

The Government has given careful consideration to the subject, and we purpose taking power during the present session to lease the Auckland–Waikato Railway, with the view of practically testing the advantages of that mode of management.

In the case of the Canterbury Railways, there was a very great increase to the traffic during the past grain season; and I regret to say that considerable inconvenience was occasioned to the settlers. The increased work thrown on the railway may be gathered from the returns of traffic during the months of March and April of the present year, and comparing them with the returns of the same months in the preceding year.

	1877.	1876.
	Tons.	Tons.
March ...	51,017	37,465
April ...	49,068	33,839

It will be seen, therefore, that the increase of traffic was very great, and could scarcely have been foreseen by the provincial authorities, or provision to meet it would, no doubt, have been made. The General Government only assumed charge of these railways shortly before the pressure commenced, and it was then impossible to procure the increased rolling stock required to meet the traffic. Another element which added largely to the difficulties of working the lines under such pressure was the delay caused through the difference of gauge on a portion of the railway.

To provide against the recurrence of such difficulties in the future, the Government is providing a large increase of narrow gauge rolling stock, and is changing the gauge of the section from Amberley to Lyttelton to the New Zealand standard gauge. I am confidently assured that the steps being taken will enable the railway to satisfactorily perform the work that will be thrown upon it during the next grain season.

The following table gives the results of the working of the different railways that have been under the conduct of the Public Works Department during the past year; and of the Canterbury and Otago Railways for the six months since they were taken over by the Government:—

Railways	Receipts.			Expenditure.			Profit.			Loss.		
	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
Kaipara ...	3,778	4	5	4,296	11	6	...	...	...	518	7	1
Auckland ...	21,868	3	9	17,663	8	10	4,204	14	11	...	...	...
Napier ...	21,374	13	10	13,239	19	2	8,134	14	8	...	...	...
Wellington ...	11,518	18	3	9,893	19	2	1,624	19	1	...	...	...
Foxton ...	8,364	12	2	7,378	13	2	985	19	0	...	...	...
Wanganui ...	175	9	6	412	14	4	...	...	...	237	4	10
New Plymouth ...	2,641	19	1	3,271	2	2	...	...	...	629	3	1
Picton ...	5,731	4	5	5,165	12	1	565	12	4	...	...	...
Nelson ...	6,209	13	3	5,490	9	5	719	3	10	...	...	...
Westport ...	858	12	6	833	6	6	25	6	0	...	...	...
Brunner ...	7,920	11	7	4,346	19	6	3,573	12	1	...	...	...
*Christchurch } 6 months {	150,316	6	11	105,677	16	2	44,638	10	9	...	...	...
Dunedin } 6 months {	48,785	7	3	32,566	15	10	16,218	11	5	...	...	...
Invercargill } 6 months {	21,643	11	0	14,563	9	11	7,080	1	1	...	...	...
Making a total of receipts ...	...	...	...	...	...	...	£311,187	7	11	...	...	...
Expenditure ...	...	...	...	...	...	...	224,800	17	9	...	...	...
Leaving a balance ...	...	...	...	...	...	...	...	...	...	...	...	† £86,386 10 2

The traffic returns for the present year will, without doubt, be largely in excess of last year's. Not only have we to expect an increase on the lines now open, but it must be remembered that during the present year it is proposed to complete the works now in progress in Otago, which will connect the northern and southern districts with Dunedin, and make one continuous line from Amberley to Kingston of 527 miles, exclusive of 222 miles of branch lines in the same districts. Then the railways from Auckland to Waikato, Wellington to Wairarapa, and Wanganui to Foxton are also to be completed within the same

* Oamaru accounts are included with Christchurch, the connection of the lines having necessitated their amalgamation.

† These figures will not be found to agree exactly with those given in the Financial Statement, owing to the departmental accounts for the Southern lines not having been finally adjusted at the time it was made.