

The sum actually paid for interest charges for the past year is £685,000. The net earnings totalled £688,727, which amount deducted from the total interest charge of £2,255,345 leaves a deficit on the year's operation of £1,566,618, an increase of £355,349 compared with the figures for the previous year.

Compared with the previous year, the net earnings show a decrease of £240,530. Revenue decreased by £716,579, or 8·7 per cent., while expenditure decreased by £476,049, or 6·5 per cent., notwithstanding an increase of £66,896 in the amount set aside to provide for depreciation and renewals.

In comparing the net revenue for 1931 with the results of previous years it is necessary to make due allowance for the variations in enactments, regulations, and policy applying to the finance of the Working Railways Account. It must also be borne in mind that since 1926 systematic provision has been made for depreciation in a manner which has not been adopted by the majority of State railways in other parts of the Empire, and which prior to that year had not been adopted in New Zealand.

Variations such as those referred to require to be taken into account in order that deductions drawn from comparisons will be correct and reliable.

During the year a comprehensive review of the train services was made, and decisions come to as are outlined in the General Manager's report which accompanies this Statement. The matter was further reviewed by the Royal Commission which investigated certain aspects of the Department's affairs during the year, and, generally speaking, the decisions that have been arrived at by the Department were concurred in.

Channels for economy in expenditure were also fully explored in every direction during the year, and the figures given above indicate the very large measure of success that was achieved in that connection, and there is no doubt that an even greater extent of reduction in the expenditure might have been achieved if the staff adjustments that were found possible had been rigorously pursued regardless of any other consideration than the reduction of expenditure within the Department. It was felt that, having regard to the general state of the labour-market and to the very great distress that was likely to be occasioned if a sudden and extensive reduction of staff had been decided upon, a steady process of more or less gradual reduction was justified, even though the Department were involved in some expense in so doing.

Consideration of the financial results for the year would, of course, not be complete without reference to the very severe trade depression that has been experienced during the period under review. For the first four months of the financial year the revenue held to about the same level as the previous year, but thereafter, as the trade depression intensified, the revenue dropped extremely rapidly. Services were, of course, adjusted as much as possible to the changing conditions, but it will be realized that in such a business as a railway, with its high proportion of fixed charges, the scope for making reductions of expenditure in immediate sympathy with a sudden drop in business is extremely limited. Keeping this in mind, it will be appreciated that the very great reduction of expenditure that was achieved during the year represents more a permanent lowering of the production costs of the Department rather than a temporary adjustment to the sudden drop in business that has been the result of the present stringent business conditions. In other words, so far as the financial position has been within the control of the Department—and this has particular reference to the expenditure side—the record of what was accomplished during the year stands out as a credit to the administration, while it must be equally recognized that the phenomenal drop of gross revenue which brought about the shrinkage in the net revenue was undoubtedly due to conditions which are affecting practically every other business in common with the railways, and which are quite beyond the control of the railway administration.

The Royal Commission, in pursuance of its order of reference, undertook a review of the railway tariff, and recommended a number of alterations therein, the principal of which were adopted as follows: Ordinary passenger fares increased by ½d. in the shilling or part of a shilling, holiday excursion and season tickets increased by 1d. in the shilling or part of a shilling, the scale for workers' weekly tickets increased, and a number of minor amendments made to other classes of tickets.