and Picton of £579,600. Even assuming that the whole of the Wellington–Lyttelton passenger traffic now travelling by the ferry service were diverted to the new route, the total passenger revenue accruing therefrom would be approximately £250,000. Adding local passenger traffic at £200 a mile, which is an extremely liberal figure (especially as local passenger traffic by rail is one aspect of the railway business that has been severely affected by competition), the total passenger revenue per annum for the line would be £293,400. This leaves the sum of £286,200 to be obtained from goods revenue, which represents £1,319 per mile per annum. As there is little or no prospect of through goods traffic, the business in goods must be measured by the requirements of the district by way of inward traffic and the products of the district by way of outward traffic. A comparison with lines serving what might be regarded as somewhat similar country shows that the annual goods revenue from the Otago Central line is approximately £500 per mile, and the Southbridge line is approximately £650 per mile. The latter line passes through good agricultural land. The Taneatua line (in the North Island) has a goods revenue of approximately £400 per mile per annum. That line has some similar features to the line now under consideration, in that the business of the Taneatua line is faced with competition by sea through the ports on the Bay of Plenty, while the traffic on the proposed line is liable to competition by sea through the ports at Blenheim and Kaikoura. On the other hand, it may be pointed out that the Taneatua line serves an extensive tract of good country beyond the terminus of the line. This has no parallel in the case of the Christchurch–Picton line; while as regards the land along the route of the line the Taneatua line compares more than favourably with the proposed line. When it is realized that, even conceding for the purpose of present consideration that the proposed line might become the through passenger route between the North and South Islands, there requires to be obtained an annual goods revenue of £1,319 per mile, as compared with £400 per mile received from the Taneatua line and £500 per mile from Otago Central and £650 per mile from the Southbridge line, the possibility of the line proving a financial success is obviously remote.

To avoid misunderstanding, the Board desires to emphasize that in the tabulation included in the foregoing portion of this report dealing with the South Island main line averages there is no suggestion that the figures shown represent a result that would be achieved by the new line. The principal fact demonstrated by the statement is that even with the quantity of traffic passing over the better portions of the South Island lines it is not possible to pay present-day operating expenses and interest on present-day costs of construction.

In view of the amount of work already done, particularly at the northern end, the Board considered whether construction might not be justifiably completed to some appropriate point. An examination of this phase of the question has led the Board to the following conclusions:—

(1) That, having regard to the stage now reached in construction and taking into account the cost of completing construction, the section from Wharanui southward to the Clarence River offered a *prima facie* case for examination. Up to the 31st July, 1931, the expenditure on that section was £252,777 and the estimated cost of completing was £127,753; hence the completion of this section would load the Working Railways capital with a total sum of £380,530 for construction only.

(2) That careful consideration of the prospective operating results of the section to Clarence River, if completed, failed to disclose any reasonable prospect of decreasing the operating loss at present being experienced on the open line from Picton to Wharanui. On the contrary, there are strong indications that in actual fact the operating loss would be increased if construction were completed on this section.

(3) That accordingly the net result of completing this section would be to continue, if not to increase, the existing operating loss, added to which would be the substantial item of interest on the capital cost of £380,530.