

With the outbreak of war the position in respect of the road freight services owned and operated by the Railways Department has undergone a complete change, the great majority of these services, particularly those which were running over routes substantially served by rail, having been suspended in October–November, 1939. This action was taken as a war-emergency measure in order to conserve petrol-supplies and to make available suitable road vehicles urgently required for the purposes of the Defence Department. Until such time as hostilities cease and conditions are again normal it is not contemplated that circumstances will arise which will render it necessary or desirable for the railway-owned road services to again take up the long-distance carriage of freight traffic. In certain isolated instances, however, it is possible that for reasons of purely local significance or importance it will be necessary for the Department to continue operating road goods services or seek to re-establish services which are at present suspended.

MISCELLANEOUS REVENUE (NON-OPERATING).

The revenue under this heading comprises miscellaneous non-operating revenue such as land and siding rentals, commission, deed fees, advertising rights, interest on investments, and internal interest charges. The total revenue this year was £393,846, as compared with £369,330 last year, an increase of £24,516. An increased debit against the Stores Branch in respect of internal interest charges due to an expansion of the average value of stores stock in 1939–40, as compared with the previous year, was the primary cause of the variation.

RAIL-CAR SERVICES.

As at the 31st March, 1940, rail-car services were being operated on five routes, particulars of the routes and date of commencement of the services being as follow:—

Route.	Commenced running.
Christchurch–Greymouth–Hokitika	5th August, 1936.
Wellington – Wairarapa – Palmerston North	17th September, 1936.
Wellington – New Plymouth	16th April, 1939.
Napier–Wairoa	3rd July, 1939.
Wellington–Wairoa (week-end service only)	8th July, 1939.

The following statement shows the results of the operation of all five services for the year 1939–40 as compared with the preceding year:—

Revenue—	1940. £	1939. £	Variation. £	Per Cent.
Passenger	56,394	28,070	+ 28,324	100·90
Parcels, mails, and newspapers	3,008	2,843	+ 165	5·80
	<u>£59,402</u>	<u>£30,913</u>	<u>+£28,489</u>	<u>92·16</u>
Expenditure	£50,166	£27,437	+£22,729	82·84
Net revenue	£9,236	£3,476	+ £5,760	165·71
Mileage	542,549	393,129	+149,420	38·01

The rail-car services operating in various parts of the system have functioned satisfactorily and, generally speaking, have been well supported by the travelling public. All rail-car services combined earned a net revenue of £9,236 during the year, as compared with £3,476 in 1938–39, an increase of £5,760 (165·71 per cent.). In addition, the services operating on the Wairarapa route made a saving of £9,937, representing the direct cost of steam-train miles replaced during the year (43,680 at 4s. 6·6d. per mile), the net gain from the operation of rail cars on this route during the twelve months under review being £13,640. The comparable figure for last year was £7,656.

Of the fifteen rail cars now in service, four are petrol-engined and the remainder Diesel-engined, two petrol units having been converted to Diesel operation during the year.

SICK BENEFIT FUND.

The result of the year's operations of the New Zealand Government Railway Employees' Sick Benefit Fund was a deficit of £2,554, compared with a deficit of £1,696 last year.

The receipts and sick-benefit payments were as under:—

	1940. £	1939. £	Variation. £	Per Cent.
Income	37,819	36,694	+1,125	3·07
Expenditure	40,373	38,390	+1,983	5·17
Deficit	<u>£2,554</u>	<u>£1,696</u>	<u>+ £858</u>	<u>50·59</u>

Receipts include £8,000 annual subsidy from the Working Railways Account.

The total membership on 31st March, 1940, was 17,632, compared with 16,954 in 1939, an increase of 678, due to an increase in the number of staff employed. The accumulated fund is now £43,141 and the investments £43,898.