

increase in capital the rate of interest upon loans rose from £3 16s. 5d. to £4 7s. 6d. per cent., and working-expenses, as a consequence of advance in price of coal and materials, together with an enhanced labour bill of some £1,500,000, were nearly doubled.

#### CAPITAL EXPENDITURE CHARGED TO WORKING-EXPENSES.

The working-expenses include certain items properly chargeable to capital, estimated at £22,000 per annum.

#### PROVISION OF FUNDS.

For new lines, which are surveyed and engineered by the Public Works Department, moneys are provided by Parliament through a yearly Budget. At the present time ten new lines are under construction, one by contract with a time-limit, and others by Public Works employees or by contractors on small portions of earth-works. The time occupied in finishing the railways has been unduly long, and it is clearly not economical to carry out works in small sections on a yearly estimate, but the answer given is that all available labour is employed, and if more expeditious construction were attempted the labour-market would be upset to the general disadvantage of trade and the community generally. On capital spent on open lines and on working account a yearly Budget is also presented, together with an estimate of probable revenue. An exception to this was established in 1914, when the House of Representatives voted a sum of £3,200,000 for certain improvements recommended by the General Manager. This authority was coupled with a proviso that not more than £750,000 should be spent in any one year.

Estimates of expenditure on working account and on Loan Account for budgeting purposes are stated to be dealt with in the manner described hereunder :—

#### REVENUE ACCOUNT: ESTIMATES OF EXPENDITURE TO MEET WORKING-EXPENSES.

“These are compiled by the General Manager after reviewing the estimated requirements of the respective branch officers—Maintenance, Locomotive, and Traffic—and making a careful scrutiny of the actual expenditure during the previous year. Allowance is made for any probable increase or decrease in train-mileage, staff, and cost of materials so far as can be foreseen at the time, as also for the net revenue required to meet the interest charges at the “policy” rate. The estimates are then submitted for the approval of the Minister, with a statement of the estimated revenue and anticipated percentage return on capital. Cabinet then deals with the matter, and, when approval of Cabinet is received, the full details are set out and sent to the Treasury for inclusion in the general estimates submitted to Parliament.”

#### LOAN ACCOUNT IN CONNECTION WITH OPEN LINES.

“A general survey of requirements chargeable against capital is made. The works recommended by the local officers, together with any others that have been under consideration by the General Manager, are listed and classified under the heads ‘Urgent,’ ‘Essential,’ ‘Desirable, but not essential.’ These are reviewed by the Heads of Locomotive, Maintenance, and Traffic Branches, and the estimated cost is scheduled. The General Manager then goes through the schedule with the Heads of the branches, and afterwards places the proposals before the Minister of Railways with a request that the necessary funds be provided. The Minister of Railways in turn confers with the Minister of Finance, and the latter determines the extent to which funds can be provided. The amount finally decided upon is then placed in the estimates of the Public Works Department and submitted to Parliament. Where the financial arrangements make it impossible or inexpedient to grant the full amount applied for, the estimates are referred back to the General Manager for revision and reduction. Further discussion then takes place between the General Manager and his principal officers, and afterwards with the Minister. The programme of work is then recast so as to distribute the funds available to the best advantage, having regard to the relative urgency and importance of the various works. The final approval of the estimates before submission to Parliament rests with the Minister of Railways.”