

The section of line from Eskdale to Putorino had been opened some four months before the date of the earthquake. The Board examined the economic position of this line very carefully in connection with its review of lines under construction as this section of line formed an integral part of the proposed railway from Napier to Gisborne. The Board found that the completion of the line to Wairoa would not be justified. Its reasons for this finding are fully set out in the report which was presented to Parliament last year, and need not be here repeated. In the present connection the Board would say that the reasons, which in its opinion justified its recommendation that the line to Wairoa should not be completed, also justify the conclusion that the line between Napier and Putorino was not a sound economic proposition. While the line from Napier to Putorino was open for traffic the Working Railways Department had a through-booking scheme in operation by rail and road linking up the towns between Putorino and Gisborne with all stations on the North Island Railway system. This was done in an endeavour to obtain the transport business over that route for the railway. The effort was, however, not successful, notwithstanding that quite substantial reductions were made in the rates. The Board could see no reason to believe that another similar effort would have any different result, and there is not the slightest doubt in the mind of the Board that had the earthquake not occurred the section of the line between Napier and Putorino would have been a case for consideration under section 20 of the Government Railways Amendment Act, 1931, and the Board's conclusion is that the line would ultimately have had to be closed under the provisions of that section. The line was very badly damaged by the earthquake, in some places being completely covered to quite a substantial extent. Inquiries showed that considerable expenditure would be involved in clearing the line and restoring it to a condition for traffic-working. Quite obviously if the line were such as to hold little or no promise of continued working if it had remained undamaged there could not be the slightest justification for incurring the expenditure that would be required for restoring the line when nature had closed it. For these reasons the Board could not see its way to authorize this expenditure, and the line has accordingly not been restored.

FINANCIAL.

On the 31st March, 1932, the capital invested in the lines open for traffic, including the steamers and plant on Lake Wakatipu and other subsidiary services, was £51,424,883, as compared with £60,545,154 on 31st March, 1931.

The additions to the capital account totalled £754,078, and comprised Maintenance Branch, £155,521, chiefly in bridge construction; Signals Branch, £30,934, in new telephone lines and extension of train control; Public Works Department, £193,981, expended on Tawa Flat deviation; and £373,642, expended on the construction of new rolling-stock.

During the year loan-moneys amounting to £439,190 were repaid to the capital account, and the net addition to capital for the year was £314,888.

The Government Railways Amendment Act, 1931, authorized the reduction of capital as at 1st April, 1931, by £10,400,000, which amount represented the estimated amount of accrued depreciation and losses of capital not otherwise provided for up to that date. The reduction made possible the writing-off of all assets which had at 31st March, 1931, reached the full term of life fixed for the purpose of determining depreciation rates.

The financial results of the operations for the year ended 31st March, 1932, were as follow:—

	Year ended 31st March, 1932.	Year ended 31st March, 1931.	Variation.
	£	£	£
Gross revenue	6,508,948	7,571,537	—1,062,589
Gross expenditure	5,670,955	6,882,810	—1,211,855
Net revenue	837,993	688,727	+ 149,266
Interest charges	2,221,465	2,255,345	— 33,880
Excess of interest charges over net revenue ..	1,383,472	1,566,618	— 183,146

The gross earnings for the year were £6,508,948, a decrease of £1,062,589 (14·03 per cent.) compared with the previous year, and a decrease of £1,779,168 (21·4 per cent.) compared with the year ended 31st March, 1930.

The gross earnings were the lowest since the year ended 31st March, 1920, when the revenue totalled £5,752,487. In 1920 the mileage of track operated was 2,996, as compared with 3,315 in the financial year just closed.

During the past year the railways suffered severely from the trade depression and the substantial decline in revenue is principally due to this cause.

The gross expenditure totalled £5,670,955, a decrease of £1,211,855 (17·61 per cent.) compared with the previous year, and a decrease of £1,687,904 (22·9 per cent.) compared with the year ended 31st March, 1930.

Interest charges totalled £2,221,465, a decrease of £33,880 compared with the previous year.

For the years ended 31st March, 1930 and 1931, interest was computed on the total sum expended on the railways less £8,100,000 as provided in the Finance Act, 1929. In the year under review the capital account has been reduced by £10,400,000 in terms of subsection (2) of section 23 of the Government Railways Amendment Act, 1931, such amount being inclusive of the sum of £8,100,000 before mentioned. The reduction in interest charges is due to this factor.

The accumulated loss which stood on the balance-sheet at 31st March, 1931, at £1,892,017, was written off against the depreciation reserve £1,658,253, and the balance—viz., £233,764—was charged against the general reserve.