

The volume and movement of railway business were detrimentally affected by the retardation of overseas shipping consequent on the war conditions. Our local manufacturers were unable to procure essential materials from abroad, freezing-works and stores were blocked, and the movement of live-stock and the products of other staple industries were restricted, and the result is reflected in the railway receipts for the year.

The year has been one of exceptional difficulty to the Department, but the same policy has been carried out as was inaugurated at the commencement of the war. That policy may be stated in the following terms: (1) To release for duty at the front as many fit men as possible among the employees of the Department, consistent with carrying on the absolutely essential business of the Dominion; (2) to satisfy the requirements of the Defence Department with respect to transport of men and stores with promptness and despatch; (3) to transport to the various ports of the Dominion as quickly as possible all munitions of war and foodstuffs purchased by the Imperial Government, and all other goods required for the maintenance and support of the Allied Armies or peoples; (4) to maintain a strong financial position; (5) subject to the above conditions, to give the best service possible to the people of the Dominion. In order to carry out the first item of the policy it was found imperatively necessary to curtail railway services. Accordingly, all non-essential train services, especially those for pleasure or recreation, had to be eliminated, and the travelling-facilities generally considerably reduced. All essential business has, however, been carried on without serious inconvenience or loss. I would further point out that even if there had been no shortage of staff due to releasing men for war purposes, the serious shortage of coal during the year under review would have compelled an elimination of those train services that were non-essential.

When travelling-conditions in New Zealand are compared with the real hardships imposed on the users of the railways in the Homeland in order to liberate men for military services the restrictions imposed in the Dominion sink into comparative insignificance. It is pleasing to record that the majority of the users of our railways have been patriotic and public-spirited enough to regard such inconveniences as they have had to suffer as a war service rendered to the Empire.

I do not anticipate that any material improvement will take place in the shipping during the current year, and am constrained, therefore, to take a conservative view in forecasting the revenue and expenditure for the year ending the 31st March, 1919. Having regard to the existing circumstances I estimate the revenue at £4,725,000, and the expenditure at £3,244,231.

With reference to the financial position, I am pleased to be able to say that the position is excellent, as will be seen from a study of the tables attached to this report. The interest earned on capital invested, though not quite so high as that of the previous record year, is very good, and compares favourably with the returns shown in the Australian States. A study of the comparative statements on page iv will show that the financial results of the working of the New Zealand railways during the war period are superior in nearly every respect to those of the railways of the Australian States. During the year under review the whole of the war bonus granted in the previous year was charged against the working-expenses of the Department, instead of being paid by the Treasury out of a separate fund, as in the previous year. This amount and that portion of the allowance to married men previously mentioned which came into the financial year added a sum of about £230,000 to the expenditure of the year under review. To meet this extra expenditure a 10-per-cent. increase was made on fares and freights, with certain exceptions, which increase came into operation on the 25th November, 1917. Certain anomalies of long standing with respect to freights were also adjusted. The greatest care has been taken to strictly limit the expenditure upon new works, additions to buildings, &c., and I regret to say that many reasonable requests from users of the railways for improvements have had to be refused in consequence. The addition of the bonus and allowances for married men, and the enormous increase in the cost of materials, as shown in detail in the General Manager's report, made an increase in expenditure inevitable, despite the utmost care. Notwithstanding these facts, the total increase in gross expenditure in four years of the war from the 31st March, 1914, to the 31st March, 1918, is only £162,584, which is not a large sum considering the bonus given and the increase in the price of material, and compares very favourably with the increases in gross expenditure in such States as New South Wales, Queensland, and South Australia.