rotorua, train services consequent upon the opening of the Thames Railway in December, 1898, extra mail trains between New Plymouth and Wanganui, increased train services due to opening of the Wairarapa extension to Woodville in December, 1897, extra trains between Culverden and Waikari, extra train Little River line, extra Saturday train between Lyttelton and Christchurch, summer Saturday to Monday train between Dunedin and Palmerston South, train service between Kokonga and Ranfurly (twelve miles extension of line opened on the 1st December, 1898), and special goods services to overtake increased goods business explain the largely increased train-mileage.

The working-expenses on account of locomotive power have increased from £209,289 in 1897–98 to £231,532 in 1898–99, an increase of £22,243.

The cost per train-mile for locomotive charges has increased from 13·70d. in 1897–98 to 14·00d. per train-mile in 1898–99, due to payment of increased rate of wages, replacing old engines with new, and heavy repairs due to increased age of the stock.

Of the total amount charged to working-expenses under the head of locomotive power, £2,375, fairly chargeable to capital, has been spent on new locomotives and conversion of seven small engines to engines of heavier type.

Car and wagon repairs cost £73,680, as compared with £65,344 in 1897–98, an increase of £8,336. The increase is due to payment of increased rate of wages and large amount of rebuilding done.

Of the total amount charged to working-expenses under the heading of car and wagon repairs, £7,495 has been spent upon new work fairly chargeable to Capital Account.

The cost of maintenance of way has advanced from £327,987 in 1897–98 to £357,189 in 1898–99, an increase of £29,202. Of this increased amount, £8,199 has been spent on the Wellington–Napier–New Plymouth Section, £12,927 on the Hurunui–Bluff Section, £1,609 on the Westport Section, £4,844 on the Nelson Section (due to extensive wharf renewals), and £1,085 on the Picton Section. The increasing age of the lines, and the necessity for providing heavier rails and stronger structures to carry the heavier type of engines now running, renders the work of maintenance largely one of reconstruction. The cost per mile of railway for maintenance has advanced from £138·57 in 1894–95 to £172·92 in 1898–99. A sum of £7,298 for additions and improvements to the lines and structures has been debited to the working-expenses, which might fairly be charged to capital.

During the past year the cost of respacing and providing additional sleepers so as to strengthen the track amounted to £8,571, and the cost of the increased weight of rail, due to relaying with heavier rails, amounted to £4,993. These amounts might also fairly be charged to Capital Account, but have nevertheless been debited to working-expenses.

The increased rate of expenditure on permanent-way should continue until the railway-lines of the colony are relaid with heavier rails, and the structures rebuilt to carry heavier types of locomotives.

The work of replacing light iron rails with heavier steel rails, and rebuilding of soft-wood timber bridges with ironbark and iron, is carried out at the charge of working-expenses. It is quite open to question whether this should be so charged, or whether the difference in value should not be debited to the capital cost of the railways. At all events, I am satisfied that the cost of the more expensive structures rebuilt should be debited, and the original cost of the old structures removed credited, to Capital Account. In the case of extensive bridge renewals, the amount chargeable to working-expenses should be spread over several years' accounts, so as not to unduly disturb the finances in one year.

The Head Office expenditure is £1,442 over that of last year, which, as explained in my last year's Statement, was £1,186 less than the previous year. The increase over 1896–97 is therefore a very small one, and is due to scale