

CONDITION OF LINES AND APPLIANCES.

The lines and all appliances have been maintained in good order, and the practice previously observed of adding improvements from working expenses has been continued. The carriages and goods stock which are rebuilt are superior in type and accommodation to those they replace. Heavier rails and more substantial and permanent structures and buildings are replacing the original ones. Many improvements in the locomotive and other stock have been added by the Locomotive Superintendent, tending to economy and greater security. Improved appliances and arrangements have been added in various shops.

To some extent the Commissioners have been placed at considerable disadvantage from the want of funds from loan to provide for urgent departmental wants, and to give accommodation to the public where the growth of traffic has rendered it urgently needful. A better financial result might have been attained in the past year had loan funds been at the command of the Commissioners for making due provision for accommodation properly chargeable against capital account.

We beg to direct especial attention to this point: a considerable sum should be at our command annually, chargeable against capital account, to meet urgent public wants, and to give facilities for meeting the growth of traffic in such ways as we may judge to be necessary.

GENERAL POLICY.

We have, during the time we have held office, very carefully considered the rules which should guide us in dealing with the railway system, and we consider that we should facilitate the traffic in the natural productions of the colony, and in goods essential for advancing production, by reducing rates to such an extent as can be done without materially disturbing the colonial finances; and that we should also give greater facilities for cheaper and quicker travelling for passengers, keeping in view the same needful restriction.

Acting on these views, we have during our term of office very largely reduced the rates on small lots of agricultural, garden, and dairy produce, and fruit and game of all descriptions. A large concession has been made on the grain and flax rates over the longer distances. Very extensive concessions have been made on the rates for agricultural lime, road materials, ores, coal-dross, bricks, drain-tiles, clay, animal manures; and various special rates to meet local circumstances have been introduced.

In the passenger-traffic commutation tickets at very low fares have come extensively into use, and, though to some extent they have taken from the number of passengers carried at ordinary fares, the extensive use of these new season-tickets has given a larger revenue. These tickets give fares for distances up to twenty miles of $\frac{7}{8}$ d. first class, and $\frac{1}{2}$ d. second class, per mile.

As the business of the railways shows a rapid growth, and the revenue is tending upwards, we think this a suitable time for carrying out the original intention of the department of extending the use of return tickets (now confined to Saturdays and market days) to every day in the week; and we think that the practice followed of late years in England of giving a liberal time allowance for the return journey should also be adopted. We are accordingly preparing for this change, which will be introduced in a few days.

Greatly improved passenger-train services have been introduced on the Auckland, Wanganui, Christchurch-Dunedin, and Dunedin-Invercargill lines. The service on the Wellington line is as rapid as the class of road and gradients will safely permit. The connections with the coach-lines have prevented a convenient fast service being introduced on the Napier line hitherto, but a greatly improved service will be adopted immediately the line is opened through the Manawatu Gorge.

Should the revenue of the railways appear to permit of it, we hope to continue to make gradual changes in rates in favour of the users of the railways. It may, however, be as well to mention that the demands for reductions in rates—personal, local, and general—would probably absorb £200,000 of the revenue, while claims from the employés are, on the other hand, also very extensive, so that all demands could not be met unless Parliament should see its way to provide specially for them.

REVENUE AND EXPENSES.

We have estimated the revenue for the current year to be £1,080,000, having regard to the fact that the Exhibition traffic will be wanting, and that the flax trade has become very slack.

The expenses are estimated at £678,000, being slightly below last year's expenses. They would have been lower but for the great rise in iron and stores, consequent on the strikes in Europe, and there seems little probability of any material drop in prices so far as present circumstances indicate.

We have the honour to be,

Sir,

Your most obedient servants,

JAMES MCKERROW,

J. P. MAXWELL,

W. M. HANNAY,

The New Zealand Railway Commissioners.