

The number of sheep carried was 2,518,233, as compared with 2,356,595 last year, an increase of 161,638. Since the reduction in rates (1895) the sheep traffic has increased by one million sheep per annum, equal to forty-five trucks a day all the year round.

The most noticeable increases in the goods-traffic were in cattle, sheep, chaff, lime, firewood, merchandise, and minerals.

Calves, pigs, wool, timber, and grain show decreases—wool due to short clip, timber to the falling-off in the kauri business on the Whangarei and Kaihu Sections, and grain due to short yield in the South Island for season 1898.

The reductions in fares and charges as indicated in my last Statement have been brought into force. (See Return No. 32.) From the 22nd August, 1898 (date on which free carriage of lime commenced), to 31st March, 1899, 8,643 tons of lime were carried for farmers free of charge, and 1,901 tons of lime paid freight, making a total of 10,544 tons, as compared with 5,860 tons carried during the corresponding period of the previous year. The concession in freight on above basis is at the rate of £4,000 per annum.

The results consequent upon the abolition of the stage system on the Whangarei Section continue highly satisfactory. Notwithstanding the serious falling-off in the timber business, this section earned more than during the previous year, the increase in the revenue from passengers being equal to 10 $\frac{3}{4}$ per cent.; whilst the rate of interest earned was £3 8s. 7d. per cent., as compared with £2 15s. 3d. per cent. in the previous year.

The partial failure of the coal-supply at Kawakawa has resulted in such a loss of revenue as to compel the Government to review the position. After consulting with the settlers, it has been decided to increase the railway-rates 50 per cent., amalgamate with the Postal Department, and reduce the staff employed, thereby to some extent curtailing facilities. This arrangement, which is for twelve months only, is, in view of future settlement and the possibility of more coal being opened up, considered preferable to closing the line altogether.

The remarkable expansion of business in the southern portion of the North Island is seen in the increased railway revenue on the Wellington-Napier-New Plymouth Section, which amounts to 11 per cent. No doubt the advantage of through communication and cheap fares and rates by the all-Government route has had a stimulating effect. This increasing business, however, demands increased station-accommodation and rolling-stock.

3. EXPENDITURE.

The expenditure for working has absorbed 63·26 per cent. of the revenue, an increase of nearly 1 per cent. over the rate for the previous year (62·30), which in turn showed an increase of nearly 1 per cent. over the rate for 1896-97.

This increased rate of spending is due entirely to the expenditure of the Maintenance, Locomotive, and Car and Wagon Branches, which are respectively 0·46, 0·54, and 0·26 per cent. of revenue more than last year. The traffic expenditure per cent. of revenue is 0·24 per cent. less than last year.

The amounts chargeable to the expenditure, Working Account, are as follows:—

	1898-99.	1897-98.
In the Traffic Department	£244,933	£232,646
" Locomotive Department	305,212	274,633
" Maintenance Department... ..	357,189	327,987
Management	44,318	41,062
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	£951,652	£876,328
Less credit recoveries	21,914	19,137
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	£929,738	£857,191

The percentage of expenditure to revenue received is as follows:—

	1898-99.	1897-98.
Traffic	16·67	16·91
Locomotive	15·75	15·21
Car and wagon repairs	5·01	4·75
Maintenance of way	24·30	23·84
Management { Head office	1·01	0·97
{ Departmental offices	2·01	2·01
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	64·75	63·69
Less credit recoveries	1·49	1·39
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	63·26	62·30