

constructed, largely for the accommodation of the bigger vessel, at a capital cost of £4,300 and an annual cost of £300. In all, the increased annual expenditure due directly or indirectly to the new boat was at least £2,700. The increase in business was negligible, and no adjustment of charges was made to cover the cost of a much improved service. It should, however, be noted that the outbreak of war made it impossible to gauge the effect of an improved service on the passenger revenue, and it is only of recent years that tourist traffic is getting back to normal.

Since 1914 the cost of wages and salaries has increased by 75 per cent., coal by 200 per cent., and the total working-costs by 100 per cent. (£6,000).

Since 1904 working-expenses have increased from £5,000 to £12,000, capital charges from £1,000 to £3,500, and the total expenses from £6,000 to £15,000, as compared with a revenue increase from £7,000 to £10,000.

To cover increased costs and provide for accrued depreciation the revenue requires to be raised from £10,000 to £17,250 (proposal A) or £19,250 (proposal B).

Two questions call for immediate consideration at this juncture—(1) That steps should be taken to balance the accounts of the lake service; (2) whether a new steamer should be provided.

With regard to the former question, this clearly resolves itself into the question of the revision of the lake tariff. Definite proposals in this connection are now being formulated, and, in accordance with the policy that is being adopted, will be discussed with the parties particularly interested before being finalized. Arrangements are being made for this to commence practically immediately.

With regard to the second question, this is largely dependent on what is done in connection with the revision of the tariff, and is also directly affected by the matter of the construction of the new road from Queenstown to Kingston. I am definitely of the opinion that if this road is carried to completion we would not be justified in incurring the expenditure that would be necessary for the provision of the new boat.

ROAD-MOTOR SERVICES.

The total number of passengers carried by the Department's road-motor services during the past year was 2,919,605, of which the Hutt Valley service was responsible for the largest proportion—2,336,651 passengers.

The balance of expenditure, including interest and depreciation, over revenue in the road-motor services accounts was £9,327. While we aim, of course, to obtain the best possible return from the running of the buses themselves, the foregoing sum must not necessarily be regarded as a loss from the Department's point of view. Railway authorities generally run road services for one or both of two reasons—namely, (1) to protect its business against competition, and (2) to enable savings to be effected on its train services where it is found that the traffic can be worked more cheaply by means of road-vehicles than by means of the rail. The position, however, as disclosed by the accounts is such that, I believe, will afford room for improvement, and I desire to comment on these services as follows :—

HUTT VALLEY SERVICES.

Of the aforementioned sum these services account for £7,200. This is principally due to the very high maintenance costs that were incurred during the year. The difficulty with which we found ourselves faced was that the buses which were purchased from the various private concerns running on the Hutt Road had arrived at the stage where maintenance had become a very considerable item. Indeed, a thorough investigation showed that many of the buses were not in a condition to justify the large amount necessary to keep them in proper condition.

The position was very considerably accentuated by the coming into full operation of the Motor Regulations, which requires a very much higher standard than had previously been the case. We also found ourselves faced with the necessity for reducing the seating in order to comply with the regulations, and this, of course, had a directly depressing effect on the earning-capacity of the various vehicles.

A complete review of this fleet brought us to the conclusion that it was hopeless to expect to give satisfaction in the matter of service or to show a reasonable financial return with the vehicles that were purchased from the various private concerns that were operating the service prior to the Department taking it over. It was therefore decided to at once purchase ten more buses, and tenders were duly called and a tender accepted. These buses are now in course of delivery, and are already enabling us to materially improve the service. The whole of these ten buses were of the four-wheeled single-decker type. Further buses will be required during the coming year to replace vehicles that have ceased to be economically efficient. Before embarking on further purchases, however, inquiries are being made as to the suitability of other types of buses, such as six-wheeled single-decker and double-decker buses, in order that we may build up the fleet in a way that will give us the best results both from a traffic and financial point of view.

Another very material factor affecting the financial return on the Hutt services has been the writing-off of the amount represented by goodwill in the purchase price of the buses. The difference between the valuation of the buses as taken over and the total amount paid to the previous owners is £16,530, and this, of course, represents the amount paid by way of goodwill. I think it is desirable that this should be written off as quickly as possible, and we are aiming to eliminate it from the accounts in five years. This involves a writing-off of £3,300 each year, and this amount, of course, represents a burden on the working-expenses that will continue until the total sum is finally disposed of.

Another factor which bore materially on the financial results was the imposition of the petrol-tax that was brought into operation during the year. This accounted on the Hutt service for no less than £2,284.

By way of set-off against the debit on account of the buses, we have the saving on account of adjustment of train services which was made possible by the running of the buses. This saving is estimated at £5,000 per annum.