

Air expenditure was £32.1 million and Navy £6 million, whilst the other main items were Reverse Lend-lease £22.8 million, and Gratuities £18 million. Details of both receipts and expenditure are shown in the annual accounts. Members should also examine Table 4.

Memorandum of Security

In connection with the repayment of the balance owing under the Memorandum of Security Agreement with the United Kingdom, the position under this agreement at the 31st March, 1946, was as follows:—

	£
Balance owing, 31st March, 1945	18,962,500
Borrowed, 1945-46	3,537,500
	<hr/>
	£22,500,000
Repayments, 1945-46	£22,500,000
	<hr/> <hr/>

I desire here to place on record the extent to which the facilities made available to us by the United Kingdom Government under the Memorandum of Security Agreement have been utilized. Finance was arranged in this way to meet New Zealand's share of the cost of the Empire Air Training Scheme and the cost of our Division in the Middle East. Advances were made as required from time to time by the British Government, we on our part arranging periodical lump-sum repayments as our finances permitted. The first advances were made in the financial year 1940-41, and for the six-year period a total of £60,834,184 5s. 11d. was arranged in this way, but, by the periodical repayments the total outstanding, was kept down to a manageable figure, so that at the close of the war the balance was £22,500,000, and this was completely liquidated, as I have mentioned, before the close of last financial year, so that of a potential huge overseas debt of over £60,000,000 not a penny now remains as a liability against the Dominion.

The debt of £22,500,000 in New Zealand currency representing £18,000,000 sterling was the subject of negotiation in 1944, in conjunction with the lump sum payments total £28,000,000 sterling which the British Government agreed to pay. The arrangement then made was that a maximum of £18,000,000 sterling borrowed or to be borrowed under the Memorandum of Security would be held over for further discussion at the termination of the war.

The New Zealand Government, however, after taking into account all the relevant factors, decided that this debt should be liquidated forthwith.

We appreciate the facilities made available to us in this way by the United Kingdom Government but have been happy to arrange for repayment in full of the debt so incurred.