The increased revenue was caused by an increase of £5,647 on the six North Island branch lines, and an increase of £16,863 on the twenty-four South Island branch lines. Eighteen of the branch lines showed a total advance of £20,113, while the remaining six lines showed a total decline of £3,250. In the South Island it is gratifying to record that the greatest increase was shown on the Otago Central Branch, which is an absolutely essential line to the district. The revenue there advanced by £8,765 (10·64 per cent.). This increase was reflected in all classes of revenue, but particularly in that obtained from goods traffic due to a better fruit season. Several other South Island branches show fairly substantial revenue increases. Of the six remaining branches showing a decreased revenue the Pukeuri–Kurow Branch was the most marked. On this line the total decrease was £2,216, or 14·44 per cent., which was due to the completion of the Waitaki hydro-electric works. Passenger traffic on this line increased by £344, or 31·5 per cent. The remaining five branches in the South Island showed smaller decreases.

The increased expenditure on branch lines in both Islands was due chiefly to expenditure upon "Maintenance of Way and Works." In the North Island this expenditure was incurred chiefly on the Paeroa–Taneatua and Otiria–Okaihau Branches. In the South Island it was incurred chiefly on the Waipara–Parnassus and the Otago Central Branches.

The Board's policy of endeavouring to stimulate branch-line traffic by appealing to the people concerned has been successful with few exceptions, and on most branch lines the drift from the rail has been checked. The branch-line problem as a whole, however, is by no means settled to the Board's satisfaction. In consequence of this the Board feels bound to indicate again that in those districts where, despite its efforts to provide a satisfactory service and encourage patronage, the people either directly or indirectly fail to support their railway to the extent of the traffic available, the Board may regard the continued operation of such sections of the line as unjustified and review the position accordingly. In this connection the Board is at present reviewing the position of the Te Puke - Taneatua portion of the East Coast railway, in which area the Department is not, in the Board's opinion, receiving that measure of support to which it is entitled.

ISOLATED SECTIONS.—The results of operations on isolated sections were as follows :—

Kaihu.—Revenue amounted to £5,377, an increase of £1,553 (40·61 per cent.). The increase was wholly from goods traffic. Passenger, parcels, and miscellaneous revenue all show decreases. Road-metal and timber were the commodities which showed an aggregate increase of 7,817 tons and £1,655 in revenue.

Train-miles decreased by 320 (2·32 per cent.), but shunting miles increased by 448. Gross ton-miles increased from 901,320 to 1,244,116, an advance of 38·03 per cent.

Expenditure amounted to £6,275, an increase of £309 (5·36 per cent.) on the previous year.

The total operating loss for the year was £898, compared with £2,132 for the previous year, an improvement of £1,234 (57·88 per cent.).

Gisborne.—Revenue totalled £19,294, an increase of £3,298 (20·62 per cent.). Expenditure amounted to £20,146, an increase of £1,944 (10·68 per cent.). The operating loss was £852, compared with £2,206 for the previous year.

The increased revenue was due chiefly to heavy traffic in road-metal for local bodies.

Nelson.—Revenue for the year was £11,477, a decrease of £162 (1·39 per cent.). Expenditure was £17,010, a decrease of £2,072 (10·86 per cent.).

The operating loss was £5,533, compared with £7,443 for the previous year, a decrease of £1,910 (25·66 per cent.).

Traffic on this section showed little variation in the aggregate, a decrease of £668 (18·41 per cent.) in passenger revenue offset by an increase of £640 in general goods traffic.

The decreased expenditure was caused principally by the fall in maintenance of rolling-stock, this being due to the substantial overhaul of locomotives last year.

Train and engine mileages increased by 1·48 per cent. and 1·26 per cent. respectively, and gross ton-miles increased by 2·42 per cent.

As the returns from the Nelson Section are still unsatisfactory, the Board has the matter of the continued operation of this section under review.

Picton.—Revenue amounted to £26,086, a decrease of £1,231 (4·51 per cent.). Expenditure also decreased from £28,702 to £26,285, a decrease of £2,417 (8·42 per cent.).

The operating loss on this section was reduced from £1,385 to £199, a decrease of £1,186 (85·63 per cent.).

The largest decrease in revenue was shown in goods traffic, which declined by £1,012, or 5·08 per cent., principally in the carriage of sheep, which declined by £782 in revenue and 41,800 in number.

The decreased expenditure was due chiefly to fluctuations in the costs of overhauling engines and boilers.

Westport.—Revenue amounted to £65,821, as against £63,322 for the previous year, an increase of £2,499 (3·95 per cent.). Expenditure increased from £54,268 to £55,808, an increase of £1,540 (2·84 per cent.).

The operating profit on this section was £10,013, an increase of £959 (10·59 per cent.).

Train-miles increased by 1,740 (2·88 per cent.), engine-miles by 2,436 (2·42 per cent.), and gross ton-miles by 588,947 (4·54 per cent.).

Revenue increases are shown in all classes of goods. Of the total goods revenue last year 91·42 per cent. comprised coal and coke freight, while this year these items represent 88·10 per cent. of the revenue. Coal and coke this year show an increased tonnage of 12,944 (4·55 per cent.). Timber and firewood show increases of £240 and £551 respectively.