

the available wagons and equipment and the transference of wagons from one area to another in order to relieve the pressure wherever heaviest.

Six hundred wagons of the LA general utility type were built in the workshops and passed into service during the year. In addition, repeated and sustained efforts have been made to obtain early deliveries of materials ordered from overseas in order that the Department might proceed with the construction of further wagons of the LA type, of which 1,930 are included in the 1937-38 rolling-stock building programme and an additional 750 in the 1938-39 programme. Unfortunately, the delivery of this material has been delayed owing to the high pressure at which the Home manufacturers have been working for a considerable time past, but during recent weeks shipments of materials have been coming forward much more freely, and it is anticipated that within a few months it will be possible for the Department to overtake much of the leeway which has been occasioned by lack of materials in connection with its rolling-stock building programme.

A considerable number of live-stock and insulated wagons (for chilled-beef and frozen-meat traffic) were constructed during the year, and a further heavy building programme of rail cars, carriages, and all classes of wagons has been authorized in addition to the construction of the class LA wagons referred to above. This programme will be proceeded with as soon as the necessary material is available.

Steady progress is being made in the matter of providing better seating, steam-heating, and of carrying out general improvement to carriages.

BRANCH LINES.

The operating revenue from branch lines totalled £386,165, an increase of £35,796 (10.22 per cent.) compared with the previous year. Parcels traffic declined slightly, but otherwise increases were shown by all lines of traffic. Goods traffic revenue increased by £30,685 and passenger revenue by £1,381.

The operating expenditure was £554,301, an increase of £59,325 (12.99 per cent.) compared with the previous year. Increased wages and a general increase in costs were responsible for the increase in expenditure.

After allowing for the main line "feeder value" of branch line traffic, the operating loss on branch lines was £145,729. Interest charges amounted to £386,224, making a total loss of £531,953, as against a loss of £475,666 for the previous year, an increase of £56,287 (11.83 per cent.).

Of the total revenue of £386,165, the South Island branches earned £275,365, or 71.3 per cent. The increase over last year in the South Island was £28,516, or 11.55 per cent., while the improvement in the North Island amounted to £7,280, or 7.03 per cent.

Goods traffic was responsible for £24,215 of the total increase of £28,516 shown for the South Island. Passenger traffic showed an increase of £3,748. In the North Island the six branches all contributed to the increase of £7,280 in revenue, of which goods receipts are responsible for £6,470.

The branch lines on which the main revenue fluctuations took place were :—

Branch.				Increase.	Decrease.	Per Cent.
				£	£	
Kaikohe	..	..	..	1,416	..	26.35
Taneatua	..	..	..	3,079	..	3.72
Cheviot	..	..	..	5,555	..	28.24
Little River	..	..	..	1,618	..	24.26
Kurow	..	..	..	..	1,150	12.43
Waihemo	..	..	..	331	..	16.54
Otago Central	..	..	..	15,560	..	15.94
Roxburgh	..	..	..	1,783	..	13.76
Catlins River	..	..	..	1,356	..	9.55
Waikaka	..	..	..	..	409	20.16

ISOLATED SECTIONS.

The results of operations of isolated sections were as follow :—

Kaihu.—Revenue amounted to £4,740, an increase of £415 (9.60 per cent.). Passenger traffic shows a sharp decline, but goods traffic increased by £849, despite a decrease of 3,339 tons in the quantity of road metal carried for local bodies.

Expenditure amounted to £8,381, an increase of £265 (3.27 per cent.). Increased wages and fuel costs were responsible for the small increase shown.

The total operating loss on the section was £3,641, compared with £3,791 for the previous year.

Gisborne.—Revenue amounted to £23,499, an increase of £4,947 (26.67 per cent.). Goods traffic increased by £5,275, of which receipts from the conveyance of road metal for local bodies accounted for £3,364.

The expenditure amounted to £26,800, an increase of £3,432 (14.69 per cent.). Increased fuel and wages costs were the main items of increased expenditure.

The operating loss on the section was £3,301, as compared with £4,816 for the previous year.