

I would take this opportunity of pointing out that since 1935 the Government have reduced overseas indebtedness, apart from war debt, by a total of no less than £5,716,000 with the consequent saving in overseas debt charges.

Up to 31st March last, £5,988,000 had been borrowed from the United Kingdom Government in terms of the Memorandum of Security agreement, under which charges for capital equipment and maintenance of the Second New Zealand Expeditionary Force and the Dominion's share of the cost of the Empire Air Training Scheme are advanced by the United Kingdom Government on an overdraft basis. Of this sum £1,472,000 was repaid prior to 31st March last, leaving a balance owing at that date of £4,516,000. This sum has since been repaid, so that the liability of the Dominion up to 31st March last in connection with the arrangement has been fully met.

Overseas debt, as honourable members will readily appreciate, involves the export of produce from New Zealand to meet the interest and other charges involved, so that the more we reduce such debt the less of our overseas funds do we require to set aside to meet such charges. To ensure the maximum facilities for rehabilitation and post-war expansion it is imperative that we should meet our overseas war commitments to the maximum, and reduce the burden upon our overseas funds after the war.

**Reduction in overseas debt.**

Fresh borrowings within New Zealand during the past year amounted to a net total of £26,012,000, and were derived from the following sources—Public: National development loans, £2,562,000; war loans, £10,091,000 (including £1,208,000 interest-free and £1,321,000 National Savings); other public issues, £869,000; departmental issues, £6,049,000; and £6,441,000 from Treasury bills issued to the Reserve Bank; but it is of interest to note that at the 31st March last, with the exception of Treasury bills issued for housing purposes, the whole of the bills issued to the Reserve Bank had been purchased from funds held in Treasury accounts.

**Increase in New Zealand**

The gross increase in the debt domiciled in the Dominion has been applied to the expenditure of £11,886,000 for war purposes, £10,199,000 on hydro-electric development, main highways, and other public works, £5,360,000 on housing, together with £605,000 for redemptions and for costs in connection with loans. Redemptions totalling £4,919,000 were made during the year in New Zealand, but the effect of these was offset to some extent by the issue of securities totalling £2,881,000 in New Zealand in conversion of debt formerly domiciled in London, resulting in a net increase of £26,012,000.

The national development loans to which I have just referred were in the form of both short- and long-dated stock. The short-dated stock was issued at par, bearing interest at 3 per cent. and maturing on 15th July, 1945, while the long-dated was issued at £97 5s. per cent., bears interest at  $3\frac{1}{4}$  per cent., and is repayable on 15th January, 1959, the Government having the right, however, to redeem the latter stock at par on or after 15th January, 1956. To the 31st March last a total of £2,562,000 had been raised in respect of these loans, while a total of £7,282,000 had been brought to account to the 15th July.

**National development loans.**

In May last holders of 3-per-cent. and  $3\frac{3}{4}$ -per-cent. stock and debentures falling due for repayment in 1941 and the  $3\frac{1}{2}$ -per-cent. and 4-per-cent. securities due in 1943, involving in all a total of £21,273,000, were offered conversion into either  $3\frac{1}{4}$ -per-cent. stock repayable on 15th September, 1957–60, or 3-per-cent. stock repayable 15th September, 1946–48. Conversion into the  $3\frac{1}{4}$ -per-cent. 1957–60 was on terms that gave a return to investors of £3 9s. 3d. per cent. The conversion offer was accepted to the extent of nearly £20,000,000, involving a saving to the State in interest charges of approximately £150,000 per annum. This successful conversion loan should remove any necessity for dealing with any further maturing public issues during the war period.

**Conversion operations.**

The borrowing programme for the current year contemplates raising the sum of £44,000,000 for war purposes; deducting the amount of £31,000,000 to be advanced by the United Kingdom Government in terms of the Memorandum of Security arrangement, leaves a balance of £13,000,000 to be raised in the Dominion. In addition, a net amount of £12,950,000 will be required for national development purposes.