

All branches of traffic show improvement ; the revenue also has substantially increased—under the head of Passengers by over £26,000, and under the head of Goods by over £36,000.

The expenses have risen in a less ratio than the revenue, the proportion being 61·97 per cent., against 63·34 for the former year. This ratio is lower than it has been for the last ten years.

Increased expenses arise from increased traffic as well as from exceptional flood damages ; more power and wear-and-tear are involved with the heavier loads, greater mileage open, and the increasing age of the system. The increase in revenue at a much greater rate than that of the expenses, however, must be satisfactory, and the improved net results, taken in connection with the very large reductions in fares and in rates and charges on the local productions, must be a source of congratulation to the colony.

For the coming year the revenue is estimated at £1,176,000, and the expenses at £732,000.

A diminished grain traffic is expected, on account of the lighter yield and smaller area in crop.

The length provided for in the estimated expenses is 1,892 miles, the additional mileage being : the Kaihu Railway, 17 miles ; Te Aro Extension, 1 mile ; Mangaonoho Extension, 4 miles. The estimated average expenses per mile are £387, against £390 during the past year.

CONDITION OF LINES AND APPLIANCES.

The lines and appliances have been thoroughly maintained, and their character and capacity have, as hitherto, been improved in the process of maintenance from working-expenses.

The Commissioners have derived advantages from the improvements inaugurated and carried on under the previous management ; and they have continued the same system of improvement under maintenance vigorously during their administration.

During last session a return (D.—11A) relating to engines and rolling-stock was made to the House of Representatives, explaining very fully the manner in which this portion of the plant had been improved and increased. Notwithstanding the carefully-considered assurances and data already given by the Commissioners in that paper, they have regretted to find it subsequently stated to the House that the capital of the railways had been reduced by the sale of twenty-six thousand pounds' worth of stock. The Commissioners repeat the statements they made in paper D.—11A, and deny the correctness of the statement made to the House that the capital of the railways has been reduced.

They repeat what has been pointed out in their former reports. The railways have been improved in value during maintenance by relaying old 40lb. iron rails with 53lb. steel ; by increasing the capacity of the sidings, passenger- and goods-sheds ; by renewing soft-timber structures with either masonry, hardwood, or iron ; by increasing the aggregate power of their engines, the passenger-carriage accommodation, the wagon capacity, and the brake-power. The execution of new work for private companies, and the sales of old plant and materials, have in no way at any time diminished or trespassed upon the capital.

New plant, supplied from working-expenses, of a more powerful, more commodious, more capacious, and better class, replaces the old plant abandoned and sold, and the capital value of the railways has been increased by the system pursued.

GENERAL.

It is desirable to make some remarks on the aims of and the position attained by the railway administration, for which the Commissioners are responsible to Parliament, during the four years of their office ending last financial year.

It has frequently happened that the Commissioners have been pursued by demands that they should manage the railways on " commercial principles "—a phrase which is very ambiguous. This idea is one of the abandoned theories of a past generation. Legislation in the United Kingdom, United States, all the nations of the Continent of Europe, Canada, and the South American Republics,