

Passenger revenue shows an increase of £42,961, season tickets £5,754, coaching traffic £27,591, goods and live-stock £68,062; while miscellaneous and rents have decreased by £3,895. The receipts per train mile amounted to 87·75, as against 86·50 for the previous year.

The earnings of the Lake Wakatipu steamers amounted to £5,986, against £5,896 for last year. The net revenue was equal to a return of 4·62 per cent. on the capital cost.

#### EXPENDITURE.

The total expenditure amounted to £1,621,239, including £5,227 incurred in connection with the Lake Wakatipu steamers, being an increase of £128,339 over the previous year. The expenditure for working has absorbed 69 per cent. of the revenue, as against 67·58 for the previous year.

	Expenditure.		Per Cent. of Revenue.	
	1905-6. £	1904-5. £	1905-6.	1904-5.
Traffic .. ..	442,063	402,715	18·86	18·28
Locomotive .. ..	587,752	535,635	25·08	24·31
Maintenance .. ..	546,805	508,735	23·33	23·09
Management .. ..	70,539	68,353	3·01	3·10
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	1,647,159	1,515,438	70·28	68·78
Less credit recoveries ..	31,147	27,736	1·33	1·26
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	1,616,012	1,487,702	68·95	67·52
Lake Wakatipu steamers ..	5,227	5,198	0·05	0·06
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	£1,621,239	£1,492,900	69·00	67·58

The expenditure for maintenance of line, buildings, and other structures has increased from £508,735 to £546,805, representing an average expenditure of £228·67 per mile of railway, against £216·64 for last year. The increased expenditure has been incurred on the Kawakawa Section, £762; Whangarei, £336; Auckland, £10,704; Gisborne, £514; Wellington-Napier-New Plymouth, £17,204; Hurunui-Bluff, £6,977; Westland, £1,815; Nelson, £1,158. The cost of maintenance has decreased on the Kaihu Section £172, Westport £348, Picton £879.

Additions and improvements to lines and structures costing £12,235, which might fairly have been debited to capital, have been made during the year and charged to working-expenses.

The increased expenditure in the Traffic Branch is due to the additional train mileage consequent on improved train-services and extra staff to meet requirements of the expanding business and for working interlocking-signalling and electric-tablet systems, cost of catering on the dining-cars previously run by contractors, the increase of wages and allowances to members of the Second Division, and the general increase of traffic.

In the Locomotive Branch the increase is due to extra train mileage, heavy renewals and repairs, increased consumption of coal, and increases in wages and allowances to the members of Division II.

The increase in the cost of management is mainly incidental to the scale increases of salaries of the staff under the Classification Act.

The sum of £353,025 was expended under the head "Additions to Open Lines," and charged to Capital Account. Of this amount £264,230 was expended on rolling-stock, tarpaulins, Westinghouse brake, and workshop machinery; the rolling-stock comprises 8 locomotives, 39 carriages, 9 brake-vans, 238 wagons, and 110 tarpaulins completed on the 31st March last; and 21 locomotives, 130 carriages, 22 brake-vans, 882 wagons, and 610 tarpaulins incomplete, but in hand on that date; and £88,795 on tablet and interlocking extension, signals, telegraph and telephone facilities, wharves, bridges, land, electric lighting, sidings, dwellings, station buildings, fencing, junction for Waihi Railway and reclamation of Mechanics' Bay, Auckland.

#### DUPLICATION OF LINES.

On duplication-works the following sums were charged to Capital Account under the provisions of the special Acts relating thereto passed in 1903, 1904, and 1905 respectively, viz. :—

	£
Wellington - Hutt duplication-works .. ..	44,864
Auckland-Penrose and Dunedin-Mosgiel duplication-works ..	11,848