

Altogether 146 tablet-men and caretakers were employed at 31st March last, and this number is being increased from time to time with the extension of the tablet working.

The Midland Railway was taken over by the Government on 23rd July, 1900. The rates charged by the company for conveyance of traffic over the lines were immediately abolished and the Government scale brought into operation. This course resulted in material reduction in charges for carriage of passengers and goods. The train services were also improved, and have been added to as business warranted. Considerable benefits have been conferred on the district by the taking over of these lines.

The purchase of the Wakatipu steamers by the colony and the reduction made in passenger and goods rates has had a beneficial effect, the cheap week-end excursions having been the means of bringing the scenic beauties and health-giving properties of the district prominently before the public.

During the time the railways have been under the Government control they have had to deal with the unprecedented demands of traffic made in connection with the visit to the colony of their Royal Highnesses the Prince and Princess of Wales (then Duke and Duchess of York), the Indian Contingent, and the departure from our shores of the New Zealand Contingents for South Africa; and it was gratifying to find that, in addition to carrying on the ordinary business of the colony, they proved in every instance equal to the heavy demands of the extraordinary traffic in connection with the unique events alluded to.

With a view to relieving the congestion of the cities and enabling the workers to live under more healthful conditions, workers' cheap tickets were introduced on all the Auckland, Wellington, Christchurch, and Dunedin suburban lines. They are available for one outward and one homeward trip per day, and for use by trains arriving at destination before 8 a.m., and are charged at a uniform rate of 2s. per week for distances up to ten miles. The tickets are largely availed of, and are much appreciated by the workers, in whose interests they were introduced.

The expansion of business on the Rimutaka Incline has rendered an increase in engine-power imperative. Two of the New Zealand built goods-engines, class B, have been converted to class WE, and, together with one class W engine, placed on the Incline, and have proved an unqualified success, and arrangements have been made to build all the engines required for the Incline in the New Zealand workshops instead of importing additional Fell engines. The new engines will be compound double-ender tank engines.

Goods and passenger traffic has been separated wherever the business was sufficient to justify such a step being taken, and the practice will be extended from time to time, as circumstances warrant.

The adoption of motor cars for use on our railways has been engaging attention for some time past. The experiments which have been made in other countries have been closely followed, and as it is evident that motors have now passed the experimental stage, I have decided to have cars built in the colony for trial on the suburban lines. Advantage has been taken of the visit of the General Manager of Railways to America and Europe to ascertain what class of motor has been found to be most satisfactory and economical in actual working, and at the same time likely to prove most suitable to our lines.

It has also been decided to build a number of powerful four-cylinder balanced compound engines for use on the passenger- and goods-train. These engines will have a greater tractive-power than any of the existing types, and will be a valuable acquisition to the rolling-stock. Designs are also being prepared for heavy goods-engines to be used on the heavy-graded portion of the North Island Main Trunk Railway, and it is intended to make a commencement with the construction of these engines at an early date, in order that they may be completed in readiness for the opening of the line.

The dining-cars which were placed on the Auckland-Rotorua express trains in December, 1903, have continued to give satisfaction to the public, and as a result of the experiment tried in connection with the catering on that line it was