

Actual expenditure from the 1st April, 1931, to the 30th May, 1931, was £49,500.

Estimated expenditure from the 1st June, 1931, to the 31st July, 1931, is £50,000.

The total expenditure actually incurred and estimated to the 31st July, 1931, is £514,739.

The additional expenditure required to complete the line between Wharanui and Parnassus from the 31st July, 1931, is £2,066,261, to which must be added additional capital expenditure by the Railways Department amounting to £176,000.

The estimated additional cost of completing the line from Wharanui to the Clarence River (20 miles) at 31st July, 1931, was £127,753.

The expenditure from Parnassus northwards at the 31st July, 1931, was £221,635. The work at present is spread over 15 miles, on which the formation on the first 12 miles to the Conway Station-yard is well advanced. The estimated additional cost of completing to the Conway River from Parnassus at the 31st July, 1931, was £298,273.

The question on which the Board is required to report is whether an expenditure of a further £2,242,261 is justified upon this railway undertaking.

The financial aspect may first be considered in relation to actual experience on the present South Island lines. A commencement may be made with the average revenue for the whole of the South Island main lines—that is, the lines excluding the branch lines which were considered as non-paying lines within the meaning of the arrangements that were up to recently in force for crediting the Railways Department with the loss on these lines. The main lines as so determined include the best-paying portion of the South Island railway system. The gross revenue per mile on these lines has during the past six years averaged £2,671 per annum. During the same period the ratio of operating expenditure to revenue has averaged 89 per cent. The Railways Department is charged $4\frac{1}{4}$ per cent. on earlier loan-moneys invested in the railways. The average interest charge for rolling-stock on the South Island main line is £195 per mile per annum. Utilizing the foregoing figures with other data, the following comparative statement is arrived at:—

(a) *Annual Loss on Operation of Existing Lines, Picton-Wharanui and Parnassus-Christchurch.*

	£
Working-expenses	141,412
Less revenue	127,167
Operating loss	14,245
Add interest charges (including interest on rolling-stock) ..	58,933
Total present annual loss	<u>£73,178</u>

(b) *Estimated Annual Loss on Operation of Line Picton to Christchurch (if completed), assuming that the Revenue and Expenditure per Mile of Line will be equal to the Revenue and Expenditure of existing South Island Lines, exclusive of Non-paying Branches.*

	£
Revenue—217 miles at £2,671	579,607
Expenditure—89 per cent. of revenue	515,850
Net revenue	63,757
Interest charges—	
$5\frac{1}{4}$ per cent. on new capital required to construct new line, £2,581,000	135,502
Interest on existing lines at $4\frac{1}{4}$ per cent.	49,631
Interest on estimated cost of additional terminal facilities, bridge-strengthening, and signalling and communication systems— $5\frac{1}{4}$ per cent. on £176,000	9,240
Rolling-stock at £195 per mile	42,315
	<u>236,688</u>
Annual loss if proposed line constructed	172,931
Less present annual loss as per (a)	73,178
Increase in annual loss if proposed line is constructed and worked	<u>£99,753</u>