

The annual capital charges on the two old boats would be £1,972, as compared with £1,750 on the new boat. The latter, being a larger and faster boat, would require two additional men (one deck hand and one fireman)—say, £500 per annum—and would cost about £700 per annum more for coal.

The total comparative costs per annum of the service under the two proposals would be as follow :—

					(A.) Three Boats. £	(B.) Two Boats. £
Shore expenses	..	..	..	..	1,900	1,900
Running expenses—						
Salaries and wages	..	..	..	..	5,400	5,900
Coal and stores	..	..	..	..	2,800	3,500
Repairs—						
Steamer	..	..	..	..	2,000	1,900
Wharf	..	..	..	..	700	700
Insurance	..	..	..	..	150	195
Depreciation—						
Steamers	..	..	..	..	2,050	1,315
Structures	..	..	..	..	234	234
Interest	..	..	..	..	1,995	2,508
					<u>£17,229</u>	<u>18,152</u>
Allow for amortization, interest and principal, old boats	..	..				1,077
						<u>£19,229</u>

The total cost of proposal B, including an allowance for writing off interest and principal on the two old boats in about twelve years and a half, would be £2,000 in excess of the cost of proposal A for about ten years, after which the provision of a new boat must be faced. The revenue averages about £10,000 per annum.

REVENUE.

In considering the possibilities of increases in the lake traffic and revenue in the future a survey of the business since it was taken over by the Department in November, 1902, will be useful.

In 1903 a general reduction of 25 per cent. was made in the charges in force on the lake.

From 1902 until 1924 the number of passengers carried showed little variation except for a substantial decrease during and after the war. Since 1925 an increase of 3,000 to 4,000 passengers per annum over 1904 has been recorded, equal to about 15 per cent. Passenger revenue remained at practically the same level (£3,300) until 1920, and it is now about £4,300, or about 30 per cent., above 1904. The fare basis is now 25 per cent. higher than in 1904 owing to the war increases, but the revenue has not increased in proportion to the number of passengers and the ordinary fare basis, much of the additional traffic having been induced by specially cheap excursion fares. The fare basis is still about 6 per cent. below the rates ruling in 1902.

The total tonnage of goods carried showed a decrease of 28 per cent. between 1904 and 1919, the decline in the mining industry being the principal contributing factor, and the traffic did not get back to the 1904 level until 1928. The quantity of live-stock carried doubled in the twenty-five years, but timber decreased by 35 per cent. Goods carried by weight were practically the same in 1928 as in 1904. Freight revenue is now 40 per cent. above the 1904 level, the respective figures being £3,231 and £4,525, due to the tariff increases arising out of war conditions. Notwithstanding the latter increases, the goods rates are only 5 per cent. higher than they were in 1902.

The revenue from parcels, luggage, and mails increased from £400 to £1,000, and the total revenue from £7,000 to £10,000, or by 43 per cent., in the twenty-five year period.

I do not think it safe to anticipate any marked increase in passenger traffic in the near future. A faster and more comfortable boat on the Head of Lake service would, however, undoubtedly popularize the Paradise trip, which is becoming of steadily increasing importance owing to the large number of tourists arriving in Queenstown by road from Cromwell or Wanaka, from whom the Department may derive no revenue if an attractive service is not provided.

A great handicap on the lake is the seasonal nature of the passenger traffic, which varies between two thousand and seven thousand passengers per four-weekly period in the season December to April, and between four hundred and one thousand passengers for the rest of the year.

With respect to goods traffic, it is understood that irrigation works now proceeding in the vicinity of Arrowtown will bring 7,000 to 8,000 acres of land under cultivation for grain-growing, creating a considerable amount of additional traffic on the lake.

There does not appear to be much prospect of any material improvement in either the mining or the pastoral industries.

EXPENDITURE.

The expenditure on the lake service was maintained at slightly in excess of £5,000 per annum until 1912, when the "Earnslaw" was put into commission. During that period the earnings were sufficient to pay working-expenses, interest, and depreciation, although no allowance for the latter was made in the accounts, and the cost of the new boat was wholly capitalized.

As a result of commissioning the "Earnslaw" working-expenses immediately increased by £1,000 and capital charges by £1,400 (including depreciation). Additional wharves and a new slipway were