

A number of the classified rates for commodities such as coal, grain, firewood, bricks, &c., were increased by 10 per cent., and the rates for fresh fruit and vegetables were also increased by approximately 10 per cent.

The practice of charging a higher rate for certain imported commodities was discontinued, and the classification of such lines was amended in conformity with the recommendation of the Royal Commission.

#### HAWKE'S BAY EARTHQUAKE.

I desire to place on record the Government's appreciation of the achievement accomplished by all ranks of the Service in meeting a difficult situation following the disastrous earthquake which occurred in the Hawke's Bay district on the 3rd February. The resources of the Department were placed entirely at the disposal of the relief organization without charge, and the expeditious manner in which the permanent-way was repaired enabled the Department to facilitate the removal of refugees from the stricken area, and at the same time convey foodstuffs and other important necessities which were urgently required in this area.

The cost of these services to the Department has been assessed at £23,000.

On the other hand, the Department, like all others in the earthquake area, suffered considerable damage to its property, the value of which has been estimated at approximately £55,400. The line between Napier and Putorino suffered most severely, and, in view of the extent to which the country through which the line passes was shattered by the earthquake, it is difficult to make an accurate assessment of the cost of restoring the line, and it is quite possible that the figure given above may be substantially exceeded before a full restoration of ordinary working-conditions is again reached.

#### BRANCH LINES AND ISOLATED SECTIONS.

The loss on branch lines and isolated sections was £780,299, as compared with £761,091 for the previous year. These figures include interest charges.

On branch lines the loss on working, exclusive of feeder value and interest charges, was £203,604, as compared with £218,483 in the previous year. Interest charges increased from £475,717 in 1930 to £485,512 in 1931, due to the Eskdale-Putorino extension being taken over on the 6th October, 1930. The revenue on branch lines decreased during the year under review by £16,826, or 4·2 per cent., while expenditure decreased by £31,697, or 5·1 per cent.

The working of the isolated sections, Kaihu, Gisborne, Nelson, and Picton resulted in a loss of £39,131, as compared with £35,649 in the previous year. These figures exclude interest charges.

The increased loss is due to the heavy decline in traffic on these sections, which in the case of the Gisborne and Nelson Sections amounted to 21 per cent. and 22 per cent. respectively.

Substantial economies were made in the operating of these sections, but the effect of these was not felt until a fair proportion of the financial year had passed. Further reductions have since been made in the services on these sections on account of the decreased traffic and also in an endeavour to reduce the expenditure to a minimum.

#### COAL-SUPPLIES.

During the year the policy of utilizing as large a proportion of New Zealand coal as possible was steadily pursued, and the result is shown in the fact that the proportion of New Zealand coal rose to the record figure of 90 per cent. It must be frankly admitted that on a basis of strict economy the Department would have been justified in preferring imported coal to some of the New Zealand coal at the prices at which the respective supplies could be obtained, and it will be appreciated that not only from the point of view of the high proportion of New Zealand coal that has been used, but also because of the circumstance I have mentioned, the policy of the Railways Department, as above mentioned, has been of very great benefit to the mining industry in the Dominion.