

By way of final comment on the financial position of the railways I would add the following remarks :—

The Working Railways Account was established in terms of the Government Railways Amendment Act, 1925, as from 1st April, 1925. In order to supply the floating capital necessary to institute the new system, the sum of £1,327,649 was credited to the Working Railways Account as from that date. This sum represented the amount earned by the working railways in excess of the "policy" rate of interest, which was fixed at 3 per cent. in 1897 and increased to $3\frac{3}{4}$ per cent. in 1909.

Of the total sum credited to the account £854,257 represented floating assets such as stores and outstanding balances at stations held by the Department and the balance, £473,392, was paid from the Consolidated Fund by instalments in cash during the year ended 31st March, 1926.

The total sum, consisting as it did of surplus railway earnings, was credited to the General Reserve Account in the railway books. The general reserve has also been augmented by credits for working assets such as Refreshment Branch property, and Advertising Branch contracts and equipment held at 1st April, 1925, which under the system previously obtaining were not recorded amongst the assets of the Department.

At 31st March, 1930, the general reserve nominally amounted to £1,378,317, while reserves for renewals and depreciation amounting to £1,687,562, fire and accident insurance amounting to £49,413, equalization of expenditure on slips, floods, and accidents amounting to £17,220, and betterments (Refreshment Branch) amounting to £4,289, had been built up by charges or premiums levied against working-expenses. The total reserve for renewal and depreciation of capital assets was £1,687,562, and for other purposes £1,449,239, or £3,136,801 in all. Against these reserves the operating losses for the five-yearly period amounted to £2,042,017, reducing the amount of floating capital to £1,094,784, a sum that is inadequate to meet the everyday requirements of the Department, owing to the large amounts locked up in stocks of stores and materials, outstanding accounts for works in progress, and outstanding balances at stations.

In order to meet the position it was necessary to borrow £150,000 in cash from the Consolidated Fund at the 31st March, 1930, and there is no prospect of repaying this amount. A further sum of £100,000 was borrowed from the Consolidated Fund on the 4th April in order to meet outstanding liabilities for wages and other expenses. The latter sum has since been repaid, but the Working Railways Account has been unable to make any payment on account of interest during the current year; and will not be able to make any payment to the Consolidated Fund until the cash receipts increase during the busier months of the year.

From a consideration of the foregoing the following fact emerges, namely: That, though the Renewals and Depreciation and Equalization Funds show nominal credits to the amounts above mentioned, there is no cash in the Railway Account corresponding to those credits, the whole of the cash having been paid out to meet the demand for payment of interest to the Consolidated Fund. Inasmuch as the payment of this interest really represents the dividend payable to the owners of the railway (in this case the State), and inasmuch, also, as the Renewals and Depreciation Fund is established for the protection of the Railway Capital Account "dividend" has been paid out of railway capital to the extent that the cash representing the amount to the credit of that fund has been appropriated to the payment of interest. It is to be noted also that, owing to the final depletion of the Department's cash resources by the demand for payment of interest, the Department was unable to meet the whole of this payment last year, and the Treasury Accounts show the Department as being indebted to the Consolidated Fund to that amount. That debt cannot be regarded as other than bad.

PASSENGERS.

An analysis of the passenger revenue for the year is as follows :—

—				1930.	1929.	Variation.	Per Cent.
Passenger journeys—							
Ordinary				8,469,038	9,046,267	—577,229	6·38
Season				16,911,076	16,496,596	+414,480	2·51
Total				25,380,114	25,542,863	—162,749	0·64
Revenue—				£	£	£	
Ordinary				1,733,512	1,868,046	—134,534	7·20
Season				262,415	256,700	+5,175	2·23
Total				1,995,927	2,124,746	—128,819	6·06
Passenger train-miles				5,037,775	4,833,991	+203,784	4·22
Revenue—				£	£	£	
Per mile of line				607	653	—46	7·04
Per train-mile				95·08d.	106·23d.	—11·15d.	10·4