every effort is being made to provide a modern railway service at the lowest possible cost, for it is obvious that the railways must be regarded as a prime function of industry and must be used to the best advantage generally in the public interest.

A feature common to all railway operation is the high percentage of "fixed charges" involved in the cost of operation, and this factor necessitates the fullest possible use of the system generally. It is the policy of the Government, through the careful co-ordination of all forms of transport, to ensure that the services available through the railways are used in the best way possible to serve the country's interests.

PROSPECTS

At the time of writing it is estimated that for the year ending 31st March, 1949, the revenue will be £18,093,000 and the expenditure will be £18,993,000. That is to say, there will be a loss on working of £900,000. Estimates prepared earlier in the year indicated a prospective loss of £600,000, but since then further provision has been made for additional conversions of locomotives to oil-burning and for the increased use of imported coal. Due allowance has been made in the latest figures for the alteration in the rate of exchange.

The fact that stands out is that the predicted loss is due to a large extent to one factor, and that is the fuel situation. The maintenance of even a restricted service makes the importation of coal from overseas and the extended use of fuel oil an absolute necessity, but, as previously pointed out, the cost of so doing greatly inflates the railway expenditure. Even with the use of fuel oil and imported coal, passenger services must still be severely restricted, and this has a very adverse effect upon passenger revenue. It is estimated that for the coming year ending 31st March, 1949, the cost of using imported coal and fuel oil will exceed by £984,000 (on the new basis of exchange) what would have been the cost of a quantity of New Zealand coal having an equivalent fuel value. Apart from this additional cost, the results for the next year should show an approximate balance between working expenses and revenue, but a changing trade situation may affect the financial position, and the matter will be kept constantly under review.

CONCLUSION

Since the end of the financial year the General Manager, Mr. J. Sawers, and the Assistant General Manager, Mr. C. R. Riesop, have retired, and I should like to take this opportunity of thanking both of them for the unfailing courtesy and great help they extended to me during the past four years, and to pay a tribute to the splendid work they have done during very difficult times. As from 16th July, 1948, Mr. F. W. Aickin, O.B.E., M.Inst.T., was appointed General Manager, and Mr. E. H. Langford, M.A. (Hons.), Assistant General Manager.

Finally I want to record my appreciation of the excellent service which the staff as a whole have given to the Department and to the public.