

Additional train services, involving an expenditure of £37,974, have been provided on the Auckland, Wellington, Canterbury, Otago, and Southland Sections. An improved daily service from Dunedin to Invercargill, and *vice versa*, has been inaugurated. The Government are continually receiving demands for faster services, better station accommodation, more stationmasters, goods sheds, cattle- and sheep-yards, and loading-banks. Frequently a desire is expressed for the separation of passenger and goods services. On branch lines, faster services mean increased cost and less earning capacity per train-mile. Except on the main lines of the colony, and in cases where the business fully warrants it, such demands are steadily resisted in the interests both of economy and safety. The plans upon which the New Zealand railways were originally constructed never contemplated providing for the kind of train services procurable in Europe, America, Victoria, and New South Wales. To do so would call for the entire reconstruction of our railway system, at an expenditure of several millions sterling.

Additions to rolling-stock, and additions and improvements to the lines and structures, at a cost of £169,227, have been made during the year, charged as follows: £156,731 to Capital Account, and £12,496 to working expenses. (Return No. 7 gives details of the capital expenditure.)

The whole of the casual labourers employed by the Traffic Branch have been insured against accident, and forty-four men injured in the execution of their duty have thereby been benefited. This practice has given very general satisfaction, and I therefore propose to continue it. The cost of premium (£267) has been charged to the working expenses.

An average of 6,051 men were employed by the Department, as compared with 5,627 men during the previous year (see Return No. 23); one hundred and two members of the permanent staff resigned, twenty-six died, forty-five were retired, forty-three were dismissed, and two hundred and ninety-six engaged.

Four appeals against decisions of the Department affecting the staff were heard by the Appeal Boards, and all were dismissed.

In connection with the classification of members of the staff of the 1st April, 1897 (D.-3, 1897), fifty-seven appeals were lodged, of which forty-seven were dismissed, and ten upheld.

During the year ending the 31st March, 1898, eleven applications have been received for transfers from Second to First Division, and four transfers have been carried out. These, together with reclassification, have resulted in 103 members being rated as salaried officers who were previously paid at a daily or weekly rate of pay.

Some dissatisfaction having been expressed in regard to the regulations providing for the transfer of members from the Second Division to the First, the Executives of the Amalgamated Society of Railway Servants and the New Zealand Railway Officers' Institute have been invited to assist in framing amended regulations which would be acceptable to the members of both divisions.

The small number of appeals against classification by individual members of the staff, together with the decisions of the Appeal Boards, bear evidence of the great care and impartiality shown in carrying out this heavy task. Any dissatisfaction or discontent evinced at the results of classification in actual practice is, in my opinion, due to defects in the system itself, rather than to the method of carrying it out. On one hand, I find some of the most promising and energetic members urging their claims to promotion and increased pay on the ground of superior ability and skill; on the other hand, members with longer service, but with less pronounced originality, contending for an equal share of promotion or increased pay. Whilst securing equal opportunities for promotion to all members, it is a question for future consideration whether merit and ability are adequately rewarded under such a system, and whether in the process of time the public railway service may not suffer in the event of such qualities not receiving sufficient stimulation.

With a view to enabling the travelling public to make inquiries at the proper quarter, the whole of our stationmasters have during the year been provided with uniforms. This has been done at the cost of the Department.