

1945
NEW ZEALAND

FINANCIAL STATEMENT

(In Committee of Supply, 9th August, 1945)

By the Hon. WALTER NASH, Minister of Finance

MR. CHAIRMAN,—

The change that has taken place in the finances of the Dominion as shown in this tenth Budget of the Labour Government, which I now have the honour to present, is revealed in the figures. In the Budget presented in 1936 the total revenue was £26,172,000, while the year just concluded shows a total from all sources of £124,500,000.

A year ago, when the last Budget was presented, the Allied Nations were still engaged in a life-and-death struggle—a struggle that had then lasted for almost five years and in which millions fought against the common enemy in order that the democratic way of life might be preserved.

The war in Europe has been brought to a successful close, and the menace which threatened to engulf our civilization has been removed, and this Dominion, although a far-flung part of the British Commonwealth of Nations, can, justifiably and with pride, claim to have played a worthy part in achieving this result.

Much has been done, much remains to be done; Government and people in New Zealand realize to the full that our efforts in the prosecution of the war must not be relaxed until the Japanese war leaders have suffered the same fate as the promoters of Nazism and Fascism in Europe. The responsibility is very clear that as a member of the British Commonwealth of Nations and a nation in the Pacific we must take our part in ensuring that the Japanese are defeated at the earliest possible moment. To this end our man-power will continue to be organized so that our contribution to the Allied cause will be as effective in the future as it has been in the past. At the same time it has recently been possible to release a large number from the Armed Forces serving overseas, and these are being returned to the Dominion as quickly as transport is available. In addition to our contribution to the Armed Forces, New Zealand has an important role to perform in the production of foodstuffs.

It would not be inappropriate at this stage to give honourable members a brief review of the part which New Zealand has played in the world war to date.

As you will remember, immediately on the outbreak of war New Zealand pledged the whole of her resources—men, materials, and base facilities—until the war was brought to a successful conclusion. An Expeditionary Force of a division, with the necessary reinforcements, was trained and despatched overseas, while a steady and growing stream of men joined the Navy and the Air Force. Initially voluntary recruiting was relied upon, but, following the German victories of May, 1940, conscription for military service was introduced. While our objective was to send the maximum number of men to the Middle East, proper provision had necessarily to be made for continuing and increasing our primary production, so as to meet the growing needs of Great Britain, and at the same time for the manufacture of munitions in New Zealand. So well was this objective achieved that by the end of 1941, although no less than 55,000 men and women had been sent overseas, by the substitution of women in industry, by working longer hours, by the return to work of our older men and women, and by the curtailment of non-essential industries, record production had resulted in both the primary and secondary industries.

On the entry of Japan into the war, with the danger of invasion to our shores, the building-up of a home-defence force became a matter of immediate concern. The Territorial Force was mobilized on a full-time basis, and service in the Home Guard and Emergency Reserve Corps became compulsory. So complete was this mobilization, that the numbers of men withdrawn from industry to the Armed Forces increased from 86,000 in 1941 to 170,000 (equivalent to 10 per cent. of the total population) in 1942.

Towards the end of 1942 the Allies had gained the upper hand in the Pacific, and it then became possible to reduce our armed strength within New Zealand so as to give much-needed relief to primary production and war industries generally, and to build up the New Zealand Forces in the Pacific. These Forces played their part in saving us from the threat of invasion. At this time a very considerable increase was made in the Air Force personnel in the Pacific which, with our commitments under the Empire Air Training Scheme, added to the strain on our man-power resources.

During 1943 the demands on New Zealand for increased food-production became more and more insistent. In the Pacific the Americans had built up substantial Forces, many of which could best be fed and accommodated by New Zealand, while at the same time the presence in Great Britain of vast armies preparing for the invasion of Europe, and the necessity for establishing stocks in anticipation of the liberation of Europe, intensified the need to produce foodstuffs to the limit. It was accordingly decided, with the full concurrence of our Allies, to withdraw one of the divisions from overseas, and, after negotiation with the Combined Chiefs of Staff in London and Washington, the Pacific Division was withdrawn. This decision made possible the introduction of a scheme for the replacement of those who had served in the Middle East for three or more years.

As an indication of New Zealand's military effort it might be mentioned that at the end of 1940 one man out of every five between the ages of nineteen and forty-five was in the Armed Forces, a year later the proportion had increased to one in every three, while by the end of 1942 more than two out of every five were serving. Since the war began, New Zealand has sent over 134,000 men and women overseas, of whom 6,000 were with the Navy, 98,000 with the Army, and 30,000 with the Air Force.

It is not necessary for me to remind you of the exploits of our sailors, soldiers, or airmen, Maori and pakeha, in the field of battle—all the Allied Commanders have spoken in the highest terms of their prowess, but it would be appropriate to point out that, to April last, 7 Victoria Crosses had been awarded to members of our Forces, and other awards (including mention in despatches), totalled 4,273.

These results have not been achieved without casualties. To the relations of those who have lost their lives, we offer a nation's thanks and sympathy. Those who gave their lives have made the greatest gift that is in a man's power, and it is for us who live to make ourselves worthy of that supreme sacrifice. We are also not unmindful of the debt which we owe to those who have been wounded or disabled, and to them and their comrades who have returned we pledge ourselves to do all that is humanly possible to repay them for what they have done.

Since the advent of the present Government the principle of complete equality of Maori and pakeha in wage-rates, social security benefits, education, and other fields has been firmly established.

The Maori has justified this principle by his splendid service during the present war, where with his pakeha comrades on the field of battle, in the air, and on the sea, he has established a reputation for endurance and fighting qualities unexcelled by the men of any nation. Following their great triumph in Europe the Maoris have already expressed their desire to fight on the Pacific front until final victory has been achieved. The people of New Zealand are proud of the co-operation between the Maori and pakeha, and look forward to fighting together during the war, and when the conflict ceases to each taking his part in the reconstruction work necessary for the improved economy of the Dominion and the rehabilitation of our servicemen and servicewomen.

On the primary-production side of our country's activities, the contribution has been a meritorious one. Our objective has been to produce as large an export surplus as possible not only to assist in relieving the very stringent conditions in the United Kingdom, but to provide for the American Forces and our own to the greatest possible extent. Rationing has been cheerfully accepted by the people and has enabled a substantial increase to be made in our supplies for overseas, while at the same time imports have been restricted to essentials, thus enabling valuable cargo space to be utilized to the best possible purposes. In spite of the many difficulties, and our commitments both in New Zealand and overseas, the Dominion's food-production in the war years has been greater than at any other time in its history. From the outbreak of war to the end of 1944 New Zealand had shipped to Great Britain 1,655,000 tons of meat, 734,000 tons of butter, and 638,000 tons of cheese, while up to the same date the American Forces had been supplied with 132,000 tons of meat, 17,000 tons of butter, 6,000 tons of cheese, 16,000 tons of canned and dehydrated vegetables, 78,000 tons of fresh vegetables. A total of 46,000 tons of biscuits had also been exported during this period.

The expansion of trade over the war years, as measured in value, is set out in the figures of the following table which includes all exports and imports other than those received or supplied under reciprocal lend-lease.

| | 1940. | 1941. | 1942. | 1943. | 1944. |
|------------|------------|------------|------------|------------|------------|
| | £ | £ | £ | £ | £ |
| Exports .. | 73,741,000 | 67,479,000 | 81,285,000 | 71,865,000 | 77,705,000 |
| Imports .. | 48,998,000 | 49,167,000 | 42,856,000 | 68,148,000 | 65,287,000 |

As regards our secondary industries, although New Zealand's factories are comparatively small and scattered, and in spite of the demands of the Armed Services, the value of factory production has increased by over 50 per cent. since the outbreak of war. Not only has New Zealand developed new lines of production, including munitions, but pre-war industries of an essential nature have been greatly increased. As an example of the success which has been achieved in this connection, it might be mentioned that since the outbreak of war New Zealand has produced over £13,000,000 worth of munitions and engineering stores. Our woollen-mills and boot and shoe factories have attained record production and have kept not only our Armed Forces fully equipped, but have supplied other countries as well. Before the war shipbuilding in New Zealand was confined almost entirely to the construction of launches and pleasure craft, but during the war we have built several hundred small ships and barges for our own and the United States Forces. To complete this programme, two new shipyards have been established in Auckland, the yards at Port Chalmers have been expanded, and practically every available shipwright and engineering works in the Dominion has been employed in prefabricating necessary parts or other war work. In addition, extensive ship-repairs have been carried out for the British, United States, and other Governments.

It is of interest to note the substantial increase in aggregate private incomes during recent years, as shown by the following statistics:—

| | 1935-36. | 1939-40. | 1943-44. |
|---|---------------|---------------|---------------|
| | £(m.) | £(m.) | £(m.) |
| Salaries and wages | 72.5 | 112.8 | 175.9 |
| Other income of individuals | 40.4 | 52.6 | 59.8 |
| Social security benefits and pensions | 3.6 | 11.2 | 15.7 |
| Sustenance payments.. .. | 1.1 | .. | .. |
| Company income | 7.0 | 23.6 | 40.9 |
| | <u>£124.6</u> | <u>£200.2</u> | <u>£292.3</u> |

Complete results for 1944-45 are not yet available, but to the extent that such information is to hand—namely, in respect of “salaries and wages” and “social security benefits and pensions,” record totals have been reached.

The foregoing statistics are co-ordinated with those of total production as follows:—

| | Total Aggregate Private Income. | Estimated Value of Production. |
|------------|------------------------------------|-----------------------------------|
| | £(m.) | £(m.) |
| 1935-36 .. | 124·6 | 113·8 |
| 1939-40 .. | 200·2 | 144·8 |
| 1942-43 .. | 264·4 | 169·8 |
| 1943-44 .. | 292·3 | .. |

The value of production for 1943-44 is not yet available, but the very satisfactory trend is shown by the foregoing results.

To complete this broad outline, reference must be made to the Government's policy in the field of finance, which is a most important factor in assisting a country's war effort.

The following is a summary of our War Expenses Account since the outbreak of war to the 31st March, 1945:—

War Expenses
Account,
1939-45.

| WAR EXPENSES ACCOUNT TO 31ST MARCH, 1945 | | | | | |
|--|---------|----------|---|---------|----------|
| <i>Receipts</i> | | | <i>Expenditure</i> | | |
| | £(000) | £(000) | | £(000) | £(000) |
| War loans raised .. | 258,220 | | War and other stores .. | 165,135 | |
| Less repayments from War Expenses Account .. | 27,706 | | Pay and allowances .. | 140,968 | |
| | | 230,514 | Accommodation, food, and clothing .. | 31,629 | |
| War taxation .. | | 173,597 | Land, buildings, and ships .. | 31,233 | |
| Transfers from Consolidated Fund .. | | 26,586 | Repairs, maintenance, and rent .. | 6,459 | |
| Reciprocal aid .. | | 83,837 | Medical services .. | 2,587 | |
| Disposal of surplus assets .. | | 3,479 | Educational services .. | 162 | |
| Miscellaneous receipts .. | | 6,901 | Transport .. | 18,558 | |
| | | | Miscellaneous non-effective services .. | 2,981 | |
| | | | Miscellaneous effective services .. | 14,773 | |
| | | | Total expenditure by Army, Navy, and Air .. | 414,485 | |
| | | | Ancillary .. | 32,491 | |
| | | | Reciprocal aid: Reverse lend-lease .. | 58,174 | |
| | | | Rehabilitation .. | 1,862 | |
| | | | Total expenditure .. | 507,012 | |
| | | | Balances on hand .. | 17,902 | |
| | | £524,914 | | | £524,914 |

New Zealand's total war expenditure to 31st March last amounts to no less than £507,000,000. No mean achievement for a population of only one million and three-quarters. Of this total expenditure only 43 per cent. remains outstanding in the form of war loans, as, after allowing for redemptions from other sources, we are left with an increase in the public debt on account of war of £218,750,000. Lend-lease assistance from the United States of America, totals nearly £84,000,000, as against reciprocal aid, which we have supplied to their Forces totalling over £58,000,000, without taking into account the fact that, in general, our price-level is substantially less than that at which lend-lease goods have been supplied to us.

It will be recalled that in the Government's first war Budget a definite war finance policy was enunciated in the following words:—

“It is infinitely better for everybody that the measure of the sacrifice required from each and every one to carry on the war should be made out of our current income either by way of taxation or by savings . . . The Government's policy for financing the national effort on the war front and the home front may be concisely stated as to tax to the economic limit for war purposes and borrow for essential productive works and for any balance of war requirements.”

The foregoing statement of the War Expenses Account to 31st March, 1945, is a striking testimony of the success which the Government have achieved in adhering to the policy thus laid down.

With the exception of £18,900,000 the whole of the increase (£218,750,000) in war debt is due for repayment in New Zealand. External borrowing places on posterity the burden of providing exportable produce to meet annual interest charges and principal repayments. Internal debt, on the other hand, is repayable to the people of New Zealand by the people of New Zealand. The economic effects depend upon who pays the taxes and who receives the interest. The more widely the investments in public loans are spread over the whole community and the greater the degree to which the interest-receiving coincides with the tax-paying public, the less disturbing and the less burdensome is the public indebtedness. In New Zealand, war-loan investments are very widely distributed. By 31st March, 1945, the net investments in National Savings Bonds and Accounts amounted to £31,000,000, and this represents investments by over half a million people. During the war period the amount standing to the credit of Post Office Savings-bank depositors increased by £53,000,000, while the amount in depositors' funds with trustee savings-banks has increased by £9,000,000. Substantial investments were also made by life-insurance companies, whose funds for investment consist of the aggregation of premiums, representing the savings of many thousands of policyholders. It is thus clear that investments in war loans, either directly or indirectly, cover a very wide range of individuals, so that the burden of debt on the community is consequently lightened.

A notable fact concerning these internal borrowing operations is the relatively small reliance upon bank credit. Loans made by banks increase the amount of money in circulation. Previous war Budget Statements have explained the necessity of avoiding as far as possible any increase in the spending-power of the public through expansion of bank advances and investments during a period of shortage of civilian supplies of consumer goods. Since 1943, shortly after the stabilization scheme was introduced, although the Government's war expenditure has been on a very high level, we have avoided creating credit for war purposes through the Reserve Bank, nor have the trading-banks increased their holdings in Government securities. The relatively small expansion of credit which has occurred since the outbreak of war is evidence that the Government, with the strong support of the people, has been successful in financing the wartime expenditure by methods which have kept monetary inflation within very restricted bounds.

The following table illustrates the movement of the public debt over the past ten years.

COMPARISON OF PUBLIC DEBT, 1936-45

| As at 31st March, | Excluding 1939-45 War Debt. | | | 1939-45 War Debt. | | Total. |
|----------------------|-----------------------------|------------|---------|-------------------|---------|--------|
| | Domicile. | | | Domicile. | | |
| | New Zealand. | Australia. | London. | New Zealand. | London. | |
| | £(m.) | £(m.) | £(m.) | £(m.) | £(m.) | £(m.) |
| 1936 .. | 122·2 | 1·6 | 198·4 | .. | .. | 322·2 |
| 1937 .. | 130·0 | 0·9 | 195·9 | .. | .. | 326·8 |
| 1938 .. | 132·5 | 0·9 | 196·0 | .. | .. | 329·4 |
| 1939 .. | 146·2 | 0·9 | 196·1 | .. | .. | 343·2 |
| 1940 .. | 161·2 | 0·9 | 197·2 | 3·0 | 0·1 | 362·4 |
| 1941 .. | 177·2 | 0·9 | 191·9 | 13·0 | 6·0 | 389·0 |
| 1942 .. | 189·8 | 0·9 | 188·7 | 40·9 | 3·5 | 423·8 |
| 1943 .. | 191·5 | 0·9 | 185·0 | 113·2 | 12·8 | 503·4 |
| 1944 .. | 194·9 | 0·9 | 182·2 | 171·8 | 16·7 | 566·5 |
| 1945 .. | 203·5 | 0·9 | 180·0 | 199·8 | 19·0 | 603·2 |

The most interesting story from these figures is that the debt, other than war, domiciled in London has been reduced by £18,249,433 since 31st March, 1936.

I turn now to an examination of the financial problems which we have dealt with in the year under review. In the main, the record of the past year is one of having carried into effect the proposals which were outlined to this House a year ago.

We visualized a balanced Budget for the year, and the final result was a surplus in the Consolidated Fund of £1,215,000. In the Social Security Fund we anticipated a deficit of approximately £1,000,000, which was to be met out of the opening cash balance. The position at the end of the year was better than was expected, and

the working cash balance has not therefore been drawn upon to the extent that we provided for. Expenditure out of the War Expenses Account was lower under practically every heading, the net reduction for the year as compared with the Budget estimate being £3,000,000.

Similarly, under the National Development programme, which is financed from loan-moneys raised from departmental sources, the expenditure has been kept well within the estimates, the saving on the amount authorized by the Appropriation Act being over £2,000,000.

**Consolidated
Fund, 1944-45.**

Dealing with each of these accounts separately, in the case of the Consolidated Fund the position is that the financial programme as set before you on the 3rd August last was on the basis of revenue totalling £51,500,000 and expenditure £51,197,000, leaving £303,000 for supplementary estimates and contingencies. When the supplementary estimates were prepared it was found that £598,000 was required under that heading. Revenue returns then to hand indicated that additional receipts would more than cover the extra £295,000 proposed, and the supplementary estimates were completed on that basis, making a total authorized expenditure of £51,795,000 which included transfers to War Expenses Account of £4,000,000 and to Social Security Fund of £4,500,000. Against this total of £51,795,000, the actual expenditure for the year was £53,033,000, an over-expenditure of £1,238,000 of which £455,000 was under permanent appropriations and the balance of approximately £800,000 was in respect of items normally chargeable to the annual appropriations. The major part of this latter amount comprises increases of salaries and wages of State employees, which were payable as from the 30th June, 1944. Apart from this item, the expenditure for the year has been close to the estimates.

Revenue, on the other hand, which totalled £54,248,000, was better than expected, and produced £2,748,000 over the Budget estimate, the principal variations being in respect of Customs duty, which was £872,000 higher than anticipated, and income-tax, which was up by £1,686,000.

Full details of Consolidated Fund revenue and expenditure for the year will be found in the public accounts recently published, and in the tables attached to this Statement.

**Surplus,
1944-45.**

For several years past it has been the practice to transfer the Consolidated Fund surplus to the War Expenses Account during the following year, but it is proposed on this occasion to carry the surplus forward as part of the working balance of the Consolidated Fund. There has been a steadily increasing burden on that Fund due to interest and repayment charges on war loans and for war pensions being met from that source. Since the war began the extra cost annually for these two items alone is approximately £9,000,000, and while these charges have to be met month by month, our biggest source of revenue—that is, income-tax—does not come to hand till late in the financial year. To ease the strain, therefore, in the early part of the financial year a larger working cash balance is desirable, thereby reducing or avoiding the necessity for borrowing by Treasury revenue bills. The total working balance in the Consolidated Fund will thus be increased from slightly over £2,000,000, at which it has stood for several years past, to £3,256,000, being the amount available on the first day of the present financial year. It will be agreed that this figure leaves little margin for economical financing in respect of a Budget expenditure of over £1,000,000 a week, especially when revenue does not come to hand regularly through the year, but expenditure has to be met more or less evenly from day to day.

**Social Security
Fund, 1944-45.**

When referring to the Social Security Fund last year I intimated that expenditure was estimated at £18,857,000 and revenue at £17,875,000, which meant that approximately £982,000 would be met out of the cash balance in the Fund at the beginning of the year. The final result, however, has proved to be better than was expected, and the reduction in the working balances has been only £555,000. Expenditure exceeded the estimate by £475,000, but revenue exceeded expectations by £902,000, so that the final result is more favourable by £427,000 than was anticipated. Dealing with the items in more detail, the monetary benefits paid out were very close to the estimate, being £13,428,000, as against the estimate of £13,337,000, a difference of £91,000. Medical benefits, however, were above the estimate, the actual expenditure being £5,235,000, whereas the estimate was £4,853,000. The social security charge realized £13,664,000, £864,000 above the estimate. Registration fees and miscellaneous revenue were up by £38,000. The transfer from the Consolidated Fund was made as provided for in the year's programme at £4,500,000.

The National Development Programme mentioned in the Budget last year provided for an expenditure of £10,500,000, but this was later increased in the supplementary estimates, the total amount authorized by the Appropriation Act being £13,278,000. A close watch has been kept on the expenditure throughout the year, and the amount borrowed during the year for national development was £11,148,000, a saving of over £2,000,000.

National
Development
Loans, 1944-45.

In accordance with our wartime borrowing policy, the loan-money was all obtained from departmental funds as they became available for investment.

The amount borrowed during the year for national development purposes, together with £10,000 carried forward from the previous year, was allocated as follows:—

| | £(m.) |
|--|----------------|
| Public works (including housing) | 6·915 |
| Electric supply | 2·720 |
| Main highways | 0·060 |
| State coal-mines | 0·700 |
| Forestry | 0·270 |
| Railway improvements | 0·343 |
| Telegraph extension | 0·150 |
| Total | £11·158 |

This brings me to the War Expenses Account, which in a measure records in pounds shillings and pence our war effort on all fronts.

War Expenses
Account,
1944-45.

A summary of the transactions in War Expenses Account for last financial year is:—

| RECEIPTS | | £(m.) | £(m.) |
|--|--|-------|-------|
| War taxation | | 48·7 | |
| Transfers from Consolidated Fund | | 6·2 | |
| | | <hr/> | |
| | | 54·9 | |
| Disposal of surplus assets and miscellaneous .. | | 5·1 | |
| Reciprocal aid: Lend-lease and Canadian Mutual Aid | | 24·6 | |
| Under Memorandum of Security Agreement with United Kingdom Government | | 8·5 | |
| Loans raised in New Zealand | | 45·9 | |
| | | <hr/> | 139·0 |
| PAYMENTS | | | |
| Navy | | 6·6 | |
| Army | | 51·0 | |
| Air | | 33·3 | |
| Ancillary | | 4·9 | |
| Rehabilitation | | 1·2 | |
| Reciprocal aid: Reverse lend-lease | | 26·7 | |
| Repayment of debt: Memorandum of Security Agreement with United Kingdom Govern- ment | | 6·3 | |
| | | <hr/> | 130·0 |
| Balance, resulting from year's transactions .. | | | £9·0 |

Full details of these payments under headings "Pay and Allowances," "War Stores," &c., are set out in the tables at the end of this Statement.

Receipts in War Expenses Account remained buoyant and, including receipts from the sale of surplus assets, produced £6,000,000 more than the estimate of £133,000,000.

The continued full employment of the working population, coupled with the adjustment of wage and salary rates during the year, resulted in an increase in receipts from both income-tax and national security tax. These two items, together with stamp duties, which include estate and succession duties—always difficult to estimate accurately—provided the bulk of the increased revenue under the taxation heading.

Disposal of Surplus Assets.

A new item on the receipts side of War Expenses Account is "Disposal of Surplus Assets," from the sale of which £3,500,000 was received. Previously receipts for the sale of such assets had not, comparatively speaking, been very large and were allowed as credits in reduction of expenditure of the relative subdivisions, mainly those of the Service Departments. With the reversal of the Japanese threat to New Zealand into an Allied threat to Japan the need for the holding of accumulated war and other stores of certain kinds has diminished. In addition, the decreasing demands on our production for munitions, enables plant acquired for their manufacture to be released for other purposes. So that full inventories of surplus stores and assets may be compiled and their disposal arranged either in New Zealand or overseas, the War Assets Realization Board has been established to undertake their sale or, alternatively, to ensure they are used to the best advantage.

Memorandum of Security.

During the year a total of £8,480,000 was borrowed under the Memorandum of Security Agreement with the United Kingdom Government, and a total of £6,250,000 was repaid. The account during the year is summarized as follows:—

| | £ |
|-----------------------------------|--------------------|
| Balance owing 31st March, 1944 .. | 16,732,500 |
| Amounts borrowed 1944-45 .. | 8,480,000 |
| | <hr/> |
| | 25,212,500 |
| Less repayments 1944-45 .. | 6,250,000 |
| | <hr/> |
| Balance owing 31st March, 1945 .. | <u>£18,962,500</u> |

Reciprocal Aid.

So that the war may be ended at the earliest possible moment, a full measure of effort is required from all United Nations engaged in reducing the last Axis stronghold—Japan. Shortages between one country and another must be adjusted on a basis of mutual co-operation if each is to render maximum assistance. In accordance with this policy the United States, now joined by Canada with mutual aid, continues to extend valuable assistance under lend-lease. Such aid from both countries expressed in terms of money amounted last year to £24,300,000 in the case of the United States of America, and £300,000 in the case of Canada.

Reverse lend-lease assistance, on the other hand, totalled £26,700,000 for last year, so that we have now reached the stage when, even without any allowance for the substantially high-price basis operating overseas as compared with New Zealand prices, the reciprocal aid which we provided exceeded the assistance which we received under this heading.

War borrowing.

After deducting repayments met from War Expenses Account, a net amount of £48,168,343 was borrowed during last financial year made up as follows:—

| | £ | £ |
|---|------------|--------------------|
| Victory Loan, 1944— | | |
| Stock issued | 30,064,320 | |
| National savings | 10,251,603 | |
| | <hr/> | |
| Loan as subscribed | 40,315,923 | |
| Less advance subscriptions, 1943-44 | 1,554,660 | |
| | <hr/> | 38,761,263 |
| Interest-free loans | .. | 17,870 |
| Memorandum of Security | .. | 8,480,000 |
| Departmental funds | .. | 7,111,700 |
| Balances, 2nd and 3rd Liberty Loans | .. | 47,510 |
| | | <hr/> |
| | | 54,418,343 |
| Less repayments under Memo- randum of Security | .. | 6,250,000 |
| | | <hr/> |
| | | <u>£48,168,343</u> |

**£40,000,000
Victory Loan,
1944.**

The largest single item in our war borrowing for last year was in respect of the 1944 Victory Loan, totalling £40,316,000, and it is satisfactory to note that of this sum no less than £10,252,000, or over one-quarter, was provided by national savings—a striking indication of the extent to which war loans are being supported by the rank and file of the people.

Pay and Allowances.—Reductions in numbers and the more effective use of remaining personnel, particularly in New Zealand, resulted in savings in the pay and allowances items, approximately sufficient to cover the increases granted from the 30th June, 1944. These, it will be remembered, comprised an increase of 1s. per day in the pay of all members of the Armed Forces. In addition, wives' allowances were increased by 6d. a day where there are no children and by 1s. per day where there are children. Expressed in annual amounts, the increases provided additional income on the following basis:—

| | Per Annum. | | |
|------------------------------|------------|----|----|
| | £ | s. | d. |
| Single man | 18 | 5 | 0 |
| Married man | 27 | 7 | 6 |
| Married man with children .. | 36 | 10 | 0 |

War Stores.—The most costly item in war expenditure has been that for war stores and equipment, the charges for which have amounted to over £165,000,000 since the war began. Outstanding claims and complicated adjustments have made the settlements somewhat involved, but I am pleased to report that considerable progress has been made in overtaking arrears. Every account received up to the 31st March last was paid by that date, and it is estimated that outstandings, excluding current orders, have been reduced to some £6,000,000.

Rehabilitation.—The question of the rehabilitation of servicemen and service-women, is now of prior importance, and the Government is handling it as such. I wish to stress, however, in this review that the costs recorded in War Expenses Account represent only a small proportion of the total expenditure so far incurred.

Of the £1,243,000 expended last year as a charge against the War Expenses Account, £773,000 was applied in meeting business and supplementary loans, &c., and £470,000 in meeting grants to Service personnel on discharge and for trade, educational, and occupational training.

The total authorizations of rehabilitation assistance last year amounted to £6,213,000, of which £1,348,000 had not been uplifted on the 31st March. Taking all sources into account, the actual expenditure on rehabilitation last year was:—

| | £ |
|-------------------------------------|-------------|
| War Expenses Account | 1,243,000 |
| State Advances Corporation | 2,499,000 |
| Lands and Survey Department | 1,063,000 |
| Native Department | 60,000 |
| | <hr/> |
| | £4,865,000 |
| | <hr/> <hr/> |

In the past it has been the practice to present to Parliament statements under classified headings of the items of receipts and expenditure in War Expenses Account. The statement presented in 1943 (B.—14) gave details from the beginning of the war to 31st March, 1943, and that presented in 1944 (B.—17) details for the year ended 31st March, 1944. Details for the year ended 31st March last are shown in the tables Nos. 1 and 4 appended to this Budget.

In connection with the public debt there is now an increasing number of major transactions every year, but the year just closed has been exceptional in this respect.

The new issues during the year amounted to £65,777,000, and redemptions to £29,033,000, a net increase of £36,744,000. This has had the effect of increasing the total debt outstanding from £566,494,000 at the 31st March, 1944, to £603,238,000 at 31st March, 1945. When, however, it is remembered that our war loans for the year totalled over £54,000,000, including borrowing overseas under the Memorandum of Security Agreement, and that the National Development Loan was slightly over £11,000,000, the net increase of £36,744,000 is considerably less than might have been expected. This is due to the substantial amount utilized for redemption purposes during the year. These moneys have been made available from the following accounts:—

| | £ |
|---|-------------|
| Public Debt Repayment Account | 3,974,000 |
| War Expenses Account | 6,250,000 |
| Loans Redemption Account, including special sinking funds | 18,809,000 |
| | <hr/> |
| Total redemptions | £29,033,000 |
| | <hr/> <hr/> |

The first item results from normal operations under the statutory debt repayment scheme. The £6,250,000 applied from the War Expenses Account was utilized in reduction of indebtedness under the Memorandum of Security Agreement.

Funds for the unusually large redemptions from Loans Redemption Account came mostly from the lump-sum payments received from the United Kingdom under a financial arrangement associated with the long-term contracts for the sale of our exportable surplus of dairy produce and meat.

The agreement reached was announced last year, and honourable members will recollect the provision for the payment of a lump sum of £12,000,000 sterling and £4,000,000 sterling annually for four years to be made by the United Kingdom on account of benefits derived from our stabilization scheme and as compensation for the substantial increase in prices of goods imported from the United Kingdom. Actual production costs on the farm or in the factory payable by the farmer are covered in the prices arranged for the produce, but the United Kingdom recognized that direct production costs would have been much higher if wages and the cost of living and all the other main items in our economic structure had not been held under our stabilization scheme at a heavy cost in subsidies, mostly to offset higher prices of imported commodities.

An important aspect of the matter was that since the original war contracts for our produce were arranged United Kingdom prices for our imports had risen substantially. As the real price we receive for exports is the volume of imports obtainable in exchange, some readjustment was necessary to protect our external position and this was provided in the lump sum payments.

As borrowing for War Expenses Account had been increased by payment of stabilization subsidies out of that account and also by the increased prices for war stores bought overseas, the readjustment in New Zealand was made by crediting the lump-sum payment of £12,000,000 sterling, and the first payment of £4,000,000 sterling received prior to 31st March last to Loans Redemption Account for repayment of war debt. The whole community will benefit from relief from taxation to the extent it would otherwise be necessary to provide interest and repayment charges on the amount of debt involved. Of the £20,000,000 in New Zealand currency received, £17,473,000 was used for repayment of war debt and the balance was carried forward in Loans Redemption Account on 31st March and will be utilized this year for further redemptions.

The remainder of the redemptions for last year were made with funds received from various trading accounts and separate sinking funds.

As regards the "floating debt" or short-term debt represented by Treasury bills, this has been reduced from £55,615,000 at 31st March, 1944, to £47,000,000 at 31st March, 1945, and, with the exception of three small amounts totalling £60,000, is held by Government Departments and by the Reserve Bank.

The two final instalments due in July, 1944, and January, 1945, totalling £2,800,300, of the £16,000,000 London loan were disposed of during the year, conversion offers being made as at the half-yearly dates. The final result of the conversion operations which have taken place each half-year over the past five years is that £4,605,300 of the £16,000,000 has been converted on the London register and £11,394,700 repaid, the funds for redemption being found in part from moneys available in New Zealand for debt redemption and in part from the proceeds of issues in renewal in New Zealand.

A further conversion offer was made in London affecting debt totalling £17,238,187 sterling, of which £7,580,907, with interest at 4½ per cent. was due for repayment on the 1st March, 1945, and £9,657,280, with interest at 3 per cent., on the 1st April, 1945. The first loan only, therefore, comes into the accounts for the year under review, but as the conversion offer was made at the same time in respect of the total involved I will deal with the matter as one operation. The conversion was made on the basis of 3¼ per cent. interest, the new stock maturing on the 1st September, 1962-65, the offer including a cash payment of 10s. per cent. to holders who converted. Applications for conversion totalling £14,904,247 were received, the balance of £2,333,940 being taken up by the Reserve Bank. The results were satisfactory and had the effect of reducing our overseas interest payments by £70,618 sterling per annum.

The domicile of the public debt is a matter which has an important bearing on the whole financial structure of the Dominion. While the total debt has grown enormously during the war period, it is interesting to note that over two-thirds of the total is now held within the Dominion. The position is:—

| External debt— | | £ | £ |
|------------------------|---------|-------------|--------------|
| London .. .. . | .. .. . | 199,102,978 | |
| Australia .. .. . | .. .. . | 861,300 | |
| | | <hr/> | 199,964,278 |
| Internal debt— | | | |
| Long-term debt .. .. . | .. .. . | 356,274,133 | |
| Floating debt .. .. . | .. .. . | 47,000,000 | |
| | | <hr/> | 403,274,133 |
| | | | <hr/> <hr/> |
| | | | £603,238,411 |

Apart from the war debt, it is satisfactory to note that there has been a reduction in our external debt during the year of £2,012,000.

Having covered the more important accounts and the major transactions affecting the public debt, I will now conclude this review of the past year with a summary giving the sources from which the total receipts amounting to £214,600,000 were obtained:—

**Receipts:
Summary,
1944-45.**

| — | Taxation. | Reciprocal Aid. | Loans. | Other Receipts. | Total Receipts. |
|------------------------------------|-----------|-----------------|--------|-----------------|-----------------|
| | £(m.) | £(m.) | £(m.) | £(m.) | £(m.) |
| War Expenses | 54·9 | 24·6 | 54·4 | 5·1 | 139·0 |
| Consolidated Fund | 37·2 | .. | .. | 8·5 | 45·7 |
| Social Security | 18·8 | .. | .. | .. | 18·8 |
| National Development Loans | .. | .. | 11·1 | .. | 11·1 |
| Totals | 110·9 | 24·6 | 65·5 | 13·6 | 214·6 |

The figures in the taxation column can be reconciled with the respective public accounts by deducting from the accounts and adding to the Consolidated Fund total the transfers of £4,000,000 to War Expenses Account and £4,500,000 to Social Security Fund. In addition, the Consolidated Fund surplus from the previous year £2,200,000 was transferred to War Expenses Account.

Deducting the last-mentioned sum of £2,200,000, the analysis of taxation receipts for 1944-45 was as follows:—

Direct Taxes—

| On income— | £(m.) | £(m.) | £(m.) |
|--------------------------------|-------|-------|-------|
| Income-tax | 34·2 | | |
| Social security charge | 13·7 | | |
| National security tax | 20·5 | | |
| | | 68·4 | |

Other—

| | | | |
|---|-----|-----|------|
| Land-tax | 1·0 | | |
| Estate, succession, and gift duty | 5·0 | | |
| Social security registration fee | 0·6 | | |
| | | 6·6 | |
| | | | 75·0 |

Indirect Taxes—

| | | | |
|--------------------------|------|--|------|
| Customs duty | 11·3 | | |
| Beer | 3·6 | | |
| Sales tax | 13·6 | | |
| Highways revenue | 1·9 | | |
| Stamp duties | 2·3 | | |
| Others | 1·0 | | |
| | | | 33·7 |

Total taxation £108·7

The total receipts of £214,600,000 is comparable with the figure quoted last year in the sum of £221,200,000 showing a net reduction over all the activities covered of £6,600,000. What is more important, however, is the fact that, notwithstanding the magnitude of the problems facing us, we have again been able to

handle the whole of the financial transactions from revenue or loans from the public or from departmental funds available for investment, thus ensuring that the soundest policy is followed and that no portion of the amount required has been found by the creation of new money.

PROGRAMME, 1945-46

Of the tasks ahead of us, first priority must be given to doing all we can to hasten a victorious conclusion to the war with Japan. At the same time the progress being made in the war zones with the rapid acceleration likely to follow the transfer of vast Forces from the European theatre makes it advisable that all plans for the transition from war to a worthwhile peacetime economy should be developed as rapidly as possible.

Rehabilitation.

The organization for handling the rehabilitation of our returned servicemen is now well established and has had considerable experience in dealing with the large number of men and women who have already been discharged from the Forces. The Rehabilitation Department is essentially an organization for assisting individuals in training or with finance to fit them back into civilian life, and there still remains the larger problem of economic reconstruction and expansion so necessary to enable our returned men and women, the workers in war industries, and generally all workers to be usefully employed in ways that will restore and improve the standard of living.

Full employment.

In accord with its advocacy at the San Francisco Conference of Nations, the Government's policy is one of full employment, but this is only a means to the real objective of a better standard of living for all. Employment will provide the individual with money, but the standard of living depends upon the use made of our resources of both labour and materials and the output achieved per unit of labour. Our people must be able to acquire purchasing-power through employment, but it cannot be too strongly emphasized that the standard of living depends upon the volume of goods produced and services made available. The production of goods and services is the prime essential, without which there is no living standard. The responsibility of the Government is to ensure that necessary work in whatever form brings its full share of the commodities and services produced.

Replacing shortages.

The Dominion is emerging from the war with most types of consumable goods, except food, in short supply, and with a serious shortage of houses. The measure of our success in meeting requirements in all such items will determine our post-war standard of living. We can obtain the things we want only by making them for ourselves or by producing exports to exchange for imports. Therefore a rapid expansion in production, both primary and secondary, must be the predominant objective in our post-war activities. Where men are to be employed must generally determine where houses will be required, but this fact will not delay efforts to overcome the immediate pressing housing needs, particularly in the main cities. Location and magnitude of production will also be important factors in planning power and transport requirements.

Machinery for the systematic co-ordination of post-war activities on a regional as well as a national basis has already been established, and the study and planning of fundamental requirements, such as power and transport, location of industry, and the relative priority in which labour and material should be made available for works, are receiving attention.

Pursuant to the paramount objective of obtaining the maximum of employment in the production of consumable goods as quickly as possible, the Government will facilitate in every way the carrying-out of deferred maintenance work, and the replacement of worn-out and obsolete plant, both on farms and in factories. Importations for these purposes, as well as for expansion of industry, replacement of trucks for essential road transport, requirements for the Railways and for hydro-electric and other power units, together with necessary raw materials to enable industries to operate at full capacity, will make heavy demands on our overseas resources, but if we are to help ourselves items coming within these categories must receive priority. Large sums will also be wanted for imported commodities required in making good the wear-and-tear of the war years in the homes of the people. During the war years imports for civilian purposes have fallen into arrears, and a considerable proportion of these arrears will have to be made good in order to restore the economy of the Dominion. It can be done only as goods become available overseas and as and when we have the requisite resources to pay for the goods. Our sterling balances are now about twice as large as was considered to be normal in pre-war years, but, having regard to the substantial rise in overseas

prices and the huge volume of arrears of requirements, it is quite clear that we will have to husband our overseas resources carefully and ensure that sufficient is reserved for essential requirements.

The Government intends to foster our export trade as much as possible and endeavour to find new avenues for such trade, thereby increasing our ability to import, but it is clear that only a minority of the population can be employed on farms. This being so, the only way we can achieve a better standard of living for every one is to manufacture more goods in New Zealand. The policy is to obtain full employment in making those things that can be most economically manufactured here, and particularly in industries that can utilize our own raw materials. Much of the additional activity will come by way of expansion of existing industries, and many new ones can be organized efficiently—and we must strive for efficiency—without help from overseas. But in other cases we lack the necessary knowledge and skill, and alone cannot hope to keep abreast of the larger countries in research work. In such cases the best course is to invite and encourage successful overseas businesses to bring the necessary plant and key personnel and establish a branch factory in this Dominion. It should be clearly understood that development of a policy of expanding manufacture in New Zealand does not mean reducing the aggregate value of our imports, but it will gradually involve some change in the nature of such imports. From necessity we will utilize our overseas resources to the full—and we cannot do more than that—in importing the wide range of commodities that we cannot manufacture economically in this country.

Industrial expansion.

I would like to emphasize that new industries and extensions of existing industries must be efficient and economically sound taking all factors into account. Our main industries are, and will remain, our export industries, which have to face competition on the world's markets. Therefore, in aiding any new industries we must ensure that costs in the primary industries are not unfairly increased.

Concerning external trade, it should always be borne in mind that the United Kingdom buys the vast bulk of our exports, and that, wherever quality and price are reasonably competitive, it is plainly in our interest to buy goods of British manufacture. Where new types of manufactures in New Zealand, and particularly those that need to be in large units, are found to be economic in pursuance of a policy of obtaining full employment in productive industry, we will, in accordance with our obligations already undertaken, invite the views of United Kingdom industries, and, should they so desire, give United Kingdom interests concerned an opportunity to put forward proposals for establishing factories in the Dominion.

Overseas trade.

Whilst adhering to the long-established policy of preference for British goods, the Government are fully aware of the interdependence of all countries in economic welfare, and are ready at any time to support international arrangements that will facilitate an expansion of world trade and stabilize it at a high level. At the same time we will never lose sight of the fact that prosperity begins at home, and that consequently our first and greatest contribution to a better world is to bring about full employment and a higher standard of living in our own country. We want to do that in a way that will, as far as practicable, help and not hinder our international friends, but we cannot achieve our objective without maintaining our own industries in a thriving state. That is fundamental; but if we combine it with balancing our external trade at the highest possible level, we will have made a maximum contribution to world prosperity. As there is a world shortage of food, New Zealand is able to make a particularly valuable contribution.

Within this country we have a serious housing shortage to overcome; we are short of power and have a lot of leeway to make up in other directions, but we are fortunate in having no devastated areas to rebuild, nor have we any gigantic armament industry to convert to peacetime purposes. Relatively our problems are simple compared to those of many less fortunate countries. The Government, realizing its share in the responsibility to contribute towards an improved living standard everywhere in the world, affirm that one of the great truths that has been publicized since the International Labour Conference at Philadelphia last year is that "Poverty anywhere constitutes a danger to prosperity everywhere."

The United Kingdom proposes to give exports a considerable measure of priority over her own internal requirements, and while this means that the British people, who have had to endure much during the war period, will have to continue to get along with inadequate supplies for a longer period than would otherwise be the case, their sacrifice will react to our benefit. Even so, it will obviously be several years after the war before we can hope to catch up with our essential requirements of imported goods. For many reasons, wherever practicable, we should be prepared to wait until we can obtain our requirements from the United Kingdom. In any case, as the United Kingdom buys nearly all our exports we can obtain other currencies only in exchange for sterling, and there are likely to be difficulties in doing that beyond a limited extent.

Import priorities.

Delay in obtaining plant and machinery from overseas, added to the fact that we cannot do everything at once even in our more fortunate circumstances, means delay in building up a flow of consumable goods sufficient to meet the tremendous demand represented by huge wartime accumulation of purchasing-power belonging to the people.

Thus in the immediate post-war years there is much greater danger of inflation than during the war. Prices soared more after than during the last war, and potentially the position could be much worse this time than in 1920. The people will want freedom from controls—which is understandable after six years of war—and will naturally feel that, having saved their money and gone without things for so long, they are entitled to spend their money freely when the war ends.

Continuation of the stabilization scheme and of price control over this critical period will be a vital necessity, but price-control procedures will be so altered and simplified as not to impede the expansion of production, which alone can provide the real solution—an adequate supply of goods and services.

To obtain the all important expansion in production it is the policy of the Government to give reasonable priority to factory buildings, to accord any necessary priority or sponsorship in the importation of essential machinery or tools, and generally to give every practicable assistance and encouragement towards the reconstruction and expansion of our industries. We will ensure that any worthwhile activity that is economically sound is not held up for lack of finance.

War taxation presses heavily upon all sections of the community, and it is recognized that it leaves little to cover the risks inseparable from undertaking new ventures. The time has not yet come for a general review of taxation, for we still have heavy costs of war and rehabilitation to meet. Nevertheless, this is the time when plans and preliminary arrangements should be made for expanding production as soon as man-power and materials are available. Those contemplating new industrial activities are naturally wondering what will be their post-war taxation position. To assist and encourage them the Government propose to make certain adjustments in the basis of taxation to first become effective in respect of the income earned during next financial year.

It is proposed to provide for a special depreciation allowance of 20 per cent. of the cost of new plant and buildings in such cases spread over a period of five years, and to allow as a deduction in assessing income-tax the cost of royalties, research, and patent rights.

In connection with the decision to grant a special rate of depreciation on buildings and plant, the following shows the effect of a special allowance of 20 per cent. spread over a period of five years:—

| | | £ | | | £ |
|------------------------------------|---------------|----------------|-----------------------------------|--------------|----------------|
| Plant cost | | 100,000 | Buildings cost | | 100,000 |
| | £ | | | £ | |
| First year, 7½ per cent. (D.V.) .. | 7,500 | | First year, 1 per cent. (O.C.) .. | 1,000 | |
| Plus | 4,000 | | Plus | 4,000 | |
| | <u>11,500</u> | | | <u>5,000</u> | |
| | | 88,500 | | | 95,000 |
| Second year, 7½ per cent. (D.V.) | 6,638 | | Second year, 1 per cent. (O.C.) | 1,000 | |
| Plus | 4,000 | | Plus | 4,000 | |
| | <u>10,638</u> | | | <u>5,000</u> | |
| | | 77,862 | | | 90,000 |
| Third year, 7½ per cent. (D.V.) | 5,840 | | Third year, 1 per cent. (O.C.) | 1,000 | |
| Plus | 4,000 | | Plus | 4,000 | |
| | <u>9,840</u> | | | <u>5,000</u> | |
| | | 68,022 | | | 85,000 |
| Fourth year, 7½ per cent. (D.V.) | 5,102 | | Fourth year, 1 per cent. (O.C.) | 1,000 | |
| Plus | 4,000 | | Plus | 4,000 | |
| | <u>9,102</u> | | | <u>5,000</u> | |
| | | 58,920 | | | 80,000 |
| Fifth year, 7½ per cent. (D.V.) .. | 4,419 | | Fifth year, 1 per cent. (O.C.) .. | 1,000 | |
| Plus | 4,000 | | Plus | 4,000 | |
| | <u>8,419</u> | | | <u>5,000</u> | |
| | | 50,501 | | | 75,000 |
| Residue | | <u>£50,501</u> | Residue | | <u>£75,000</u> |

Inflation.

Taxation.

Taxation
adjustments.

The ordinary depreciation rate on plant is $7\frac{1}{2}$ per cent. on the diminishing value, while the ordinary depreciation rate on buildings is—

- 1 per cent. in respect of reinforced concrete.
- $1\frac{1}{2}$ per cent. in respect of brick, stone, or concrete walls.
- $2\frac{1}{2}$ per cent. in respect of wooden frame.

In the case of buildings, the depreciation is calculated on the original cost.

The table which I have read shows that the normal rate of $7\frac{1}{2}$ per cent. diminishing value has been allowed on plant, with an additional special depreciation of £4,000 in each of five years (that is, a total of £20,000, being 20 per cent. of the cost of plant, £100,000). As regards buildings, the table shows 1 per cent. on the original cost, plus a further £4,000 for each of five years, making a total of £20,000 special depreciation, equivalent to 20 per cent. of the original cost of buildings.

In the ordinary course, if the special depreciation allowance were not granted, the plant costing £100,000 would be written down to a residual figure of £67,721, as compared with the residual figure above of £50,501. In the case of buildings, the normal residual figure would be £95,000, as compared with £75,000 in the table.

The incidence of taxation in general is under examination and it is proposed during the year to take steps to remove any proved injustices or anomalies.

An agreement has recently been concluded between the United Kingdom and the United States of America Governments for the purpose of eliminating "double" taxation. A similar agreement is contemplated between the United Kingdom and New Zealand Governments whereby English companies establishing branch factories in New Zealand will be taxable in the United Kingdom on the total profits, subject to a credit for tax paid in New Zealand on the New Zealand profits. A similar principle will apply in converse cases. This will enable new industries, with the advantage of overseas patent rights, formulæ, and key personnel to be established in the Dominion.

Double
taxation.

ESTIMATES FOR 1945-46

For the current financial year the total revenue of the Consolidated Fund is expected to produce £57,294,000, and with expenditure as set out in the estimates at £56,533,000 there is a balance available for supplementary estimates and contingencies of £761,000.

Consolidated
Fund.

Summarized the estimated receipts and expenditure are—

| | | | | REVENUE | |
|--|----|----|----|-------------|---|
| Taxation— | | | | £ | £ |
| Customs | .. | .. | .. | 8,500,000 | |
| Beer duty | .. | .. | .. | 2,100,000 | |
| Sales tax | .. | .. | .. | 4,200,000 | |
| Film hire | .. | .. | .. | 125,000 | |
| Highways | .. | .. | .. | 2,126,000 | |
| Stamp duty | .. | .. | .. | 2,250,000 | |
| Land-tax | .. | .. | .. | 930,000 | |
| Income-tax | .. | .. | .. | 27,000,000 | |
| Miscellaneous | .. | .. | .. | 100,000 | |
| | | | | 47,331,000 | |
| Interest recoveries from trading activities, | | | | | |
| &c. | .. | .. | .. | 5,403,000 | |
| Other receipts | .. | .. | .. | 4,560,000 | |
| | | | | 9,963,000 | |
| | | | | £57,294,000 | |

EXPENDITURE

Permanent appropriations—

Debt services—

| | £ | £ | £ |
|----------------------------|------------|------------|---|
| Interest and management .. | 18,483,000 | | |
| Repayments .. | 3,939,000 | | |
| | | 22,422,000 | |

| | | | |
|-----------------------|--|-----------|------------|
| Other special acts .. | | 2,574,000 | |
| | | | 24,996,000 |

Annual appropriations—

| | | | |
|--------------------|--|------------|------------|
| Social services .. | | 21,092,000 | |
| Other votes .. | | 10,445,000 | |
| | | | 31,537,000 |

56,533,000

| | | | |
|---|--|--|---------|
| Supplementary estimates and contingencies.. | | | 761,000 |
|---|--|--|---------|

 £57,294,000

Receipts.

In the revenue estimates, taxation at existing rates is estimated to bring in £1,642,000 more than last year, the only item of any moment being income-tax which last year produced £1,686,000 over the Budget estimate and a further increase of £1,314,000 has been allowed for this year. Interest receipts in total are set down at approximately the same as last year. Interest on railway capital is less by some £400,000 due to lower net revenue but this is more than offset by increases under other items. Under the heading "Other Receipts" there is an increase of £1,365,000, due mainly to a change in accounting procedure involving the bringing in as revenue of certain credits previously shown as a deduction from expenditure. In these cases the revenue shows an apparent increase but the expenditure is up by a similar amount being now shown as gross instead of net.

Transfers to War Expenses Account.

It has been the practice over the past four years to make substantial transfers to the War Expenses Account. Last year £4,000,000 was provided under this heading as a charge against that year's Budget. Originally an annual transfer of £1,500,000 was provided for and was intended to cover subsidies which were transferred from the Consolidated Fund to War Expenses Account, but as the total transfers from Consolidated Fund are far in excess of the subsidies so transferred, there is ample justification for now discontinuing these transfers, particularly as the Consolidated Fund has been carrying the total increase in debt charges due to war borrowing totalling over £7,000,000 annually, as well as the increase in war pensions arising from the present war. The total transfers from the Consolidated Fund to War Expenses Account over the four-year period amount to £24,298,000 made up as under:—

| | £ |
|--|-------------|
| Consolidated Fund annual surpluses .. | 9,798,000 |
| Four annual transfers at £1,500,000 per annum .. | 6,000,000 |
| Additional transfers in 1943-44 .. | 6,000,000 |
| Additional transfer in 1944-45 .. | 2,500,000 |
| | <hr/> |
| | £24,298,000 |

In addition, at the outbreak of war, the unexpended balances of the appropriations for 1939-40, for the three Service votes totalling £2,288,000 were transferred to War Expenses Account.

Expenditure.

The elimination of the transfer this year to War Expenses Account has had the effect of reducing the expenditure under permanent appropriations.

The major item under the permanent appropriations is, of course, debt services which at £22,422,000 shows an increase of over £1,000,000 compared with the previous year, this increase being due in the main to last year's borrowing for war purposes. The only other item of major importance under these statutory appropriations is the transfer of highways revenue to the Main Highways Account, which accounts for £2,126,000, the balance of the permanent appropriations being £448,000, details of which are set out in the estimates.

Expenditure under votes at £31,537,000 shows an increase of £6,493,000. This is accounted for in part by the improvement in incomes which, as regards State employees, was reflected in part only in last year's accounts. In addition, other State expenditure is increased under numerous headings for the same reason, where the indirect effect of increases by contractors, local bodies, &c., is reflected in Government expenditure.

Other major items contributing to the increase in votes are war pensions, health and education expenditure, and a substantial increase in social security benefits necessitating a corresponding increase in the transfer from the Consolidated Fund to the Social Security Fund.

As regards the Social Security Fund, expenditure is estimated at £22,571,000 and receipts at £21,501,000, the difference of £1,070,000 being met out of the opening balances which on the 1st April stood at £2,389,702.

Social
Security Fund,
1945-46.

The estimated receipts and expenditure under the usual main classifications are :—

| RECEIPTS | | | | £ |
|------------------------------------|----|----|----|-------------|
| Social security charge | .. | .. | .. | 13,750,000 |
| Transfer from Consolidated Fund | .. | .. | .. | 7,000,000 |
| Registration fee and miscellaneous | .. | .. | .. | 751,000 |
| | | | | £21,501,000 |
| | | | | £21,501,000 |

| EXPENDITURE | | | | £ |
|-------------------------|----|----|----|-------------|
| Monetary benefits | .. | .. | .. | 16,571,000 |
| Medical benefits | .. | .. | .. | 5,192,000 |
| | | | | £ |
| Administration expenses | .. | .. | .. | 683,000 |
| Emergency benefits | .. | .. | .. | 125,000 |
| | | | | 808,000 |
| | | | | £22,571,000 |

In accord with the announced policy of the Government to ensure a minimum family income, legislation will be introduced during the present session to provide for a minimum wage for all adult workers, male and female.

Minimum
family
income.

To ensure a minimum family income of £5 per week during periods of sickness, unemployment, or invalidity, it is proposed to pay benefits of £2 each for the father and mother with 10s. for each child.

Corresponding payments will be made to those who qualify for miners' and war veterans' benefits. It is also proposed to provide a benefit for a widowed mother of £2 per week with an additional 10s. for each child, and provision will be made in special cases for an extra widowed mothers' domestic allowance to meet the circumstances of homes where there are several children requiring the continuous personal care of the mother. This allowance will be paid at the discretion of the Commissioner of Social Security.

The benefit for widows who have not had children and who otherwise qualify will be increased from the present rate of £1 5s. to £1 10s. per week.

The rate of benefit for those under twenty years of age who qualify on account of invalidity, unemployment, or sickness will be increased from the present rate of 10s. 6d. to £1 per week.

Age benefits for those who qualify will be paid at the rate of £2 per week for each person at the age of sixty years. In cases where the wife of a beneficiary does not qualify for age benefit in her own right, a payment of £1 per week will be made. All the amended benefits will operate as from 1st October next.

The estimated cost of the increase in the benefits for the balance of the present year is as follows:—

| | | | | £ |
|--------------|----|----|----|------------|
| Invalids | .. | .. | .. | 195,000 |
| Sickness | .. | .. | .. | 185,000 |
| Unemployment | .. | .. | .. | 36,000 |
| Widows | .. | .. | .. | 260,000 |
| Age | .. | .. | .. | 1,100,000 |
| Miners | .. | .. | .. | 25,000 |
| War Veterans | .. | .. | .. | 43,000 |
| | | | | £1,844,000 |
| | | | | £1,844,000 |

The cost for a full year is estimated to be approximately £3,688,000.

Proposals are under examination for the improvement of family benefits, and legislation for this purpose will be introduced during the present session.

National
development
programme,
1945-46.

With the substantial reduction that is taking place in our war programme within the Dominion, particularly as regards building and construction works, it has been possible to provide for a material increase in national development. This is in line with the Government's policy of providing a sound basis on which to build for our post-war development, in addition to having in readiness the utmost facilities for repatriating servicemen. Land is required for settlement of the men, homes must be built on the land so purchased, and roading is essential. If shipping for the plant and equipment can be provided, electricity must be made available to supply light and power to the new consumers on the land and to the new industries being established. Housing construction which of necessity was largely in abeyance while men and materials were diverted to buildings for war purposes, is now being accelerated to the fullest extent that available resources will permit. A further item to which considerable attention is now being paid is improvements to our railway system, particularly rolling-stock, as this vital part of our internal economy must be ready to play its part in post-war development, and considerable leeway has to be made up in this connection.

The works to which I have referred will absorb most of the additional loan-moneys being provided this year. After allowing for funds available at the beginning of the year and miscellaneous receipts, the total loan-moneys required are £16,650,000 as compared with £11,148,000 raised last year. The following figures show clearly the increased programme for the more important works:—

| | 1944-45. | 1945-46. |
|-------------------------------|-----------|-----------|
| | £ | £ |
| Housing | 4,431,000 | 5,590,000 |
| Electric supply | 2,720,000 | 4,000,000 |
| Land for settlement | Nil | 2,500,000 |
| Railways improvements | 343,000 | 1,600,000 |

Full particulars of these and the other smaller though important capital works will be found in the estimates.

All the money required to be provided for these works will again be raised from lending departments of State.

War Expenses
Account,
1945-46.

The cessation of hostilities in Europe has in no way eliminated the complexities of estimating war expenses during the current financial year; rather has it increased them. Nevertheless, I may state that with the defeat of our major enemy, and notwithstanding the concentration of our full efforts against Japan, it is a somewhat more satisfactory task to prepare estimates covering a reducing in place of an increasing expenditure.

Peak war expenditure was reached in the financial year 1943-44 when war costs, excluding debt repayments, totalled £152,900,000. For the year ending 31st March, 1946, an expenditure of £105,400,000 is anticipated, the estimates being as follows:—

| EXPENDITURE | | £(m.) | £(m.) |
|----------------------------|---------|-------|-------|
| Navy .. .. . | .. .. . | 6·0 | |
| Army .. .. . | .. .. . | 38·0 | |
| Air .. .. . | .. .. . | 31·4 | |
| Ancillary .. .. . | .. .. . | 4·0 | |
| Rehabilitation.. .. . | .. .. . | 2·0 | |
| Reverse Lend-lease .. .. . | .. .. . | 24·0 | |
| | | — | 105·4 |

| RECEIPTS | | £(m.) | £(m.) |
|---|---------|-------|-------|
| War taxation .. .. . | .. .. . | 49·6 | |
| Reciprocal aid: Lend-lease and Canadian Mutual Aid | .. .. . | 20·5 | |
| Disposal of surplus assets and miscellaneous | .. .. . | 6·8 | |
| Memorandum of Security Agreement with the United Kingdom Government | .. .. . | 3·5 | |
| 1945 Victory Loan .. .. . | .. .. . | 25·0 | |
| | | — | 105·4 |

The estimated requirements for the Navy and the Air Force are close to last year's expenditure, both, however, showing a slight reduction. The anticipated decrease in the item for the Army, however, is substantial and is represented almost entirely by costs for war stores, most of the outstanding claims for which, as has already been mentioned, having been met last year.

BUDGET

ADDENDUM TO PAGE 18

WAR EXPENSES ACCOUNT

Now that the war has been brought to a victorious conclusion by the surrender of Japan, revised estimates for War Expenses Account have been prepared covering expenditure up to the point of demobilization.

This should be reached early next financial year, dependent, of course, on the availability of shipping and other important factors affecting the position. After return to New Zealand the men will be entitled to draw balances of pay. Then those who have qualified will be given three months' leave on full pay, and allowances. Provision has also to be made for mufti allowances, deferred pay, and war gratuity.

Allowing for all these factors, the revised estimates are as follows, showing for comparison the actual Budget figures, rearranged into appropriate headings:—

WAR EXPENSES ACCOUNT.—EXPENDITURE

| Item. | Budget Estimate, 1945-46. £(000) | Revised Estimate to Demobilization. £(000) |
|---|--|--|
| Pay and allowances | 35,200 | 38,972 |
| Accommodation, food, and clothing | 5,500 | 5,952 |
| War and other stores | 21,170 | 22,029 |
| Medical and educational services | 640 | 937 |
| Land, buildings, &c. | 2,100 | 2,115 |
| Repairs, maintenance, &c. | 1,100 | 1,467 |
| Transport | 5,500 | 9,257 |
| Miscellaneous services | 1,094 | 1,424 |
| Empire Air Training Scheme | 3,096 | 3,096 |
| Total, Navy, Army, Air | 75,400 | 85,249 |
| Reverse lend-lease | 24,000 | 22,000 |
| Ancillary | 4,000 | 6,000 |
| Rehabilitation | 2,000 | 3,000 |
| Deferred pay | .. | 5,000 |
| | £105,400 | £121,249 |

Most of the foregoing headings are self-explanatory. In connection with the item "War and other Stores," however, there is no question of continuing the importation or manufacture of such stores, but provision requires to be made for meeting charges in respect of goods already supplied or shipped.

The expenditure contemplated under reverse lend-lease, being the assistance given to our American Allies, has been tentatively stated at £22,000,000 under the amended proposals, showing a possible reduction of £2,000,000 against the Budget estimate. It is not possible at this stage to fix any final figure under this heading as the amount that will be required for this purpose will depend on the result of reciprocal policy negotiations between the Governments concerned.

In addition to the sum mentioned, gratuities estimated to cost £18,000,000 require to be provided for. The procedure for these is, as indicated in the Budget, at present being worked out and it is necessary to make financial provision for the amount involved.

From the factors mentioned it will be appreciated that it is difficult to estimate how much of the £121,249,000 will come to charge during this financial year, but any amount not expended by 31st March next will be required early next financial year. Now that the war has ended the Government is anxious to have all matters completed as soon as possible.

This heavy expenditure leaves no scope for adjustment of taxation this financial year, but the Government fully realizes the necessity for reviewing the taxation position at the earliest possible opportunity, in order, firstly, that the taxpayer may be relieved from some of the financial burdens which he has borne during the war period, and, secondly, that industry generally may be given that scope and impetus to reorganization and development so essential to provide worthwhile permanent employment in industry for our men and women coming out of the Armed Forces and for those at present engaged in war production.

The amount of £3,500,000 available under the Memorandum of Security Agreement has already been borrowed and expended in discharging our final cash commitments connected with the Empire Air Training Scheme and in meeting part of the cost for the Middle East Forces. Current charges will be met by cash payments from our own London funds.

**Memorandum
of Security.**

To meet the estimated excess of expenditure over revenue it has been necessary to rely again on public subscriptions to a war loan but of a very much reduced amount. In 1942-43 war loans raised in New Zealand amounted to £62,600,000, in 1943-44 to £55,800,000, and in 1944-45 to £45,900,000. This year the amount required is £25,000,000, and it has already been provided through the 1945 Victory Loan which was opened on the 14th May, 1945, and closed on the 16th June, 1945, oversubscribed on present figures by some £500,000. This satisfactory result is subject to variation, however, by National Savings receipts for the balance of the year.

**1945 Victory
Loan.**

I must mention again, not only in relation to the 1945 Victory Loan, but also both from the national as well as the individual point of view the great value to our internal economy resulting from National Savings. From a small but sound beginning, investments in National Savings Bonds and Accounts have grown steadily until on the 31st March, 1945, £31,442,088 was invested in these securities. As much of this sum represents spending-power diverted from civilian to war production, the impetus given to our war effort is obvious, and the value to economic stability, inestimable. I would emphasize, however, that the need for restricted spending still exists; that purchases should be limited to essentials particularly so that our returning Forces may satisfy their urgent needs; and that surplus funds, or any other forms of loose cash, are well and safely invested in National Savings where they will be of benefit to New Zealand now, and of great benefit to the investors later when ample supplies of goods are once again available.

**National
Savings.**

The first repayment of National Savings fell due on the 30th June last when deposits in National Savings Accounts of approximately £10,000,000 matured. To meet the cases of those who did not immediately require their deposits, arrangements were made to reinvest the funds at 3 per cent. interest for a further period to the 30th June, 1946. On the other hand those wishing to withdraw, to transfer to a savings-bank account, or to reinvest for a two-yearly term were at liberty to exercise these options freely and at will.

**Repayment of
National
Savings.**

National Savings Bonds mature five years from the date of issue and the first of these will therefore be due in October of this year. Holders may redeem the bonds in cash on the respective due dates or, if they so desire, reinvest in the current issue of National Savings Bonds, or deposit the money in a National Savings Account.

As has already been announced, the Government have decided to pay a gratuity to all full-time servicemen and servicewomen in the Armed Forces, whether they have served overseas or within New Zealand. In view of the arduous and hazardous nature of service overseas, the rates of gratuity have been fixed at £3 15s. per month for overseas service and £1 per month for full mobilized home service. To ensure that the full benefit of the gratuity is available to the serviceman or servicewoman without inflating prices, it is proposed to spread the payments over a period. It is recognized, however, that many servicemen may require the gratuity for some *bona fide* purpose before the date fixed, such as the repayment of a rehabilitation loan; the discharge of a mortgage, whether State or private; or the purchase of a home and furniture. Subject to reasonable safeguards to ensure that the money is so applied, a simple procedure will be established to provide for payments for such purposes. The full details of the scheme are being worked out and will be announced shortly.

Gratuities.

The Government appreciate the valuable contribution made by the Friendly Societies to the social progress of the Dominion, and in particular for their work on behalf of their own members during the present war, when they have made provision to keep contributions fully paid up, of all members who are full-time servicemen or servicewomen. In addition to this help the societies have sustained heavy losses of membership by casualties in the fighting Forces. As some measure of contribution towards this loss, the Government have decided to reimburse to Friendly Societies 50 per cent. of the sums which are paid out by them to beneficiaries of members killed in action or dying during the period of the war as a result of the war with Germany and Japan. The cost to date is estimated at £30,000 of which the Government will pay half.

**Friendly
Societies
war losses.**

**Superannuation,
National
Airways,
Bank of
New Zealand.**

As mentioned in His Excellency's Speech at the opening of the session, legislation will be introduced to amend the Superannuation Acts, particularly in relation to the £300 limit, also the necessary Bills to take over and expand the National Airways system and the acquisition of the privately-owned shares in the Bank of New Zealand.

Merchant Navy.

May we also in a final paragraph pay tribute to the Merchant Navy, the members of which, through the storms and stress of six dangerous years, have maintained the flow of men, equipment, and food between the productive areas and the battlefields and countries when supplies were needed.

Conclusion.

And now, Mr. Chairman, my task for this evening is at an end. That task would have been a much more agreeable one had I been able to announce the end of the war in the Pacific. In the meantime, I can only hope with you that the overthrow of the enemy will not be long delayed. To that end we are united in the determination to spare no effort to ensure that our contribution to the cause is maintained at a maximum.

Our Dominion continues to be one of the most fortunate of countries. We have been saved the material losses which would have been our lot had the fortunes of war decreed an attack on our homeland, and as a result of that security our productive capacity is very largely unimpaired.

New Zealand, as one of the world's highest *per capita*. exporters, is vitally concerned not only in the early restoration and development of world trade—and to that end has been a strong supporter of the recent international conferences which have been called for that purpose—but is anxious so to develop and improve her own industries, both primary and secondary, that she will be enabled to maintain and even increase the local standards of living. This can be achieved, however, only if all sections of the community co-operate and work in harmony for their mutual benefit and for the advantage of the Dominion.

Let us, therefore, face the future with thankfulness for the victories which have been won by the Allied Armed Forces, with confidence in final and complete victory, and with a determination to work together for the advancement of peace and prosperity, knowing full well that such a policy will react not only to our own immediate benefit, but will enable us to make a worthwhile contribution towards improving the lot of less fortunate countries overseas.

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Table No. 1

REVENUE OF THE CONSOLIDATED FUND, SOCIAL SECURITY FUND, AND WAR EXPENSES ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 1945, COMPARED WITH THE YEAR ENDED 31ST MARCH, 1944

| | 1945. | | | | 1944. | | | |
|----------------------------------|--------------------|-----------------------|-----------------------|-------------|--------------------|-----------------------|-----------------------|-------------|
| | Consolidated Fund. | Social Security Fund. | War Expenses Account. | Total. | Consolidated Fund. | Social Security Fund. | War Expenses Account. | Total. |
| | £ | £ | £ | £ | £ | £ | £ | £ |
| Taxation— | | | | | | | | |
| Income-tax .. | 25,686,050 | .. | 8,562,017 | 34,248,067 | 23,498,851 | .. | 7,832,950 | 31,331,801 |
| Land-tax .. | 952,622 | .. | .. | 952,622 | 987,707 | .. | .. | 987,707 |
| National security tax .. | .. | .. | 20,526,552 | 20,526,552 | .. | .. | 19,184,056 | 19,184,056 |
| Social security charge .. | .. | 13,663,858 | .. | 13,663,858 | .. | 12,796,108 | .. | 12,796,108 |
| Registration fees .. | .. | 574,436 | .. | 574,436 | .. | 551,064 | .. | 551,064 |
| Customs duties .. | 8,471,679 | .. | 2,788,310 | 11,259,989 | 7,672,083 | .. | 2,710,359 | 10,382,442 |
| Beer duty .. | 2,074,458 | .. | 1,535,003 | 3,609,461 | 2,041,760 | .. | 1,498,373 | 3,540,133 |
| Sales tax .. | 4,063,558 | .. | 9,539,368 | 13,602,926 | 3,762,406 | .. | 8,980,941 | 12,743,347 |
| Highways tax .. | 1,929,618 | .. | .. | 1,929,618 | 1,692,325 | .. | .. | 1,692,325 |
| Stamp duties .. | 2,282,152 | .. | 5,060,548 | 7,342,700 | 2,118,444 | .. | 4,508,792 | 6,627,236 |
| Postage .. | .. | .. | 600,000 | 600,000 | .. | .. | 600,000 | 600,000 |
| Other .. | 229,259 | .. | 120,554 | 349,813 | 244,043 | .. | 128,621 | 372,664 |
| | 45,689,396 | 14,238,294 | 48,732,352 | 108,660,042 | 42,017,619 | 13,347,172 | 45,444,092 | 100,808,883 |
| Loan-moneys .. | .. | .. | 54,418,343 | 54,418,343 | .. | .. | 72,754,812 | 72,754,812 |
| Reciprocal aid : Lend-lease .. | .. | .. | 24,545,702 | 24,545,702 | .. | .. | 32,478,235 | 32,478,235 |
| Interest receipts .. | 5,363,806 | .. | .. | 5,363,806 | 4,281,922 | .. | .. | 4,281,922 |
| Disposal of surplus assets .. | .. | .. | 3,478,643 | 3,478,643 | .. | .. | .. | .. |
| Other receipts .. | 3,194,596 | 38,112 | 1,606,617 | 4,839,325 | 2,528,733 | 44,913 | 163,315 | 2,736,961 |
| | 54,247,798 | 14,276,406 | 132,781,657 | 201,305,861 | 48,828,274 | 13,392,085 | 150,840,454 | 213,060,813 |
| Transfers from Consolidated Fund | -10,700,000 | 4,500,000 | 6,200,000* | .. | -15,800,000 | 4,100,000 | 11,700,000* | .. |
| | 43,547,798 | 18,776,406 | 138,981,657 | 201,305,861 | 33,028,274 | 17,492,085 | 162,540,454 | 213,060,813 |

* Includes previous year's surplus.

Table No. 2

STATEMENT OF THE ACTUAL NET EXPENDITURE OF THE CONSOLIDATED FUND (ORDINARY REVENUE ACCOUNT) FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 1945, COMPARED WITH THAT OF THE FINANCIAL YEAR ENDED 31ST MARCH, 1944

| | Year ended 31st March, 1945. | Year ended 31st March, 1944. | Increase. | Decrease. |
|---|------------------------------------|------------------------------------|-----------|-----------|
| Permanent Appropriations :— | £ | £ | £ | £ |
| Under special Acts of Legislature— | | | | |
| Civil List | 31,349 | 31,127 | 222 | .. |
| Debt Services— | | | | |
| Interest | 17,323,346 | 12,362,592 | 4,960,754 | .. |
| Sinking Fund | .. | 10,859 | .. | 10,859 |
| Repayment of Public Debt Act, 1925 | 3,585,147 | 3,053,514 | 531,633 | .. |
| Transfers to Loan Redemption Account | 182,546 | 159,040 | 23,506 | .. |
| Payments on guaranteed loans | Cr. 3,948 | Cr. 2,353 | .. | 1,595 |
| Administration and management | 296,606 | 136,785 | 159,821 | .. |
| Total—Debt Services | 21,383,697 | 15,720,437 | 5,675,714 | 12,454 |
| Other Services— | | | | |
| Highways | 1,916,948 | 1,685,434 | 231,514 | .. |
| Other special Acts | 4,656,400 | 7,727,077 | .. | 3,070,677 |
| Total—Other Services | 6,573,348 | 9,412,511 | 231,514 | 3,070,677 |
| Total—Permanent Appropriations | 27,988,394 | 25,164,075 | 5,907,450 | 3,083,131 |
| Annual Appropriations :— | | | | |
| Vote— | | | | |
| Legislative | 121,506 | 109,802 | 11,704 | .. |
| Prime Minister's Department | 35,628 | 15,865 | 19,763 | .. |
| External Affairs | 177,023 | 123,683 | 53,340 | .. |
| Finance— | | | | |
| Treasury | 94,837 | 81,757 | 13,080 | .. |
| Customs | 156,842 | 149,555 | 7,287 | .. |
| Land and Income Tax | 211,112 | 174,649 | 36,463 | .. |
| Stamp Duties | 136,407 | 98,215 | 38,192 | .. |
| Audit | 43,896 | 41,465 | 2,431 | .. |
| Total—Finance | 643,094 | 545,641 | 97,453 | .. |
| General Administration— | | | | |
| Public Service Commissioner's Office | 20,574 | 18,050 | 2,524 | .. |
| Internal Affairs | 585,815 | 464,164 | 121,651 | .. |
| Island Territories | 286,706 | 217,299 | 69,407 | .. |
| Printing and Stationery | 409,035 | 434,865 | .. | 25,830 |
| Marine | 183,851 | 189,268 | .. | 5,417 |
| Labour | 239,143 | 261,446 | .. | 22,303 |
| Native | 330,586 | 272,679 | 57,907 | .. |
| Valuation | 48,491 | 26,860 | 21,631 | .. |
| Electoral | 11,225 | 110,826 | .. | 99,601 |
| Census and Statistics | 32,988 | 27,322 | 5,666 | .. |
| Rehabilitation | 142,080 | .. | 142,080 | .. |
| Total—General Administration | 2,290,494 | 2,022,779 | 420,866 | 153,151 |
| Law and Order— | | | | |
| Justice and Prisons | 267,261 | 249,554 | 17,707 | .. |
| Crown Law Office | 8,476 | 8,565 | .. | 89 |
| Police | 759,193 | 777,372 | .. | 18,179 |
| Total—Law and Order | 1,034,930 | 1,035,491 | 17,707 | 18,268 |
| Maintenance of Public Works and Services | 881,715 | 424,695 | 457,020 | .. |
| Development of Primary and Secondary Industries— | | | | |
| Organization for National Development | 7,582 | .. | 7,582 | .. |
| Lands and Survey | 380,810 | 341,405 | 39,405 | .. |
| Agriculture | 1,130,315 | 1,017,400 | 112,915 | .. |
| Industries and Commerce | 645,452 | 792,171 | 84,079 | .. |
| Tourist and Publicity | 230,798 | .. | .. | .. |
| Scientific and Industrial Research | 228,545 | 198,907 | 29,638 | .. |
| Mines | 97,585 | 74,443 | 23,142 | .. |
| Transport | 83,236 | 92,704 | .. | 9,468 |
| Total—Development of Primary and Secondary Industries | 2,804,323 | 2,517,030 | 296,761 | 9,468 |
| Social Services— | | | | |
| Health | 2,162,551 | 1,812,289 | 350,262 | .. |
| Mental Hospitals | 563,546 | 503,916 | 59,630 | .. |
| Education | 5,067,571 | 4,805,441 | 262,130 | .. |
| War and other pensions | 3,840,335 | 3,264,851 | 575,484 | .. |
| Social Security | 4,500,000 | 4,100,000 | 400,000 | .. |
| National Provident and Friendly Societies | 109,100 | 105,857 | 3,243 | .. |
| Total—Social Services | 16,243,103 | 14,592,354 | 1,650,749 | .. |
| Unauthorized Expenditure :— | | | | |
| Services not provided for | 812,869 | 44,279 | 768,590 | .. |
| Total—Annual Appropriations | 25,044,685 | 21,431,619 | 3,793,953 | 180,887 |
| Total Expenditure | 53,033,079 | 46,595,694 | 6,437,385 | .. |
| | | | 9,701,403 | 3,264,018 |
| | | | 3,264,018 | .. |

Table No. 3

SOCIAL SECURITY FUND

STATEMENT SHOWING THE NET EXPENDITURE FOR THE YEAR ENDED 31ST MARCH, 1945, COMPARED WITH THE YEAR ENDED 31ST MARCH, 1944

| | Year ended 31st March, 1945. | Year ended 31st March, 1944. | Increase. | Decrease. |
|-----------------------------------|------------------------------------|------------------------------------|-----------|-----------|
| | £ | £ | £ | £ |
| Administration expenses | 563,677 | 509,294 | 54,383 | .. |
| Medical, hospital, &c., benefits— | | | | |
| Maternity benefits | 530,734 | 513,939 | 16,795 | .. |
| Hospital benefits | 2,266,688 | 2,133,389 | 133,299 | .. |
| Medical benefits | 1,287,023 | 1,179,331 | 107,692 | .. |
| Pharmaceutical benefits | 980,237 | 762,198 | 218,039 | .. |
| Supplementary benefits | 170,032 | 137,823 | 32,209 | .. |
| Monetary benefits— | | | | |
| Age-benefit | 8,492,015 | 8,101,669 | 390,346 | .. |
| Invalidity benefits | 1,072,619 | 1,067,409 | 5,210 | .. |
| Widows' benefits | 985,451 | 949,099 | 36,352 | .. |
| Sickness benefits | 351,866 | 376,878 | .. | 25,012 |
| Family benefits | 1,405,112 | 876,858 | 528,254 | .. |
| Miners' benefits | 74,367 | 76,653 | .. | 2,286 |
| Orphans' benefits | 23,253 | 22,442 | 811 | .. |
| Maori War benefits | 78 | 118 | .. | 40 |
| Unemployment benefits | 27,822 | 32,316 | .. | 4,494 |
| Universal superannuation | 995,036 | 778,758 | 216,278 | .. |
| Emergency benefit | 105,834 | 115,573 | .. | 9,739 |
| | | | 1,739,668 | 41,571 |
| | | | 41,571 | .. |
| Totals | 19,331,844 | 17,633,747 | 1,698,097 | .. |

Table No. 4

WAR EXPENSES ACCOUNT

STATEMENT SHOWING THE NET EXPENDITURE FOR THE YEAR ENDED 31ST MARCH, 1945,
COMPARED WITH THE YEAR ENDED 31ST MARCH, 1944

| | Year ended 31st March, 1945. | Year ended 31st March, 1944. | Increase. | Decrease. |
|---|---------------------------------|---------------------------------|------------|-------------------|
| | £ | £ | £ | £ |
| Navy— | | | | |
| Pay and allowances | 2,650,412 | 2,179,228 | 471,184 | .. |
| Accommodation, victualling, and clothing | 432,148 | 703,821 | .. | 271,673 |
| War and other stores | 1,238,578 | 2,119,238 | .. | 880,660 |
| Medical services | 10,049 | 13,332 | .. | 3,283 |
| Educational and vocational services | 8,797 | 6,071 | 2,726 | .. |
| Land, buildings, and ships | 713,907 | 2,108,822 | .. | 1,394,915 |
| Docking repairs, maintenance, and rent | 904,600 | 474,505 | 430,095 | .. |
| Transport | 330,076 | 402,809 | .. | 72,733 |
| Miscellaneous effective services | 156,588 | 184,362 | .. | 27,774 |
| Non-effective services | 193,926 | 55,432 | 138,494 | .. |
| | 6,639,081 | 8,247,620 | 1,042,499 | 2,651,038 |
| Army— | | | | |
| Pay and allowances | 23,136,937 | 30,628,013 | .. | 7,491,076 |
| Accommodation, victualling, and clothing | 2,665,124 | 3,921,677 | .. | 1,256,553 |
| War and other stores | 20,358,248 | 34,602,474 | .. | 14,244,226 |
| Medical services | 481,025 | 620,300 | .. | 139,275 |
| Educational and vocational services | 14,849 | 15,452 | .. | 603 |
| Land, buildings, and fortifications | 695,307 | 1,925,279 | .. | 1,229,972 |
| Repairs, maintenance, and rent | 364,305 | 1,065,564 | .. | 701,259 |
| Transport | 2,959,997 | 4,462,347 | .. | 1,502,350 |
| Miscellaneous and effective services | 285,970 | 834,563 | .. | 548,593 |
| Non-effective services | 7,415 | 11,152 | .. | 3,737 |
| | 50,969,177 | 78,086,821 | .. | 27,117,644 |
| Air— | | | | |
| Pay and allowances | 10,451,540 | 10,988,581 | .. | 537,041 |
| Accommodation, victualling, and clothing | 2,127,039 | 2,589,315 | .. | 462,276 |
| War and other stores | 18,223,341 | 15,352,107 | 2,871,234 | .. |
| Medical services | 62,663 | 82,301 | .. | 19,638 |
| Educational and vocational services | 7,888 | 7,961 | .. | 73 |
| Land, aerodromes, and other buildings | 957,808 | 3,019,743 | .. | 2,061,935 |
| Repairs, maintenance, and rent | 143,365 | 215,149 | .. | 71,784 |
| Transport | 863,513 | 1,117,241 | .. | 253,728 |
| Miscellaneous effective services | 321,348 | 244,567 | 76,781 | .. |
| Non-effective services | 124,599 | 136,304 | .. | 11,705 |
| | 33,283,104 | 33,753,269 | 2,948,015 | 3,418,180 |
| Civil— | | | | |
| Primary producers' subsidies | 2,459,369 | 1,419,885 | 1,039,484 | .. |
| Stabilization subsidies | 2,559,324 | 1,421,938 | 1,137,386 | .. |
| Grants and subsidies for promotion and expansion of war production | 150,746 | 421,676 | .. | 270,930 |
| E.P.S. and other security measures | 214,394 | 570,580 | .. | 356,186 |
| Services for Armed Forces (recoverable) | 2,207,396 | 3,999,555 | .. | 1,792,159 |
| Reserve stocks, indents, and manufactured goods (recoverable) | Cr. 5,246,406 | Cr. 1,332,212 | .. | 3,914,194 |
| Soldier' financial assistance, patriotic, and similar grants | 762,742 | 691,088 | 71,654 | .. |
| Bulk purchases and sales by Food Controller | 103,108 | Cr. 432,888 | 535,996 | .. |
| National Service Department | 348,962 | 406,276 | .. | 57,314 |
| Miscellaneous (recoverable in part and whole) | 76,825 | 37,217 | 39,608 | .. |
| Miscellaneous (non-recoverable) | 1,253,351 | 656,771 | 596,580 | .. |
| | 4,889,811 | 7,859,886 | 3,420,708 | 6,390,783 |
| Rehabilitation advances, &c. | 1,243,318 | 544,313 | 699,005 | .. |
| Reciprocal aid : Reverse lend-lease | 26,734,595 | 24,453,539 | 2,281,056 | .. |
| Transfer to Loans Redemption Account | 6,250,000 | 10,216,103 | .. | 3,966,103 |
| | 34,227,913 | 35,213,955 | 2,980,061 | 3,966,103 |
| | .. | .. | 10,391,283 | 43,543,748 |
| | | | | 10,391,283 |
| Total | 130,009,086 | 163,161,551 | .. | 33,152,465 |

Table No. 5

PUBLIC DEBT

MATURITY AND DOMICILE OF DEBT OUTSTANDING, 31ST MARCH, 1945

| Loans maturing in Financial Year ending 31st March*. | Due in | | | | Total Debt (Nominal Amount). |
|--|---|------------|--------------|---------------|------------------------------------|
| | London (in New Zealand Currency). | Australia. | New Zealand. | | |
| | | | Public. | Departmental. | |
| | £ | £ | £ | £ | £ |
| Overdue | .. | .. | 16,785 | .. | 16,785 |
| Treasury bills | .. | .. | 60,000 | 46,940,000 | 47,000,000 |
| Memorandum of Security | 18,962,500 | .. | .. | .. | 18,962,500 |
| Funded debt† | 30,125,249 | .. | .. | .. | 30,125,249 |
| Interest free‡ | .. | .. | 1,275,546 | .. | 1,275,546 |
| 1946 | 30,792,874 | .. | 2,147,010 | 400 | 32,940,284 |
| 1947 | .. | .. | 3,549,398 | 153,784 | 3,703,182 |
| 1948 | 14,177,011 | 82,300 | 6,627,270 | 1,803,730 | 22,690,311 |
| 1949 | .. | .. | 12,541,120 | 8,976,605 | 21,517,725 |
| 1950 | 9,375,000 | .. | 18,887,350 | 9,851,340 | 38,113,690 |
| 1951 | 1,562,500 | 779,000 | .. | 250,000 | 2,591,500 |
| 1952 | .. | .. | 449,665 | 5,251,940 | 5,701,605 |
| 1953 | .. | .. | 11,385,965 | 1,098,140 | 12,484,105 |
| 1954 | 9,153,224 | .. | 9,458,871 | 328,175 | 18,940,270 |
| 1955 | .. | .. | 6,228,930 | 307,030 | 6,535,960 |
| 1956 | 15,000,000 | .. | 17,681,345 | 1,691,355 | 34,372,700 |
| 1957 | .. | .. | 30,375,004 | 7,483,435 | 37,858,439 |
| 1958 | 24,031,831 | .. | 17,680,555 | 113,968,613 | 155,680,999 |
| 1959 | .. | .. | 10,326,190 | 31,619,808 | 41,945,998 |
| 1961 | 7,889,599 | .. | 12,605,400 | 2,135,990 | 22,630,989 |
| 1963 | 13,132,487 | .. | 378,639 | .. | 13,511,126 |
| 1964 | 9,174,570 | .. | 6,191,495 | 3,547,250 | 18,913,315 |
| 1966 | 9,476,134 | .. | .. | .. | 9,476,134 |
| 1972 | 6,250,000 | .. | .. | .. | 6,250,000 |
| Totals | 199,102,979 | 861,300 | 167,866,538 | 235,407,595§ | 603,238,412 |

* In respect of many of the loans the Government has the option to redeem the securities at an earlier date. For particulars, see B.-1 [Pt. III]. † Imperial Government advances funded in terms of section 8, Finance Act, 1922. Payments at present suspended. ‡ Interest-free loans are for various periods, the bulk being for the duration of the war and six months thereafter. § Includes holdings by Reserve Bank previously shown under "Public."

SUMMARY OF DEPARTMENTAL INVESTMENTS

| | £ |
|---|---------------------|
| Investments held by Accounts within the Public Account .. | 18,981,475 |
| Commercial Broadcasting Service | 120,000 |
| National Broadcasting Service | 1,570,000 |
| Marketing Department: Export Division | 9,000,000 |
| Government Life Insurance | 3,487,075 |
| Native Trustee | 181,830 |
| Post Office | 110,190,771 |
| Post Office: National Savings | 28,431,000 |
| Public Trustee | 18,700,159 |
| Reserve Bank | 37,177,185 |
| State Advances Corporation | 6,010,000 |
| State Fire Insurance Office— | |
| Accident Branch | 597,500 |
| Fire Branch | 960,600 |
| | <u>£235,407,595</u> |

Copy of Prospectus of Victory Loan

Dominion of New Zealand
VICTORY LOAN OF £40,000,000

This Loan includes—

- (a) New Zealand Government Stock the issue of which is authorized in accordance with the New Zealand Loans Act, 1932:
- (b) Investments in National Savings Bonds and National Savings Accounts authorized in accordance with the National Savings Act, 1940.

The proceeds of the Loan will be paid to the War Expenses Account established under Part I of the War Expenses Act, 1939.

National War Savings

1. Any amount up to £1,000 in multiples of 1s. will be accepted as a deposit to a National War Savings Account; subject, however, to a maximum of £1,000 in any one investment period. Investment periods end on the 30th day of June in each year.

Deposits made on or after the 1st July, 1944, and before the 1st July, 1945, will be repayable on the 30th June, 1947.

Interest at the rate of 3 per cent. per annum is credited on the 30th June in each year, and such interest may be withdrawn within six months from that date. If not withdrawn, it is added to the principal.

2. National Savings Bonds (Victory Bonds) are offered for sale repayable five years from date of issue—

| Cost Price | Maturity Value | | |
|--------------|----------------|----|----|
| | £ | s. | d. |
| £100 | 113 | 15 | 0 |
| £10 | 11 | 7 | 6 |
| £1 | 1 | 2 | 9 |

Issue of Stock

The acceptance of amounts by way of Advance Subscriptions to War-purposes Loans is discontinued as from the date of the Prospectus

The Reserve Bank of New Zealand has been authorized by the Minister of Finance to receive applications for the issue of New Zealand Government Stock as under:—

2½ PER CENT. STOCK REPAYABLE 15TH FEBRUARY, 1949/50.

3 PER CENT. STOCK REPAYABLE 15TH FEBRUARY, 1955/58.

Price of Issue: £100 per Cent.

Offer opens 28th August, 1944. Closes 4th October, 1944

1. *Applications.*—Applications may be paid on the following terms:—

- (a) In full at time of application.
- (b) £30 per cent. on application.
£40 per cent. on the 22nd November, 1944.
£30 per cent. on the 12th January, 1945.

Any instalment due in terms of this Prospectus may be paid in advance of the due date, and interest at the rate stipulated will be allowed from the actual date of payment.

2. *Securities.*—New Zealand Government Stock will be issued in any of the following forms as may be directed by the applicant in the form of application:—

- (a) *Ordinary Stock*—transferable by Memorandum of Transfer without payment of any fee and free of Stamp Duty unless the transfer is by way of gift. Ordinary Stock may be exchanged for Stock Certificates to Bearer free of charge.
- (b) *Death Duty Stock*—not transferable. Death Duty Stock may be exchanged for Ordinary Stock. The executor or administrator of a deceased stockholder may in terms of section 40 of the New Zealand Loans Act, 1932, surrender Death Duty Stock at par in payment of Death Duties in the estate of the deceased stockholder.
- (c) *Stock Certificates*—for any amount of not less than £50 with interest coupons annexed. When issued Stock Certificates will be payable to bearer and will be transferable by delivery. The first or any subsequent holder may insert the name of a nominee, after which the Stock Certificate will not be transferable. Stock Certificates payable to bearer or to a person named in the Certificate may at any interest date be converted into Ordinary Stock without the payment of any fee.

Stock Certificates will be issued to applicants as soon as practicable after payment of the full amount applied for has been made.

3. *Registration.*—The Register of Stock will be kept at the Reserve Bank of New Zealand, Wellington, where transfers will be registered free of charge. Any minor of the age of ten years or upwards is entitled to be registered as the holder of Stock and to execute transfers thereof. Ordinary Stock and Death Duty Stock will be registered in the names of the applicant, and Registration Certificates will be issued as soon as possible after payment of the full amount applied for has been made. If a Certificate of Title is required application should be made on the prescribed form.

4. *Interest.*—Interest will be paid half-yearly on the 15th February and 15th August in each year, and the first payment representing interest from the dates of the deposits up to the 15th February, 1945, will be made on that date.

The first payment will in every case be made to the original subscriber and will be paid by means of warrants forwarded by post from the Reserve Bank of New Zealand.

Subsequent payments on Ordinary Stock and Death Duty Stock will be made by means of interest warrants forwarded to the stockholder as at the due date of payment. The Reserve Bank of New Zealand, however, will accept directions from stockholders for payment of interest to any agent in the Dominion, and existing instructions for the payment of interest will apply to all Stock issued in terms of this Prospectus.

Interest on Stock Certificates other than the first payment, which will be paid in accordance with the provisions outlined in the second paragraph of this section, will be paid by means of coupons annexed to the Certificates.

5. *Repayment.*—If not previously redeemed, Stock of the 2½-per-cent. Loan 1949/50 will be repaid at par at the Reserve Bank of New Zealand on the 15th February, 1950, and Stock of the 3-per-cent. Loan 1955/58 will be repaid at par at the Reserve Bank of New Zealand on the 15th February, 1958, but the Minister of Finance reserves the right to repay at par the 2½-per-cent. Loan at any time on or after the 15th February, 1949, and the 3-per-cent. Loan at any time on or after the 15th February, 1955, on giving at least three months' notice in the *New Zealand Gazette* of his intention to repay.

6. *Trustee Investment.*—Trustees are authorized by the Trustee Act, 1908, to invest in New Zealand Government Stock unless expressly forbidden by the instrument (if any) creating the trust.

7. *Receiving Offices.*—Applications, which must be for an amount of £10 or multiples thereof, and which must be accompanied by a remittance for the full issue price or the required deposit of £30 per cent., may be lodged at the Reserve Bank of New Zealand, Wellington, at any branch of any bank in New Zealand, including Trustee savings-banks, at the District Treasury Offices at Auckland, Christchurch, or Dunedin, or at any postal money-order office in New Zealand. Copies of this Prospectus and forms of application may be obtained from any of the above offices, and, in addition, may also be obtained from members of any Stock Exchange in the Dominion.

8. *Commission.*—Commission at the rate of 5s. per £100 of Stock issued will be allowed to bankers and registered sharebrokers.

The Minister of Finance reserves the right to accept applications exceeding in the aggregate £40,000,000.

Loan closes 4th October, 1944.

Reserve Bank of New Zealand, Wellington, 28th August, 1944.

Copy of Prospectus of London Conversion Loan

*Notice to Holders of New Zealand Government 4½ per Cent. Inscribed Stock, 1945, and
New Zealand Government 3 per Cent. Inscribed Stock, 1945*

Consent of the Treasury has been obtained to this issue under Regulation 6 of the Defence (Finance) Regulations, 1939

ISSUE OF £17,238,187 NEW ZEALAND GOVERNMENT 3¼% STOCK, 1962–1965, AT
THE PRICE OF £99: 10s. PER CENT.

Interest payable half-yearly on the 1st March and 1st September

The Government of New Zealand have observed the conditions prescribed under the Colonial Stock Act, 1900, as notified in the *London Gazette* of the 14th December, 1900, and the Stock is, therefore, an investment authorized under the Trustee Act, 1925, and the Trusts (Scotland) Act, 1921.

*Offer of Exchange to Holders of £7,580,907 New Zealand Government 4½ per Cent.
Inscribed Stock, 1945, which is repayable on the 1st March, 1945, and £9,657,280 New
Zealand Government 3 per Cent. Inscribed Stock, 1945, which is repayable on the 1st April,
1945.*

The Governor and Company of the Bank of England give notice that, on behalf of the Agents appointed for raising and managing Loans under the New Zealand Loans Act, 1932, they are authorized to offer, to holders of the 4½ per Cent. and 3 per Cent. Stocks above mentioned, New Zealand Government 3¼ per Cent. Stock, 1962–1965, in exchange for their

holdings of the 4½ per Cent. and 3 per Cent. Stocks, in whole or in part, on the terms set forth in this Notice. Stock not so exchanged will be repaid in cash at par on the 1st March, 1945, in the case of New Zealand Government 4½ per Cent. Inscribed Stock, 1945, and on the 1st April, 1945, in the case of New Zealand Government 3 per Cent. Inscribed Stock, 1945.

Holdings of New Zealand Government 4½ per Cent. Inscribed Stock, 1945, surrendered in acceptance of this offer will be exchanged as on the 1st March, 1945, into New Zealand Government 3¼ per Cent. Stock, 1962–1965 (which up to and including the 1st August, 1945, will be designated "A"), at the rate of £100 of such Stock for each £100 Stock surrendered; a cash payment at the rate of 10s. for each £100 Stock surrendered, representing the difference between £100, being the redemption value of New Zealand Government 4½ per Cent. Inscribed Stock, 1945, and £99 10s., being the issue price of New Zealand Government 3¼ per Cent. Stock, 1962–1965, will be made on the 1st March, 1945, to holders of 4½ per Cent. Inscribed Stock, 1945, who accept the offer and not to subsequent holders.

Holdings of New Zealand Government 3 per Cent. Inscribed Stock, 1945, surrendered in acceptance of this offer will be exchanged as on the 1st April, 1945, into New Zealand Government 3¼ per Cent. Stock, 1962–1965 (which up to and including the 1st August, 1945, will be designated "B"), at the rate of £100 of such Stock for each £100 Stock surrendered; a cash payment at the rate of 10s. for each £100 Stock surrendered, representing the difference between £100, being the redemption value of New Zealand Government 3 per Cent. Inscribed Stock, 1945, and £99 10s., being the issue price of New Zealand Government 3¼ per Cent. Stock, 1962–1965, will be made on the 1st April, 1945, to holders of 3 per Cent. Inscribed Stock, 1945, who accept the offer and not to subsequent holders.

The six months' interest due on the 1st March, 1945, on New Zealand Government 4½ per Cent. Inscribed Stock, 1945, will be paid to the persons who, at the close of business on the 1st February, 1945, are registered as holders of the Stock.

The six months' interest due on the 1st April, 1945, on New Zealand Government 3 per Cent. Inscribed Stock, 1945, will be paid to the persons who, at the close of business on the 1st March, 1945, are registered as holders of the Stock.

Acceptances of this offer of exchange must be made on the special printed forms which have been sent by post to all registered holders of the 4½ per Cent. Inscribed Stock, 1945, and of the 3 per Cent. Inscribed Stock, 1945 (in the case of joint accounts to the first-named holder or to the first-named holder whose registered address is in the United Kingdom). Acceptances in respect of Stock Certificates to Bearer must be lodged at the Chief Accountant's Office, Bank of England, London E.C. 2, and must be accompanied by the relative Stock Certificates. Stock Certificates to Bearer in respect of New Zealand Government 4½ per Cent. Inscribed Stock, 1945, must be accompanied by the coupons dated 1st March, 1945, in the case of acceptances lodged not later than the 1st February, 1945; the interest due on the 1st March, 1945, in respect of such lodgments will be paid by warrants transmitted by post. Stock Certificates to Bearer in respect of New Zealand Government 3 per Cent. Inscribed Stock, 1945, must bear the coupons dated 1st April, 1945; the interest due on the 1st April, 1945, will be paid by warrants transmitted by post.

NEW ZEALAND GOVERNMENT, 3¼% STOCK, 1962–1965

(Authorised to be raised under the New Zealand Loans Act, 1932)

The Stock will be paid off at par at the Bank of England on the 1st September, 1965, but the New Zealand Government reserve to themselves the right to redeem at par on the 1st September, 1962, or on any date thereafter, all or any part (to be selected by drawings or otherwise) of the Stock then outstanding on giving at least three calendar months' notice by public advertisement in *The Times*.

Under the provisions of the New Zealand Loans Act, 1932, the principal of and interest on the Stock are charged upon the Public Revenues of New Zealand.

Under the provisions of the New Zealand Land and Income Tax Act, 1923 (No. 21), income derived by a person not resident in New Zealand from New Zealand Government Stock the interest on which is payable in London is not liable to taxation in the Dominion.

The revenues of the Dominion of New Zealand alone are liable in respect of the Stock and the interest thereon and the Consolidated Fund of the United Kingdom and the Commissioners of His Majesty's Treasury are not directly or indirectly liable or responsible for the payment of the Stock or of the interest thereon, or for any matter relating thereto.

The Repayment of the Public Debt Act, 1925, of New Zealand instituted a method whereby the Dominion's Debt reduction resources are made available to purchase New Zealand Government securities on the open market for cancellation or to pay them off at maturity, thereby providing for an annual repayment of Public Debt. For this purpose, there is issued annually out of the Consolidated Fund of the Dominion a sum equal to ½ per Cent. of the Debt affected, and to this is added a sum equal to interest at 3½ per Cent. per annum on the Debt paid off under this scheme. By this means a portion of the savings in interest on the Debt paid off is applied to further repayments of Debt, so that the Debt reduction resources are increasing year by year.

Since the beginning of the present war the Dominion has repaid under the Repayment of the Public Debt Act, 1925, and from other sources, over £12,000,000 of New Zealand Government Stock issued in the United Kingdom.

The Stock will be transferable by deed in any usual or common form, in multiples of one penny, free of charge and stamp duty. Up to and including the 1st August, 1945, transfers must indicate "A" or "B" Stock.

The Register of the Stock will be kept at the Bank of England.

Interest is payable half-yearly on the 1st March and the 1st September; interest warrants will be transmitted by post and Income-tax will be deducted from payments of more than £5 per annum. The first payment, which will be six months' interest in respect of Stock designated "A" and interest at the rate of £1 7s. 1d. per £100 Stock in respect of Stock designated "B," will be made on the 1st September, 1945.

Any of the Stock which is not issued in exchange for holdings of $4\frac{1}{2}$ per Cent. Inscribed Stock, 1945, or 3 per Cent. Inscribed Stock, 1945, will be taken up for cash by the Reserve Bank of New Zealand at the price of £99 10s. per Cent. free of commission. Stock so taken up may be in the form of Stock designated "A" or Stock designated "B," or partly in one class and partly in the other. "A" Stock issued in exchange and "A" Stock issued for cash will rank *pari passu* in all respects; "B" Stock issued in exchange and "B" Stock issued for cash will rank *pari passu* in all respects.

A commission of 5s. per £100 of Stock will be paid to Bankers or Stockbrokers in respect of acceptances bearing their stamp.

The books of the Bank of England will be finally closed for transfers of New Zealand Government $4\frac{1}{2}$ per Cent. Inscribed Stock, 1945, on the evening of the 1st February, 1945, and for transfers of New Zealand Government 3 per Cent. Inscribed Stock, 1945, on the evening of the 1st March, 1945.

Holdings of $4\frac{1}{2}$ per Cent. Inscribed Stock, 1945, in respect of which acceptance of this offer has been notified on or before the 1st February, 1945, will be known until the close of business on that date as New Zealand Government $4\frac{1}{2}$ per Cent. Inscribed Stock, 1945, "Assented Stock"; after the 1st February, 1945, and up to and including the 1st August, 1945, such "Assented Stock" will be transferable as New Zealand Government $3\frac{1}{4}$ per Cent. Stock, 1962-1965, "A." Holdings in respect of which acceptance of this offer has been notified after the 1st February, 1945, will, up to and including the 1st August, 1945, be transferable as New Zealand Government $3\frac{1}{4}$ per Cent. Stock, 1962-65, "A."

Holdings of 3 per Cent. Inscribed Stock, 1945, in respect of which acceptance of this offer has been notified will be known as New Zealand Government 3 per Cent. Inscribed Stock, 1945, "Assented Stock" until the close of business on the 1st March, 1945; after that date and up to and including 1st August, 1945, such "Assented Stock" will be transferable as New Zealand Government $3\frac{1}{4}$ per Cent. Stock, 1962-1965, "B."

Copies of this Notice and Forms for acceptance may be obtained at the Bank of England, London E.C. 2, or at any of the Branches of the Bank of England; from Messrs. Mullens & Co., 13 George Street, London E.C. 4; at the Bank of New Zealand (the Bankers to the Government of New Zealand in London), 1 Queen Victoria Street, London E.C. 4; from Messrs. J. and A. Scrimgeour, 3 Lothbury, London, E.C. 2; or at the Office of the High Commissioner for New Zealand, 415 Strand, London W.C. 2.

Acceptances of this offer of exchange will not be received after the 24th February, 1945.

Bank of England, London, 15th January, 1945.

Copy of Prospectus of 1945 Victory Loan

Dominion of New Zealand
1945 VICTORY LOAN OF £25,000,000

This Loan includes—

- (a) New Zealand Government Stock the issue of which is authorized in accordance with the New Zealand Loans Act, 1932;
- (b) Investments in National Savings Bonds and National Savings Accounts authorized in accordance with the National Savings Act, 1940.

The proceeds of the Loan will be paid to the War Expenses Account established under Part I of the War Expenses Act, 1939.

National War Savings

1. Any amount up to £1,000 in multiples of 1s. will be accepted as a deposit to a National War Savings Account; subject, however, to a maximum of £1,000 in any one investment period. Investment periods end on the 30th day of June in each year.

Deposits made on or before the 30th June, 1945, will be repayable on the 30th June, 1947. Deposits made on or after the 1st July, 1945, and before the 1st July, 1946, will be repayable on the 30th June, 1948.

Interest at the rate of 3 per cent. per annum is credited on the 30th June in each year, and such interest may be withdrawn within six months from that date. If not withdrawn, it is added to the principal.

2. National Savings Bonds (Victory Bonds) are offered for sale repayable five years, from date of issue—

| Cost Price. | Maturity Value. | | |
|--------------|-----------------|----|----|
| | £ | s. | d. |
| £100 | 113 | 15 | 0 |
| £10 | 11 | 7 | 6 |
| £1 | 1 | 2 | 9 |

Issue of Stock

The acceptance of amounts by way of Advance Subscriptions to War-purposes Loans is discontinued as from the date of the Prospectus

The Reserve Bank of New Zealand has been authorized by the Minister of Finance to receive applications for the issue of New Zealand Government Stock as under:—

- 2½ PER CENT. STOCK REPAYABLE 15TH APRIL, 1950/51.
3 PER CENT. STOCK REPAYABLE 15TH APRIL, 1956/59.

Price of Issue: £100 per Cent.

Offer Opens 14th May, 1945. Closes 16th June, 1945.

1. *Applications.*—Applications may be paid on the following terms:—

- (a) In full at time of application.
(b) £30 per cent. on application.
£30 per cent. on the 1st August, 1945.
£40 per cent. on the 14th September, 1945.

Any instalment due in terms of this Prospectus may be paid in advance of the due date, and interest at the rate stipulated will be allowed from the actual date of payment.

2. *Securities.*—New Zealand Government Stock will be issued in any of the following forms as may be directed by the applicant in the form of application:—

- (a) *Ordinary Stock*—transferable by Memorandum of Transfer without payment of any fee and free of Stamp Duty unless the transfer is by way of gift. Ordinary Stock may be exchanged for Stock Certificates to Bearer free of charge.
(b) *Death Duty Stock*—not transferable. Death Duty Stock may be exchanged for Ordinary Stock. The executor or administrator of a deceased stockholder may in terms of section 40 of the New Zealand Loans Act, 1932, surrender Death Duty Stock, at par in payment of Death Duties in the estate of the deceased stockholder.
(c) *Stock Certificates*—for any amount of not less than £50 with interest coupons annexed. When issued Stock Certificates will be payable to bearer and will be transferable by delivery. The first or any subsequent holder may insert the name of a nominee, after which the Stock Certificate will not be transferable. Stock Certificates payable to bearer or to a person named in the Certificate may at any interest date be converted into Ordinary Stock without the payment of any fee.

Stock Certificates will be issued to applicants as soon as practicable after payment of the full amount applied for has been made.

3. *Registration.*—The Register of Stock will be kept at the Reserve Bank of New Zealand, Wellington, where transfers will be registered free of charge. Any minor of the age of ten years or upwards is entitled to be registered as the holder of Stock and to execute transfers thereof. Ordinary Stock and Death Duty Stock will be registered in the names of the applicant, and Registration Certificates will be issued as soon as possible after payment of the full amount applied for has been made. If a Certificate of Title is required application should be made on the prescribed form.

4. *Interest.*—Interest will be paid half-yearly on the 15th April and 15th October in each year, and the first payment representing interest from the dates of the deposits up to the 15th October, 1945, will be made on that date.

The first payment will in every case be made to the original subscriber and will be paid by means of warrants forwarded by post from the Reserve Bank of New Zealand.

Subsequent payments on Ordinary Stock and Death Duty Stock will be made by means of interest warrants forwarded to the stockholder as at the due date of payment. The Reserve Bank of New Zealand, however, will accept directions from stockholders for payment of interest to any agent in the Dominion, and existing instructions for the payment of interest will apply to all Stock issued in terms of this Prospectus.

Interest on Stock Certificates other than the first payment, which will be paid in accordance with the provisions outlined in the second paragraph of this section, will be paid by means of coupons annexed to the Certificates.

5. *Repayment.*—If not previously redeemed, Stock of the 2½-per-cent. Loan 1950/51 will be repaid at par at the Reserve Bank of New Zealand on the 15th April, 1951, and Stock of the 3-per-cent. Loan 1956/59 will be repaid at par at the Reserve Bank of New Zealand on the 15th April, 1959, but the Minister of Finance reserves the right to repay at par the 2½-per-cent. Loan at any time on or after the 15th April, 1950, and the 3-per-cent. Loan at any time on or after the 15th April, 1956, on giving at least three months' notice in the *New Zealand Gazette* of his intention to repay.

6. *Trustee Investment.*—Trustees are authorized by the Trustee Act, 1908, to invest in New Zealand Government Stock unless expressly forbidden by the instrument (if any) creating the trust.

7. *Receiving Offices.*—Applications, which must be for an amount of £10 or multiples thereof, and which must be accompanied by a remittance for the full issue price or the required deposit of £30 per cent., may be lodged at the Reserve Bank of New Zealand, Wellington, at any branch of any bank in New Zealand, including Trustee savings-banks, at the District Treasury Offices at Auckland, Christchurch, or Dunedin, or at any postal money-order office in New Zealand. Copies of this Prospectus and forms of application may be obtained from any of the above offices, and, in addition, may also be obtained from members of any Stock Exchange in the Dominion.

8. *Commission.*—Commission at the rate of 5s. per £100 of Stock issued will be allowed to bankers and registered sharebrokers.

The Minister of Finance reserves the right to accept applications exceeding in the aggregate £25,000,000.

Loan closes 16th June, 1945.

Reserve Bank of New Zealand, Wellington, 14th May, 1945.

