

The approximate capital cost of the tunnel section was £1,500,000. The estimated loss per annum on working, including interest, will probably not be less than £70,000 per annum. The expenses of working the tunnel section are particularly heavy, as special electric locomotives have had to be provided, and, owing to the very heavy grade, the load that can be taken through the tunnel by each train is limited in a marked degree, and, speaking generally, the business consists of one-way traffic only. It is very difficult at this juncture to say what increase in traffic would be required to make the new section of line a payable proposition, but it would require to more than double if the existing rates are maintained.

The coal and timber traffic, which is the main portion of the traffic from the west to the east coast, carries comparatively low rates, which allow very little, if any, margin over the working expenses involved in working such traffic.

Notwithstanding the higher rates in operation from the 4th August, 1923, until February, 1924, under the Public Works regime the net result of operating the tunnel was a loss of £27,305 for approximately forty weeks.

In February, 1924, the rates were reduced by charging fares and freights on continuous mileage. The effect is strikingly illustrated by the figures showing the results of operating the line for the three periods the line has been operating since the altered system of charging was invoked. This shows a net loss of £13,324; and it will be noted that the working-costs have exceeded the actual receipts for the three months ended on the 16th August by £379.

The question of improving the financial results on this section has been engaging the serious attention of the officers of the Tariff and Commercial Departments who have been investigating the representations made by the Canterbury Chamber of Commerce and other bodies for the inauguration of back-loading freights between Christchurch and the West Coast, the object being to offer such reductions in freights as will encourage a considerable increase in traffic. It is contended by those interested that the additional traffic secured by the reductions would materially assist in reducing the loss on this section, as at present a large number of trucks which bring coal from the West Coast are hauled back empty. I am particularly desirous of finding means of securing a larger amount of back-loading on this section, but from the information before me I find it impossible to definitely decide that the claims put forward for the special rates are likely to materialize, and until it has been established to my satisfaction I do not propose to decide the question one way or the other.

## OTIRA TUNNEL.

*Working-expenses and Revenue Account for the Period 4th August, 1923, to 24th May, 1924—Period in which the Line was under the Public Works Department and Special Rates were charged.*

To Working-expenses—	£	s.	d.	By Revenue—	£	s.	d.
Salaries and wages ..	8,073	5	6	Passengers .. ..	7,192	6	3
Stores and material ..	4,780	8	1	Parcels and mails ..	1,000	0	0
Miscellaneous .. ..	4,100	17	0	Goods .. ..	25,510	11	5
				Miscellaneous .. ..	1,130	6	9
Total working-expenses	16,954	10	7				
Balance .. ..	17,878	13	10				
	<u>£34,833</u>	<u>4</u>	<u>5</u>		<u>£34,833</u>	<u>4</u>	<u>5</u>

*Net Revenue Account.*

	£	s.	d.		£	s.	d.
Interest on approximate capital cost, £1,500,000, at 3½ per cent.	45,184	8	7	Net earnings .. ..	17,878	13	10
				Deficiency .. ..	27,305	14	9
	<u>£45,184</u>	<u>8</u>	<u>7</u>		<u>£45,184</u>	<u>8</u>	<u>7</u>