

£88,000 is taken from the released sinking funds; £14,000 is derived from the sale of rolling-stock no longer required; and the remainder is obtained from a rearrangement of the balances under the allocations as determined by the Loan Acts.

As regards the re-allocation of these unexpended balances, the Government considers that the pressing requirements for the works on which it is proposed to expend them, and the dearth of employment which exists at the present time, and which has caused so large an exodus of our industrial population, fully justify the proposals submitted.

One of the allocations proposed to be diverted is that for doubling the line between Auckland and Penrose, for which work a sum of £23,000 was provided no less than five years ago, but which no Government has yet proposed to expend. Another is the allocation for the Riversdale-Switzers Railway, which, as stated by the late Government in their Public Works Statement of 1889, is insufficient to complete the line. That Government did not see its way to provide the additional amount required to complete it, and recommended that no further work should be done upon the line at that time. The Hon. E. Mitchelson, when Minister for Public Works in the late Administration, took the view that, as the line, being a branch line, would be an expensive one to work, requiring, as it would, a special staff and special rolling-stock, its further prosecution was not warranted at present; and last year no mention whatever was made of the railway in the Public Works Statement delivered by my predecessor.

These two allocations are mentioned as instances merely, but there are others that are situated almost similarly, and which we propose to deal with in the same way.

In view, therefore, of the facts that the money at present is lying idle and useless, and that interest has to be paid upon it notwithstanding its unproductiveness, and also that other works that could be constructed with it, and which, when constructed, would be of a reproductive character, are urgently required, the Government proposes a re-allocation of these unexpended balances, with the view of turning them to profitable account.

After all, it is largely a mere question of accounts, and if circumstances alter materially hereafter the moneys now proposed to be diverted can doubtless be replaced.

MIDLAND RAILWAY.

Although this railway is not being constructed directly by the Government, the colony is so largely interested in the undertaking that I deem it desirable to make special reference to the progress being made with the work, as was done by my honourable predecessor last year.

At the south end of the Brunnerton-Belgrove Section of the railway the portion between Brunnerton and Mawheraiti (Little Grey), a distance of 31 miles 3 chains, has been opened for traffic; the further portion from Mawheraiti to the Slab Hut (or Tawhai), 4 miles 50 chains in length, is now ready for opening; and the construction of the remainder of the line to Reefton, 5 miles 30 chains in length, is well advanced.

A large slip at the mouth of the tunnel near Reefton has somewhat delayed the construction of the work, and necessitated the steepening of the grades. The alteration of the grades was made without obtaining the written consent of my predecessor, in terms of the contract, and the Company, on being written to on the subject, disputed the right of the Government to interfere in the matter of alterations of this nature. As, however, it turned out on inquiry that the alteration in question had been verbally mentioned to the late Engineer-in-Chief, and as, moreover, the department was aware that the same had been made, and had not objected to it, I allowed the matter to proceed, but I have taken steps to insure that in future no alterations shall be made unless the plans thereof have been approved beforehand in terms of the contract.

At the north end of the same section of the railway a contract has been let, called the Belgrove contract, 5½ miles in length, for the formation-works of the