

The earnings of the Lake Wakatipu steamers amounted to £6,996 11s. 4d., as against £4,401 8s. 8d. for five months (November to the 31st March) of the previous year, and was equal to a return of £6·07 per cent. on the capital cost, £15,612. In view of the fact that the rates on the lake have been largely reduced, and that very little business is done during the winter months, it will, I think, be conceded that the result achieved is eminently satisfactory.

EXPENDITURE.

The total expenditure amounted to £1,438,724, including £6,048 incurred in connection with the working of the Lake Wakatipu steamers, being an increase of £95,309 over the previous year. The expenditure for railway working proper on revenue was 65·91 per cent., and the total expenditure, including the Lake steamers, 65·98 per cent. of revenue, a decrease of 2·07 per cent. as compared with the previous year. The working expenses of the Lake Wakatipu steamers absorbed £6,048, or 86·45 per cent. of the earnings. The amounts chargeable to working expenses on account of the various branches of the service and the ratio of expenses to revenue are shown by the following figures:—

				Expenditure.		Per Cent. of Revenue.	
				1903-1904.	1902-1903.	1903-1904.	1902-1903.
				£	£		
Traffic	...	...	...	374,347	360,061	17·22	18·24
Locomotive	...	...	...	526,156	484,551	24·20	24·55
Maintenance	...	...	...	490,819	460,398	22·58	23·32
Management	...	...	...	68,223	62,997	3·14	3·19
				1,459,545	1,368,007	67·14	69·30
Less Credit Recoveries	...	...	...	26,869	24,592	1·23	1·25
				1,432,676	...	65·91	...
Lake Wakatipu steamers	...	...	...	6,048	...	0·07	...
				£1,438,724	£1,343,415	65·98	68·05

The expenditure for maintenance of line, buildings, and other structures has increased from £460,398 to £490,819, representing an average expenditure for maintenance of £213 per mile of railway open, against £204 for last year. The increased expenditure has been incurred on the Auckland Section, £7,031; Gisborne, £707; Wellington-Napier-New Plymouth, £4,773; Hurunui-Bluff, £21,236; Westland, £2,280. The cost of maintenance has decreased on the Kawakawa Section, £290; Whangarei, £376; Kaihu, £295; Westport, £3,000; Nelson, £1,027; and Picton, £619.

Additions and improvements to lines and structures, costing £13,566, which might fairly have been debited to capital, have been made during the year and charged to working expenses.

The expenditure on account of bridge renewals and repairs amounted to £59,186, of which £5,269 was debited to capital, and the balance, £53,917, to working expenses.

The increased expenditure in the Traffic Branch is due to increased train mileage, additional staff to meet the requirements of the rapidly expanding business, and to increases of pay under the Classification.

In the Locomotive Branch the increase is due to extra train mileage, heavy renewals and repairs, and increased consumption of coal consequent on the additional train mileage, and also to increases in wages.

The increase in cost of management is mainly incidental to the removal of the Head and Departmental Offices, additional staff necessitated by the expansion of the business, and to provide for the requirements of the new offices, and increase in salaries of staff under the Classification Act.

The sum of £347,987 has been expended under the head of "Additions to Open Lines," and charged to Capital Account. Of this amount the sum of £117,224 has been expended on buildings, water services, sidings, signals and interlocking, safety appliances, respacing sleepers, telegraph and telephone facilities, bridges, creosote plant, fencing, wharves, crossings, workshops and departmental offices; £215,902 on rolling-stock, tarpaulins, cranes, lavatory accommodation in cars, Westinghouse brake, lighting workshops by electricity, and machinery for workshops. The rolling-stock in respect of which the charges are made consists of 5 locomotives, 58 carriages, 18 brake-vans, 74 bogie wagons,