The sum of £45,955 was expended in the Maintenance Branch and charged to Capital Account under the head "Additions to open lines." These comprise additions to station buildings, extension of station-yards, tablet-installation, telegraph and telephone facilities, interlocking of points and crossings, additions and improvements to wharves, purchase of land, water-services, &c.

In the Locomotive Branch the sum of £250,321 was expended in the provision of additional rolling-stock, Westinghouse-brake, steam-heating gear, electric light for cars, and workshops machinery. The rolling-stock in respect of which the charges were incurred include 23 locomotives, 29 carriages, 58 bogie and 232 four-wheeled wagons completed on the 31st March, and 27 locomotives, 46 carriages, 16 brake-vans, 205 bogie and 956 four-wheeled wagons incomplete but in hand on that date.

The operations of the Department in both the Locomotive and Maintenance Branches have been greatly retarded on account of the difficulty in obtaining materials from abroad in fulfilment of orders given at various periods since August, 1914. This has resulted in the suspension for the time being of a large number of essential works for which authority had been given.

Future Railway Revenue and Expenditure.

Notwithstanding the fact that the year's operations were satisfactory on the whole, there was an absence of that buoyancy which has hitherto been so remarkable a feature of the railway business during the war, and the effects of nearly three years of war manifested themselves, especially towards the close of the year.

Passenger traffic gave clear indications of languishing, the direct result undoubtedly of the absence on service of so many young men, the reduction in the number of oversea passengers arriving at and departing from New Zealand ports, and a spirit of caution in regard to expenditure on unnecessary travel.

The goods business is now showing unmistakable signs of the effect of the dearth of oversea shipping and the embargo placed on exports overseas by the British Minister of Munitions, these causes affecting very seriously both the import and export traffic and the railway business at the ports.

In view of the above tendencies to restrict business a considerable reduction in gross revenue both in passenger and goods traffic must be anticipated for the coming year, whilst on the other hand, unfortunately, there will be considerable difficulty in effecting any equivalent economy in working owing to the rapidly rising prices of railway material.

The serious effects of the enhanced prices on expenditure can be appreciated to some extent by a study of the quotations given below of the increased cost of a few typical lines of commodities used extensively in the Locomotive Branch. In the examples given present prices are compared with normal prices in 1914:—

> Canvas for tarpaulins, 1914, 1s. 1d. per yard, advanced to 3s. per yard; increased cost to Railway Department at normal rate of consumption, £11,500 per annum. Spring steel, £11 15s. to £50 per ton; increased cost, £5,300 per annum. Steel plates, £8 10s. to £50 per ton; increased cost, £16,200 per annum. Bar iron, £10 to £20 per ton; increased cost, £16,880 per annum. Cotton-waste, £30 to £65 per ton; increased cost, £4,500 per annum. Boiler-tubes, 5d. to 1s. 9d. per foot; increased cost, £21,800 per annum. Iron, galvanized, £14 to £70 per ton; increased cost, £16,000 per annum. Pig iron, £4 to £11 per ton; increased cost, £14,000 per annum. Draw-bar springs, 5s. to 10s. 3d. per spring; increased cost, £2,500 per annum. Copper plate, £90 to £236 per ton; increased cost, £3,400 per annum. Copper ingot, £80 to £135 per ton; increased cost, £6,600 per annum. Tin, £170 to £239 per ton; increased cost, £1,200 per annum. Aluminium, £96 to £220 per ton.

There are a number of other lines of material used in the railway workshops in large quantities the prices of which have risen practically in the same ratio as the examples quoted above, and as prices have still a strong upward tendency it is impossible to calculate to what extent railway expenditure will be affected by the end of the year, and afterwards. It is very questionable whether the cessation of hostilities will have the immediate effect of cheapening the prices of engineering material, as there will be an urgent demand as soon as peace is declared for such material for reconstruction purposes in Europe. There is, therefore, little prospect of any reduction in railway-operating costs in the near future to compensate for the inevitable loss of revenue.

Price of Locomotive Coal.—The increase in the price of coal in New Zealand for locomotive purposes is also a most serious factor in estimating the trend of railway-operating expenditure in the future. Since 1914 the price of West Coast coal (including increased steamer freights) delivered at the main ports, such as Wellington, &c., has increased so as to represent a difference in cost to the railways on an annual consumption of 150,000 tons of over £50,000 per annum. The increased cost to the railways of lignite coal over 1914 prices represents on an annual consumption of 56,000 tons about £10,000. The increased price to the railways on 120,000 tons of Newcastle coal represents an increased cost of £63,000 per annum.

The total increased cost to the New Zealand railways of locomotive coal (West Coast, lignite, and Newcastle) at present prices as compared with prices in 1914 represents an additional payment on this item alone of £123,000 per annum.

It is noteworthy when comparing the ratio of working-expenses to revenue on the New Zealand railways with the Australian railways that whilst the average cost of locomotive coal in New South Wales (according to figures contained in an official report dated 20th July, 1917) is 9s. 9d. per ton, the average cost of hard coal for the New Zealand railways landed at the main ports