

INDEX

	PAGE		PAGE
Bank of New Zealand Shares ..	19	Income-tax	35
Basis of Budget	22	International Co-operation ..	4
Borrowing Programme	29	Lend-lease Settlement	17
Budget Surplus	23	Main Highways Account	28
Civil Debt	21	Memorandum of Security	15
Coal	32	National Development Programme	28, 29
Consolidated Fund	22	National Savings	17
Continuing War Costs	33	Primage Duty on Books and Periodicals	37
Domicile of Public Debt	20	Primary Industries	32
Double Taxation	39	Prospectus of 1946 Conversion Loan	xv
Economic Policy	7	Prospectus of Local Loan	xvii
Education	32	Public Debt	18, 20, 21
Estimates, 1946-47—		Regrading of State Services ..	31
Consolidated Fund	23	Rehabilitation	6, 33
National Development	29	Revenue	23, 24
Social Security	27	Sales Tax	37
War Expenses	16	Secondary Industries	32
Excess Profits Tax	35	Social and Economic Progress ..	8
Expenditure—		Social Security Fund	26
Consolidated Fund	24, 25	Sterling Funds	6
National Development Programme	29	Superannuation of State Employees	31
Social Security Fund	27	Tables	i-xiv
War Expenses Account	13, 16	Taxation	33, 35
Future Plans	31	Taxation-reductions	35, 38
Gold Export Duty	37	UNRRA	4
History of Public Debt	21	War Costs	2, 13, 33
Hospital Rating	30	War Expenses Account	13, 16
Housing	29, 31		

1946
NEW ZEALAND

FINANCIAL STATEMENT

(In Committee of Ways and Means, 15th August, 1946)

By the Right Hon. Walter Nash, Minister of Finance

MR. CHAIRMAN,—

A year ago to-day was V.J.-Day.

For a year we have been freed from the constant dread for the safety of our men in the Armed Services.

That day, just a year ago, brought a victorious conclusion to the fight to the death for man's rights and liberties and for the personal ideals of man's ethical and spiritual life. It was a triumph for the free spirit of man and for the moral idealism which has shaped the values and ideas of our civilization.

Unfortunately the world was not entirely freed from the impact of pain and sacrifice that it had borne for six years, during which time it had suffered death, starvation, and destruction on a scale unparalleled in history. Inevitably, however, the havoc wrought by the incredible cruelties of the Nazi, Fascist, and Japanese aggression has left a tragic legacy in many lands. In the toll exacted of young lives New Zealand paid dearly, and now, as we stand on the threshold of the post-war era, it is appropriate to remember those who made this day possible, but who are not here to share it; to remember, too, homes saddened by their absence.

It is equally appropriate that any summing up of reorganization and reconstruction at this time should express thankfulness when we remember that we in New Zealand are among the most fortunate in a world still struggling in the aftermath of destruction, starvation, and disorganization. No country can withstand destruction and the dislocations of conflict, with its uprooting of peacetime standards of goods and services, and revert to them easily, or immediately, after so long a period. Free from invasion, or direct contact with the weapons of destruction, New Zealand enters the stage of reconstruction with its productive capacity comparatively unimpaired, but it could not avoid other effects of dislocation caused by conflict, both within and beyond its shores.

However, the steadfastness and certainty with which the Dominion is overcoming the stringencies of war and developing her productivity is a matter for the greatest gratification. The magnitude of that task of reorganization must not, however, be underestimated.

Some of that reorganization has worked so smoothly that appreciation of its success may not be fully valued. In our splendid contribution in man-power to the war about 170,000 men, half the men of military age, were at one stage withdrawn from industry. Nine thousand women also served directly in the Armed Services, whilst others worked on farms, in factories, and in our homes.

The termination of the war with Japan accelerated the repatriation of our Armed Forces which was already under way from the European theatre. The demobilization of many thousands of men and women, and their absorption into peacetime activities under the Government's plan of rehabilitation, has moved swiftly and smoothly. Thus, with the return of man-power industry has been helped during the transition from war production to the provision of consumer goods.

Real war costs

Much of the cost of the war is not measurable in terms of finance. Devastated territories, displaced populations, starvation, suffering, disease and death, stunted children, moral decadence, legacies of bitter hatred—there are no quantitative or qualitative units capable of measuring these dreadful and inevitable consequences of war. Victors and vanquished alike have suffered in varying degrees.

Assessment of the real costs of the war in relation to any one country or group of countries is subject to obvious limitations. There is, however, some value in comparing the measurable sacrifices of different nations, invidious as such comparisons may appear, for it helps us to see more clearly the nature of international problems of reconstruction and the methods most likely to solve them. This is particularly so in the case of the countries of the English-speaking peoples—the United States of America and the British Commonwealth of Nations. For in a very real sense the peace and prosperity of the world and the future of civilization depend on the policies these great democracies adopt in relation to each other and the extent to which they are able to arrive at common understanding. Mutual aid and comradeship have brought victory in war—to win the peace they must continue undiminished.

Each of the allies has, within the limits of its human and material resources, made its great contribution to the common war effort; but there are unavoidable inequalities in the losses that have been sustained and, consequently, in the efforts required to repair

these losses. It is of the utmost importance that these inequalities of sacrifice should be recognized and that mutual assistance should be cheerfully given to build up strength where it is most needed.

For our part, although fortunately our Dominion was spared from actual invasion we made a maximum contribution both in man-power and in material resources. The £65,000,000 spent on defence construction represented the equivalent in man-power and materials of 30,000 homes and 7,000 public and commercial buildings. On the food front we strained every effort despite difficulties in man-power and in obtaining essential imports of fertilizers. For example at VJ Day New Zealand, in addition to feeding our own people and sending unprecedented supplies to Britain, also, under reciprocal aid, was supplying sufficient food for no less than one million United States personnel. Despite man-power difficulties our volume and value of factory production were expanded greatly in the war effort, civilian consumption being at the same time substantially limited. During the war period New Zealand factories provided for our own and for the Allied Forces over 1,000,000 battle-dress suits, 1,500,000 pairs boots and shoes, 1,500,000 blankets, and 2,250,000 pairs socks. As regards munitions, nearly 6,000,000 grenades were supplied, and 253,000,000 rounds of small ammunition, and 1,500,000 mortar bombs, were made in New Zealand.

Turning to services of various kinds so essential in the maintenance of living standards we see a like sacrifice. Civilian rail-travel fell during the war years, equivalent to twelve million passenger journeys per annum. Petrol rationing and road goods and passenger services have reduced the road miles travelled for normal civilian purposes by two and a quarter billion. The loss in personal services rendered by school-teachers, doctors, dentists, and a host of other skilled workers whose contribution to real national income is most important in a modern society, has also been heavy. Seventy per cent. of New Zealand's male teachers served in the Forces at one time or other and, although they were for the most part replaced by re-engaged superannuitant school-teachers, the full teaching service could not be given in our schools—much less could the planned reduction in the size of classes be carried out; 589 of 1,600 doctors served for more or less lengthy periods overseas and were hence not available to attend civilians. Moreover the calls made by servicemen and ex-servicemen upon doctors in New Zealand further reduced the attention they could give to the public. It is the same story with dentists, nurses, lawyers, tradesmen, and labourers.

While New Zealand did not spare its man-power and material resources in the war effort, Government's policy of social and material progress was implemented within the limits imposed by war conditions.

Such activities as housing and hydro-electric-power development were given special attention, and it is satisfactory to note that from 1939 to 1945 no less than 8,500 housing units were completed at a cost of £14,000,000, while hydro-electric development accounted for a further £20,000,000. As hydro-electricity supplies play such an important part in the development of the Dominion, such undertakings were regarded as priority works even during the war period. Thus in 1936 the main Government plants generated a total of 793,000,000 units, whereas by 1945 the output had been increased to 2,083,000,000 units. In spite of the necessity to satisfy other pressing demands, New Zealand has increased her generating-capacity by no less than 57 per cent. since the war started.

Full implementation of the Government's social security scheme was also hampered somewhat as a result of the war, but, nevertheless, it was possible to make substantial advances, as is shown by the fact that social security payments increased from £7,000,000 in 1938-39 to £23,000,000 in 1945-46.

International co-operation

The cost of war in terms of human sacrifice—quite apart from its financial implications—renders it imperative that New Zealand should co-operate to the fullest possible extent with peace-loving nations in building up the fabric of a world organization which will banish for all time fears of war from the hearts of mankind. The re-establishment of decent standards of living in countries torn asunder by the war is a first pre-requisite in building the necessary frame-work within which such international co-operation becomes possible.

The devastation and suffering in the occupied countries has to be seen to be properly appreciated, but unless those favoured countries which have the resources are prepared to assist to the maximum of their respective abilities, not only will that suffering be continued unnecessarily, but the fruits of victory will be denied to the United Nations.

Various organizations have been established overseas, under the auspices of the United Nations with a view to providing relief and hastening reconstruction, and New Zealand is an active contributor and participant in them all.

Under UNRRA we have supplied personnel, foodstuffs, supplies, and equipment, and to cover our proportion of the total expenditure, Parliament has already voted the sum of £2.6 millions. A request was recently made by UNRRA for an additional contribution of a like amount and this has already been agreed to, subject to ratification by Parliament this session. It is anticipated that the activities of UNRRA, as such, will be discontinued at the end of this year, although it is probable that further assistance will be necessary by

other means. Thus a new refugee organization will need to be established to care for displaced persons and certain of the rehabilitation projects could be taken over by the new World Bank. It is expected, too, that the UNRRA health activities will be taken over by a new world health organization. In other words, it is considered that a continuation of the existing UNRRA measures should be a world responsibility—a responsibility of the United Nations.

New Zealand is also a contributor to the United Nations Organization and, as honourable members are aware, our representatives have taken a very active and influential part in the activities and discussions of that organization. The United Nations Organization will, it is hoped, have all the advantages without the manifest weaknesses of the old League of Nations which is now in process of being wound up.

Another international organization to which New Zealand is a contributor is the Food and Agriculture Organization, with headquarters in Washington. The purpose of this organization is to formulate plans for the more equitable distribution and better utilization of the world's food resources, particularly during the present emergency, where there is a world shortage of foodstuffs.

The restoration of world trade is a further necessary precondition of permanent peace.

A practical and important example of the mutual desire for the successful and early restoration of world trade is to be found in the loan agreement recently concluded between the United Kingdom and the United States of America Governments. The United States has granted the United Kingdom a loan of 3,750 million dollars which will be used mainly for the importation of much-needed foodstuffs, machinery, and raw materials.

As New Zealand relies on the United Kingdom for dollar funds, the conclusion of this loan will be of benefit to this Dominion also. It is not intended, of course, that there should be a general relaxation of controls in respect of imports from the United States as the funds are loan-moneys and as such have to be repaid, but it will enable a much quicker restoration of international trade to be effected than would otherwise have been possible. New Zealand still adheres to a policy of Empire preference.

In fact the loan will provide the United Kingdom with a much-needed breathing space within which to recover and reorganize her industries for peacetime production and build up an export trade sufficient to pay for imports of food and raw materials and also to meet her international exchange obligations. The Mother Country is at present embarrassed with the huge accumulation of sterling obligations amounting to £3,500 millions owned by various countries, the largest holders being India and Egypt. To a large extent these balances are the result of the United Kingdom's efforts in the war

and there is no doubt that the way things have worked out the United Kingdom practically alone among the Allied Nations has been left with a huge external war debt.

In the course of the struggle to save herself and the world, the United Kingdom ruthlessly sacrificed her trade and made a maximum war effort. Now she is striving to reconvert her industries and build up an export trade, much greater than before the war, sufficient to pay for necessary imports of food and raw materials. To repay the external war debts means building up exports to a level in excess of the value of necessary imports.

It is a condition of the United States loan that the United Kingdom should negotiate with the holders of sterling balances accumulated during the war with a view to the balances being divided into the following three categories:—

- (1) Balances to be released at once and convertible into any currency for current transactions;
- (2) Balances to be similarly released by instalments over a period of years beginning in 1951; and
- (3) Balances to be adjusted as a contribution to the settlement of war and post-war indebtedness and in recognition of the benefits which the countries concerned might be expected to gain from such a settlement.

The sterling balances belonging to New Zealand increased because imports of necessary commodities could not be obtained with the result that we now have a substantial accumulation of deferred maintenance and replacements in transport systems, factories, and homes to make good as soon as the necessary imports can be obtained. Throughout the war period the prices received for our main exports were governed by bulk contracts with the United Kingdom and there was no question of profiteering at United Kingdom's expense.

As the United Kingdom is the only market for most of our exports our prosperity is bound up with that of the United Kingdom and we have a direct interest in her economic recovery. As to how we could best assist in that recovery is a matter that requires careful consideration. One way would be for this country in future to take a greater share in its own and Commonwealth defence. Prior to the war the cost was borne mostly by the United Kingdom.

Demobilization and rehabilitation

Generous treatment of New Zealand servicemen and women in the period of demobilization and rehabilitation into civilian employment is in the forefront of Government's plans for the transition period from war to peace. In this respect our record compares more than favourably with that of any other country. Provision has been made for the payment of gratuities by the setting aside of £18,000,000 for this purpose from the War Expenses Account in the last financial year.

In the matter of rehabilitation, the Government's schemes are directed to restoring, as far as possible, the opportunities lost by ex-servicemen and ex-servicewomen as a result of the war. Priority is given to them for State houses, while the future needs of the building industry are being assisted by the establishment of additional trade-training centres throughout the Dominion. Land-settlement plans, involving an expenditure by the State of some £54,000,000, will provide for the establishment of 6,000 settlers during the next four years. The records of the Rehabilitation Department show that up till the end of June, 1946, 163,592 men and women have passed through the Department. Of this total 133,006 are in employment, 38,916 finding employment themselves, 52,661 returning to pre-service employment, while 18,927 have been placed by the Department. Men undergoing full-time training in rehabilitation training centres total 3,280, while 4,142 men have had or are undergoing training with private employers under the Department's subsidy scheme. The 30,437 men and women not yet placed include 21,819 service personnel not yet discharged, in hospital, &c.

Economic policy

It is ten years since I presented my first budget to this House. In it I stated the aim of the Government which was "to organize an internal economy that will distribute the production and services of the Dominion in a way that will guarantee to every person able and willing to work, an income sufficient to provide him and his dependents with everything necessary to make a 'home' and 'homelife' in the best sense of the meaning of those terms."

That statement was made at a time when the people of New Zealand were rising out of the despair and unemployment which had been their lot for several years.

In that budget I outlined the economic plan by which the Government subsequently lifted the country out of the miseries of the economic depression. That plan can be equally effective to-day in overcoming the difficulties of the post-war period and maintaining full employment, good living standards, and economic security for all the people. The policy then, and it is equally valid to-day, depended on putting the power of economic direction into the Government's hands, necessitating control by the Government of the currency and credit structure of the Dominion. This basis was made secure by the Government acquiring complete ownership of the Reserve Bank.

In the first few years of the administration of the Reserve Bank it was used effectively to reverse the effects of existing deflation, but since the war began the Government control of the Reserve Bank has provided a powerful weapon against inflation.

The State's own borrowings from the Reserve Bank during the war have been characterized by a restraint which is unique amongst

belligerent countries, and, since 1942, the policy has been to confine loans to direct subscription from the public without recourse to Reserve Bank or trading bank funds.

Public ownership of the Reserve Bank has facilitated the financing of the guaranteed-price scheme for dairy-produce and the marketing of other produce. It has facilitated the Government's housing scheme under which over 21,300 houses have already been built, and it has been instrumental in holding down the general level of interest-rates.

Public ownership of the Reserve Bank was the key which enabled the Government to raise public and private spending to the level necessary to employ the productive resources of the Dominion, thus providing full employment and full opportunity.

During the eleven years since the advent of the present Government, in addition to the advantages set out above, the bank has out of its profits paid over to the Consolidated Fund the sum of £3,668,997.

Fundamental also to the Government's programme was the more equitable distribution of the national income among the people and the making of the people secure in their gains.

The fulfilment of this programme during the past eleven years, including six years of war, has been an outstanding administrative achievement. By the redistribution of the national income through guaranteed prices, wage increases, and the social security scheme, poverty has been abolished and economic security established for everyone.

The Government also put into practice the principle that the highest level of education was the right of every New Zealander and not just the privilege of the more fortunate.

The principles which inspired the Government's programme in 1936 and through the past eleven years can be restated to-day with equal force.

SOCIAL AND ECONOMIC PROGRESS

This is a fitting opportunity to review in brief social and economic progress during the past ten years. During a decade which included six years of total war, remarkable progress has been made. Appended to this statement is a statistical table (Table 6), showing how very strikingly the Dominion has progressed since 1935-36, and even, in certain major respects, since the beginning of the war. For instance, in the year ended 30th June, 1936, total production was valued at £114,000,000, in 1939 the value was £136,000,000, whereas the latest figure—namely, for 1946—gives a total of £184,500,000, representing an increase of over 62 per cent. since 1936. This substantial increase represents not only an advance in money values, but in actual volume. The index number for volume production was 93 in 1936, 100 in 1939, and 107 for the latest available year (1944).

BUDGET STATEMENT, 15th AUGUST, 1946

The following adjustment should be made on page 9 of the Statement:—

In the eleventh line, after the figures £52·7 and £117·3, the word “ millions ” has been wrongly inserted in each case. The reference in the text is to Table 7 of the Appendices, which gives the income per head after all taxation has been deducted, and says that private income has increased from £52·7 (£52 14s.) per head in 1935 to £117·3 (£117 6s.) per head in 1945, an increase of 123 per cent.

The text will be in order if the word “ millions ” is struck out in each case where it appears in the eleventh line of page 9.



Aggregate private income totalled £125,000,000 in 1936, £186,000,000 in 1939, and over £304,000,000 for the year ended 31st March, 1945, an increase over the whole period of nearly 145 per cent.

Mortgage interest-rates are now at the lowest average rate ever recorded in New Zealand—namely, 3·87 per cent.

A table included as an appendix to this statement (Table 7) shows the changes in aggregate private income per head after taxation (including social security contributions) has been deducted. This table shows that net aggregate private income (gross, less taxation) increased from £52·7 millions in 1935 to £117·3 millions in 1945—an increase of 123 per cent. Further, when this residuum is corrected for retail-price changes, we find that the real purchasing-power of the people increased by 60 per cent. between 1935 and 1945. The disposal of aggregate private income is further illustrated graphically (Tables 8 and 9).

These improved conditions are reflected, as elsewhere, in the savings-bank figures. The total funds standing to the credit of depositors in March, 1936, were £65,000,000, in 1939 these had increased to £75,000,000, while in March, 1946, the total stood at no less than £156,000,000. To these figures must also be added National Savings bonds and accounts which, at 31st March last, totalled over £40,000,000.

Statistics of the volume of production during the past decade show the following trends. The volume of factory production, increased by 70 per cent. between 1936 and 1944. Coal production (1935–45) was 34 per cent. up; timber production (1936–44) 20 per cent. increase; electricity production 120 per cent. increase. The number of building permits issued for private dwellings totalled 4,140 in 1936 (March year). In 1946, 7,736 permits were issued for private dwellings of which Government housing construction accounted for 2,623 dwellings.

Turning now to live-stock production, wool produced in the 1946 production year totalled 1,006,000 bales, as compared with 717,240 bales in 1936; total meat production exceeded 500,000 tons in 1946 compared with less than 450,000 tons in 1936. Despite the drought during part of the current season cheese production amounted to 90,000 tons in 1946 compared with 88,500 tons in 1936. Butter production shows a fall from 168,329 tons in 1936 to 126,000 tons in 1946. Butter production in 1945 totalled 155,900 tons.

That the live-stock position is inherently sound is indicated by the statistics of cattle and sheep. The number of cattle in the Dominion in 1945 was 4,590,926, the second highest figure on record (exceeded only in 1942), while the number of sheep, 33,975,000, in 1946, is the highest on record.

A sample survey of the net incomes of some 1,200 to 1,500 dairy farmers shows that the average net income for a herd of fifty-seven cows totalled £452 in 1945 as compared with £306 in 1936 when the herd average of the sample was fifty-six cows. The average return per cow from butterfat totalled £19.36 in 1945 compared with £13.03 in 1936.

New Zealand has experienced to date a smaller increase in the general level of prices than has obtained in any other country. The wartime index figure of essential items in the cost-of-living indicates that in March, 1946, retail prices of essential goods were less than 1 per cent. above those ruling in 1942. These statistics indicate very clearly that New Zealand is continuing to maintain a high standard of well-being for the people.

Index numbers, of course, tell only part of the story, the absolute level of prices of essential commodities in relation to purchasing power is the real criterion of the prosperity of the people. A table is appended to this statement (Table 10) which shows that, in regard to the level of prices of basic needs, New Zealand also shows up in a most favourable light. Retail prices of bread, flour, milk, butter, cheese, beef, and bacon are shown to be lower in price than in other low-priced areas, the efficient control of distribution of basic foods contributing in no small measure to this result.

The Government firmly adheres to its stabilization policy, which undoubtedly is in the best interests of all sections of the community. The policy must continue until such time as the supply of goods for consumption is adequate to meet the demand, but the administration of the scheme must remain flexible, and methods will no doubt alter as conditions change and the position generally is eased. Recent happenings in the United States of America, where the supply position is relatively much better than in New Zealand, is an object lesson as to what happens when controls are lifted prematurely. In such circumstances some producers and traders for a time can make large profits by exploiting the shortage of goods, but with higher costs it is not long before other sections demand increases, and if that process continues the ultimate result is disastrous for everybody.

Numerous suggestions are made that inflationary difficulties can be adjusted overnight by the simple process of currency manipulation. I am satisfied that there is no road to national prosperity and an increase in general living standards, except by increased production and equitable distribution, and to this end the Government are concentrating their best efforts.

In view of the special significance to New Zealand of exports, it is interesting to record that in 1936 our exports were valued at £50,000,000, in 1939 at £58,000,000, and, in spite of the local difficulties arising out of the war in respect of man-power, fertilizers, and

equipment. The exports for the year ended 30th June, 1946, is an all-time record. They amounted in value to £90,674,000.

The figures do not include reverse lend-lease exports which in the same period amounted to £5,271,000.

Imports during the same period, including lend-lease items, totalled £62,647,000, of which £45,072,000 were non-Government imports and £3,347,000 lend-lease.

Import licenses issued in 1945 and which have not yet been exercised, together with licenses issued in 1946 amount to £93,839,883. In addition to this sum, a further £9,263,188 of licenses have already been issued for the 1947 period. This makes a total of licenses issued for these periods of £103,103,071.

Most of our exports go to the United Kingdom, and in view of the present food position in that country—worse in some respects than during the dark days of the war—it is of the utmost importance that we supply every possible pound of food to relieve the hardships of the people there. This can be attained both by producing to the limit of our ability and by assisting in the nation-wide Food for Britain Campaign, which is sponsored by the Government.

Under contracts made in 1944 the United Kingdom Ministry of Food agreed to buy our exportable surplus of dairy-produce and meat for a period of four years. At that time prices were fixed for the first two years of the contracts. During my recent visit to London the prices to be paid for the third year covering the 1946–47 season were discussed with the United Kingdom Ministers and officials, and it was agreed that the price for butter would be 175s. sterling a hundredweight and for cheese 102s. 6d. sterling per hundredweight. For meat it has been agreed that prices will be $7\frac{1}{2}$ per cent. above those ruling during the first two years of the contract, and for pig-meat $11\frac{1}{4}$ per cent. above the prices prevailing last year.

Furthermore, it was agreed that the period of the contracts would be extended to 1950, the prices to be paid to be agreed upon annually. This two years' extension of the contracts will give added security to our farmers and afford them an assured basis for expanding their production to the utmost for the benefit of themselves and of the people of the United Kingdom.

In accordance with existing arrangements the increase in prices as received in New Zealand will be credited to industry stabilization accounts, and the amounts to be paid to farmers in the meantime will continue to be governed by production costs on the farm and in the factory. The lump-sum payments of £4,000,000 sterling per annum will continue, in terms of the arrangements made in 1944, to be paid until 1948.

As a result of New Zealand's favourable overseas trading position in recent years, and in spite of the substantial repayments

of overseas indebtedness which have been effected, the Dominion's net sterling balances in March last reached a record of £(N.Z.)98,000,000. In considering this satisfactory figure, however, account must be taken of the fact that during the war years industrial plant and equipment suffered substantial depreciation and now requires extensive replacement, the Government's own requirements in respect of additional hydro-electric equipment, railway rolling-stock, &c., are substantial, while the public have had to postpone replacement of many essential worn-out items and merchants' stocks generally have been reduced to a very low level. Moreover, overseas prices have practically doubled since the war, so that the import value of our sterling exchange has been correspondingly reduced. All these factors give point to the necessity of maintaining the policy of import selection. Nevertheless an indication that the Government are liberal in implementing that policy is shown by the fact that for this year import licenses issued, including amounts carried forward from previous licensing periods, exceeded at 31st July last, as already mentioned, £100,000,000. It will thus be appreciated that existing shortages in imported goods are mainly due to the physical inability of overseas suppliers to meet our requirements.

Any review of social and economic progress would not be complete without reference to the Social Security scheme—the cornerstone of Government's social policy.

Social security now plays such an accepted and important part in the life of the community that one is liable to overlook the advances which have been made over the past eleven years. Thus, as regards age-benefits, for instance, in 1935 an age-beneficiary at age sixty-five years was entitled to £45 10s. per annum (17s. 6d. per week) for himself, plus £13 per annum (5s. per week), for two or more children. To-day the age-benefit, at the age of 60, is £104 each—that is, £208 (£4 per week), for husband and wife—together with £26 per annum (£4 per week), in respect of each dependent child. Moreover, the period of residence in the Dominion has been reduced from twenty-five to ten for those who were residents of the Dominion on the 15th March, 1938, and to twenty years for those who arrived after that date. The property exemption has been increased from £50 to £500 each. Again, unemployment benefit, which in 1935 was 14s. per week, is now 40s. per week, the rate for a dependent wife has been increased from 10s. to 40s. per week, and for each child from 4s. to 10s. per week. The universal child allowance of 10s. per week payable as from 1st April, 1946, replaces the 2s. per week in respect of each child in excess of two payable in 1935. One further example: to-day we have a universal superannuation benefit of £25 per annum, 10s. per week, increasing by £2 10s. per annum until a rate of £104 per annum is reached. In 1935 there was no universal superannuation benefit.

This, of course, is only part of the picture. There has, in fact, been a very material improvement in all the major factors affecting

the general well-being of the people, invalid benefits, sickness benefits, and others have all been improved. Appended to this Statement is a statistical return showing very strikingly how the Dominion has prospered since 1935, and even since the beginning of the war.

WAR COSTS

In regard to war finance, it was laid down in the Government's first war budget that the policy would be to meet such costs as far as possible by taxation and to rely on borrowing only for the balances required. Our record in this connection is a creditable one. War costs, including those for debt charges and pensions to date met from the Consolidated Fund, total £640,000,000, of which 35 per cent. only had to be provided from loan moneys while the whole of our 1939-45 war loans are now domiciled for payment in the Dominion. New Zealand's results in this connection bear favourable comparison with those of any of the Allied Nations. It is of interest to mention that in the 1914-18 war the whole of the expenditure was financed by loans of which no less than one-third were raised overseas and represented a serious drain on the Dominion's external resources.

The total 1939-45 war costs, amounting to £640,000,000, to which I have referred were expended on the following purposes:—

	£(m.)
War and other stores	195
Pay and allowances	177
Accommodation, food, and clothing	76
Land, buildings, and ships	41
Miscellaneous services relating to the Armed Forces	36
Transport	23
Interest on war loans and principal repayments	20
Gratuities	18
Repairs, maintenance, and rent	7
Pensions	5
Rehabilitation	5
Medical and educational services	3
Ancillary	34
	<hr/>
	640
	<hr/> <hr/>

Costs for war pensions, rehabilitation, and for interest and repayments on account of war loans will, of course, continue for years to come.

The original Budget estimate for 1945-46 for War Expenses Account envisaged an expenditure of £105,400,000. The collapse of Japan so soon after the cessation of hostilities in Europe necessitated a different reassessment of costs, but in the aggregate it was considered that much the same, if not a greater amount would be required, while up to the point of demobilization extending into this financial year expenditure was estimated at £139,250,000, including gratuities.

Details of these revised estimates were set out in the Addendum to the Budget last year. The following table gives the original budget estimate, the revised figures to the point of demobilization, and the actual expenditure to 31st March last.

	Original Budget. £(m.)	Revised to Demobilization. £(m.)	Actual, 1945-46. £(m.)
Navy	6.0	7.99	6.0
Army	38.0	43.72	24.0
Air	31.4	33.54	32.1
Total Navy, Army, Air	75.4	85.25	62.1
Deferred pay .. .. .	..	5.0	..
Ancillary	4.0	6.0	1.6
Rehabilitation	2.0	3.0	2.6
Reverse Lend-lease	24.0	22.0	22.8
Gratuities .. .. .	..	18.0	18.0
Repayment of war debt—			
Overseas .. .. .	..	..	22.5
In New Zealand .. .. .	..	..	5.0
	£105.4	£139.25	£134.6

The actual charges against War Expenses Account for the financial year amounted to £134,645,000, and receipts totalled £128,480,000. The latter included loan moneys, £37.2 million; taxation, £51.4 million; sales of surplus assets, &c., £13 million; United States of America lend-lease and Canadian Mutual Aid, £26.8 million.

Loan receipts included the 1945 Victory Loan of £25,000,000 which was oversubscribed by £645,384, including receipts from National Savings, amounting to the very satisfactory figure of £9,327,000 for the year. The oversubscription of this, the last war loan, after the heavy demands of previous war loans, was a pleasing feature of last year's war accounts, giving to New Zealand a proud record on the home front, to equal that which our fighting Forces established on the war fronts, of having worthily met all obligations on all occasions.

Looking at the expenditure side, we had a total outgo of £134,600,000, or, if we deduct the debt repayment item of £27,500,000, the net expenditure was £107,100,000, which was £1,700,000 in excess of the original Budget estimate for the year. The difference between this and the revised estimate of £139,249,000, covering costs up to the completion of demobilization, will be reflected in the expenditure for this financial year.

Actual expenditure last year by Army was gross £45,269,000; credits, £21,251,000; net, £24,018,000. Credits, which came chiefly from rebates on payments for war stores made in previous years and from the settlement of accounts for stores supplied to the Eastern Group, were much higher for the year than anticipated, due to early settlement, and explain the comparatively small net expenditure.

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.

War Expenses Account, 1946-47

War Expenses Account has now been brought to the stage of what may be termed "mopping-up operations." It has been possible at this stage to eliminate and transfer to the Consolidated Fund continuing defence items and to limit the use of the account to adjusting unsettled commitments of the past, meeting the cost of the J Force, and paying certain items of our rehabilitation programme.

Expenditure for this year for the residual costs still chargeable to the account is estimated at £32,000,000, as follows:—

	£(m.)
Navy	1.2
Army (including cost of J Force)	11.0
Air (including cost of J Force)	2.9
U.N.R.R.A.	4.1
Reverse lend-lease	1.5
Rehabilitation	8.0
Purchase of surplus assets from U.S.A.	1.7
Gift of food supplies to Britain	1.0
Miscellaneous	0.6
	<hr style="border-top: 1px dashed black;"/>
	£32.0
	<hr style="border-top: 3px double black;"/>

Finance for this expenditure will be provided by—

	£(m.)
National savings	6.0
From U.S.A. Government in reimbursement for war supplies not eligible for reciprocal aid	3.2
Disposal of surplus assets	10.5
Sale of reserve stocks and other commodities	5.2
Miscellaneous receipts	8.1
	<hr style="border-top: 1px dashed black;"/>
	£33.0
	<hr style="border-top: 3px double black;"/>

The estimates for the Service Departments cover costs connected with the J Force, estimated to amount to £4,000,000, the balance being required to meet accounts unpaid at 31st March last and rapidly diminishing charges such as for deferred pay, leave privileges, &c., which will be incurred this year.

The amount provided here for rehabilitation covers only a small portion of our total programme and is for such items as educational grants, trade training, tools of trade, business loans, &c.

A portion of the amount will also be set aside for transfer to the Land for Settlements Account for purchase and development of land for rehabilitation purposes.

It has been the established policy of the Government to apply such moneys as can be accumulated in War Expenses Account over current requirements to the repayment of war debt, and it is

proposed to continue this procedure, so that the surplus on the year's working and any part of the opening balance not already committed, will be transferred to Loans Redemption Account.

National Savings

National Savings continue on a sound basis. Until world supplies of consumer goods and production in this Dominion together provide sufficient commodities to meet the needs and demands of the community, it is well that these savings should continue at a high level. It is not only desirable but essential to a stabilized cost of living that excess cash over and above that required for normal living-expenses should continue to be saved and invested in National Savings. Further, as these moneys will be assisting our rehabilitation programme, those who continue to lend through National Savings, besides building up an asset for themselves in future years, can feel that their money is doing a worthwhile job in the meantime.

Lend-lease Settlement

An agreement was recently signed in Washington concerning settlement of lend-lease and reciprocal-aid transactions between New Zealand and U.S.A. Governments. It provided that in recognition of the benefits mutually received by the two Governments from the interchange of lend-lease and reciprocal-aid goods and services supplied during the war, no payment would be required of either country, and that consequently all obligations arising from lend-lease and reciprocal-aid transactions were to be cancelled.

Bold in its conception and generous in its application, lend-lease has been one of the most successful factors in the winning of the war. In 1941 when President Roosevelt announced the granting of lend-lease assistance, the Empire pool of dollar funds had reached a very low level, but with the new facilities offered, the stream of munitions, essential industrial materials, and foodstuffs was continued on an ever-increasing scale.

It is difficult to gauge in terms of money, all the assistance given by each country to the other, but taking goods returned or returnable, the difference in price levels and all other factors into account, it was agreed that lend-lease and reciprocal aid reasonably balanced one another.

The cancellation of all obligations concerning lend-lease and reciprocal aid is a mutually satisfactory arrangement for both countries, and it permits an approach to post-war international problems without any financial or other commitments as between the U.S. and New Zealand Governments.

In conjunction with the lend-lease and reciprocal-aid settlement, arrangements were concluded for the purchase by New Zealand Government of U.S. surplus war property to a total value of approximately 5,500,000 dollars. The bulk of this equipment came from the

Pacific, and it included such items as earth-moving plant, tools, tires and tubes, steel huts and buildings, navigational and aerodrome equipment, and civilian-type aircraft for use by the New Zealand National Airways Corporation. Provision was made in the agreement for this material to be paid for by the establishment of a special fund in New Zealand currency. This fund will be available to the U.S. authorities for the provision of property and accommodation required for their institutions in New Zealand and to finance the cost of educational and cultural programmes, such as the creation of scholarships, information libraries, and other facilities of mutual benefit to New Zealand and the U.S.A.

PUBLIC DEBT

With a net increase during last financial year of £21,273,000, the public debt as at 31st March last reached the total of £624,511,000.

Debt transactions for last financial year may be summarized as follows:—

Raised for war purposes—		£	£
Victory Loan .. .. .	.. .. .	25,645,000	
Memorandum of Security .. .. .	.. .. .	3,537,000	
Treasury bills for refinancing part of Memorandum of Security .. .. .	.. .. .	8,000,000	
		<hr/>	37,182,000
National Development Loans .. .. .	.. .. .	..	12,980,000
Purchase of Bank of New Zealand shares .. .. .	.. .. .	..	7,038,000
		<hr/>	
Total raised .. .. .	.. .. .	..	57,200,000
Repayments—			
War Expenses Account—			
For Memorandum of Security .. .. .	.. .. .	22,500,000	
Repaying war debt in New Zealand .. .. .	.. .. .	5,000,000	
		<hr/>	27,500,000
Public Debt Repayment Account .. .. .	.. .. .	1,083,000	
Loans Redemption Account (including £5,000,000 received from British Government and applied for redeeming war debt) .. .. .	.. .. .	7,344,000	
Total repaid .. .. .	.. .. .	<hr/>	35,927,000
		<hr/>	
Net increase .. .. .	.. .. .	..	<u>£21,273,000</u>

An item of outstanding importance, though not producing any variation in the total debt, was the repayment of loans of £16,107,000 on the 1st January, 1946, and £13,511,000 on the 1st February, 1946. Except for a small amount of £378,000, these two loans, carrying interest at 5 per cent. and 4 per cent. respectively, were domiciled in London, involving the payment of interest in sterling at the rates I have mentioned. These repayments were

effected by the issue in New Zealand of stock totalling £29,618,000 at 2½ per cent., the stock being taken up mainly by the Reserve Bank, but partly by Treasury Accounts.

The net saving in interest on this transaction is approximately £605,000, but the main benefit is the elimination of overseas interest totalling £1,330,000, which, coupled with the annual saving of £675,000 in connection with the Memorandum of Security repayment, gives a net reduction in overseas debt charges of over £2,000,000 per annum.

Bank of N.Z. shares

It will be noticed that £7,038,000 of the increase in the debt for last financial year was for purchase of Bank of New Zealand shares. Following the passing of the Bank of New Zealand Act, 1945, shareholders on the New Zealand register were given till the 31st January, 1946, to indicate the form of settlement desired, and the major portion of the work was completed in time for incorporation in the accounts at 31st March last.

The offers to the overseas shareholders in London and Australia closed on the 31st March, 1946, so that in neither of these cases is any portion of the transactions reflected in the accounts.

The following shows the position to date of completed purchases:—

	£
Shares previously held by State	2,109,375
Shares acquired under 1945 Act—	£
In New Zealand	3,528,894
Overseas holdings	653,765
	4,182,659
Overseas holdings still held privately	36,091
	£6,328,125

An additional 6,640 shares have been purchased by the Government, but have not yet been actually transferred.

The shares transferred have been paid for as follows:—

	£
Tax-free stock 3 per cent., 1957	1,658,430
Ordinary stock 3 per cent., 1957–60	6,466,925
London Register New Zealand Government stock 3¼ per cent., 1962–65	804,157
Cash	1,138,523
	£10,068,035

Interest on stock issued will be offset by dividends received.

I would take this opportunity of paying a tribute to the directorate and administration of the Bank, which have served for so many years as an integral part of the national economy of the Dominion, and to thank those directors who are remaining in office.

The change to public ownership, as part of the Government's policy, resulted in the transfer of some customers' accounts, although there has been an increase in the number of customers on the books of the Bank. The Bank is securing its share of the new business offering; no doubt some of the customers who transferred their accounts have now realized that the Government have not in any way interfered with the internal administration of the Bank and that the facilities offered are in every way comparable with those previously available.

Domicile of Public Debt

The war just ended was responsible for £221,775,000 of the total debt, while the amount still owing on account of the first world war is £58,297,000, including £32,738,000 nominally due to the United Kingdom Government, but in respect of which, under a general arrangement, all payments have been suspended for many years past. Thus all the effective war debt is domiciled in New Zealand and the London debt for other purposes has been reduced to £118,162,000, plus £32,738,000 or a total of £150,900,000 expressed in New Zealand currency. Overseas debt is a charge on our exports for payment of interest and repayment of principal and, therefore, means less imports for consumption by the people of this country. Payment on account of internal debt involves problems of taxation and administration, but no net loss to the country as a whole. The war debt does, however, represent resources that have been used for destruction purposes, and the capital so lost will remain a drain on current consumption until the debt is repaid out of taxation. The 1939-45 war debt alone constitutes a charge on the taxpayer in respect of interest and repayment of no less than £7,700,000 per annum.

The total debt at 31st March last was domiciled for payment as follows:—

	£	£
War Debt 1914-18 (part London)	58,297,000	
War Debt 1939-45 (all in New Zealand)	221,775,000	
	<hr/>	280,072,000
Civil Debt, New Zealand	225,416,000	
Civil Debt, London	118,162,000	
Civil Debt, Australia	861,000	
	<hr/>	344,439,000
		<hr/> <hr/>
		£624,511,000
		<hr/> <hr/>

It has been the policy of this Government not only to refrain from borrowing overseas for other than war, which as already mentioned has now all been repaid, but to repatriate the debt to the Dominion as quickly as circumstances permit, and since 1935 the civil debt held overseas has been reduced by no less than £47,645,000.

Civil Debt

The civil debt as at 31st March last, and amounting to £344,000,000 has been incurred for investment in the following assets:—

	£(m.)
Railways development	77.3
Roads and highways	41.2
Housing	31.0
Land settlement and improvement	29.2
Hydro-electric development	24.1
Public buildings and schools	23.0
Post and telegraph services	18.0
State forests	4.2
Mining development	2.6
State Advances Corporation	35.0
Bank of New Zealand	7.0
Reserve Bank of New Zealand	1.1
Miscellaneous	50.3
	£344.0

History of Public Debt

I should like to trace briefly the growth of the public debt since 1856 when the first loan of £500,000 was authorized by Parliament. This was partly applied to the redemption of the New Zealand Company's lien on the lands of the colony and to the purchase of Native lands.

During the next ten years considerable sums were borrowed to finance Maori wars and for public works and immigration. In 1870 the total debt stood at £7,500,000, of which over £3,000,000 was provincial government debt.

By 1877 the implementation of a vigorous public works programme had increased this to £20,500,000, of which £12,500,000 had been raised for public works. The debt continued to rise steadily after this as the country was opened up for settlement. At the outbreak of the first war the debt stood at some £100,000,000 and this had increased by 1920 to £200,000,000, of which 50 per cent. was domiciled overseas. In 1939 the total debt was some £340,000,000, and borrowing mainly for war purposes in the last seven years has brought it to its present figure of £624,000,000.

As the country has progressed the relative importance of various types of public works has changed. Originally railways, roads and bridges were the main items; to-day, they are housing and hydro-electric power.

Provision is made for the final extinction of all loans sixty years after their issue, and amounts are set aside annually from taxation for this purpose. It is also the policy of the Government, whenever possible, to repatriate debts domiciled overseas as they fall due, and by this means the annual interest and other charges payable from overseas funds have been reduced since 1935 from £7,156,000 to a figure for this year of £4,661,000.

It will be appreciated, from an examination of the assets which I have just described that many of them are directly revenue producing and as such are little or no burden on the general taxpayer. The housing policy, for which the present Government is responsible, constitutes a worthwhile investment of the State's resources as adequate housing facilities for the people are next in importance to food and clothing.

Hydro-electric development, which accounts for a public investment of £24,100,000, is entirely self-supporting; in fact, a profit has been earned each year in spite of the fact that electricity charges in New Zealand compare more than favourably with those in other parts of the world.

Basis of Budget

The current year's Budget has been prepared on the basis that the peacetime costs of the Armed Forces will revert to the Consolidated Fund, and that the War Expenses Account will be provided with only sufficient funds to meet the expenses of the J Force, the portion of rehabilitation being charged to War Expenses Account, the outstanding commitments arising from the war and items which will be eliminated entirely when the War Expenses Account is closed.

All of these items will, it is anticipated, be covered by funds in the account at the beginning of the year, National Savings receipts, moneys received from the sale of surplus assets, and miscellaneous receipts. The only new money being credited to War Expenses Account will be from the National Savings Scheme, estimated to produce £6,000,000 for the year.

All taxation receipts, other than those for the Social Security Fund, are being credited to the Consolidated Fund.

In regard to stabilization subsidies, which in the past have been met mainly from the War Expenses Account, a new vote is being included in the Consolidated Fund to meet these costs, together with other subsidies previously charged to various votes in the Consolidated Fund.

CONSOLIDATED FUND

Although war finance has of necessity attracted considerable attention in recent years, the Consolidated Fund still remains the most important section of the Public Accounts, as therein is reflected, either directly or indirectly, the result of most of our financial transactions. The expenditure for last year, after taking into account the amount authorized by the supplementary estimates, was estimated at £57,270,000, whereas the actual expenditure as disclosed by the accounts was £57,252,000. The only material variation was under the heading "Debt Services," where interest was some £331,000 over the estimate, due to the payment before due date of broken-period interest on debt paid off just prior to 31st

March. This overexpenditure was more than offset by reduced expenditure under the annual votes, so that the net expenditure as a whole was just within the amount provided.

Revenue, totalling £58,506,000, exceeded the estimate under practically every heading. Income-tax, however, while still showing an upward trend as compared with the previous year, was approximately £500,000 under the estimate. The favourable balance of other items of revenue, however, produced a surplus for the past year of £1,254,000.

It is proposed to leave this surplus in the Consolidated Fund to increase the working balance in the account to £4,510,000, which is still below what is considered a satisfactory amount for normal financing, as it is less than is required for one month's expenditure out of the Consolidated Fund.

Allowing for the taxation reductions already in operation as from the beginning of this year and the further reductions which I will refer to shortly, and including the balance of war taxation now payable into the Consolidated Fund, the total revenue of that Fund during the present financial year is estimated at £100,382,000.

On the expenditure side the estimates include the reinstated votes for the three Service Departments—Army, Navy, and Air—and the new vote to cover stabilization.

Numerous minor items ancillary to our war effort and handled by various Departments of State as a charge against War Expenses Account have been transferred to the appropriate departmental votes.

The total expenditure as set out in detail in the estimates is £99,465,000, leaving a balance of £917,000 for the supplementary estimates and contingencies.

The following gives the estimated receipts and expenditure under main headings:—

	RECEIPTS				£(000)	£(000)
<i>Taxation—</i>						
Customs	14,500	
Beer duty	4,200	
Sales tax	14,250	
Film hire	130	
Highways	2,707	
Stamp duty	8,000	
Land-tax	930	
Income-tax	30,750	
National security tax	8,000	
Miscellaneous	140	
					<hr/>	83,607
Interest recoveries from trading accounts, &c.	4,767	
Profits of trading undertakings	1,507	
Departmental receipts	10,501	
					<hr/>	16,775
					<hr/>	<u>£100,382</u>

		EXPENDITURE		
		£(000)	£(000)	£(000)
Permanent Appropriations—				
Debt services—				
Interest and management	.. .. .	18,153		
Repayment	.. .. .	4,249		
			22,402	
Other special Acts	.. .. .		2,985	
			—————	25,387
Annual votes—				
Social Services	.. .. .		34,737	
Reinstated vote for Navy	.. .. .		1,200	
Reinstated vote for Army	.. .. .		2,862	
Reinstated vote for Air	.. .. .		3,833	
New vote for stabilization	.. .. .		13,789	
Other votes	.. .. .		17,657	
			—————	74,078
				99,465
Supplementary estimates and contingencies	.. .. .			917
				—————
				<u>£100,382</u>

Receipts

Commenting briefly on the major items, Customs duty, beer duty, and sales tax continue to increase, and I have allowed for this in the current year's revenue estimates. Highways revenue also is brought in at a higher figure due to anticipated increased consumption of petrol. Stamp duty, which last year was approximately £500,000 over the estimate, due mainly to increased receipts from racing taxation, is shown at a slightly increased figure. The income-tax figure takes into account the upward trend that has been evident for many years, but due consideration has been given to the tapering-off of the rate of increase. The reduction due to the increased wife's exemption has been allowed for, as well as the new tax reductions which I will outline in a few moments.

The remaining heading of taxation requiring any comment is the national security tax. Last year this was at the rate of 1s. 6d. in the £1 and produced £21,738,000. One-third of that tax has now been remitted, one-third transferred to the Social Security Fund, and the other third will this year be payable into the Consolidated Fund towards meeting continuing war costs, such as war debt charges, war pensions, &c.

Interest receipts will be lower this year due mainly to the adverse position of railway revenue, thus affecting the ability of that undertaking to meet interest on its capital.

As an offset to this, however, we now have the increased revenue from dividends of the Bank of New Zealand, which are brought in under the heading "Profits of Trading Undertakings." These are now shown separately, and include Reserve Bank, Post Office, and State Advances Corporation profits.

The heading "Departmental Receipts" at £10,501,000 shows a material increase over the previous year's figures of £3,154,000. This is accounted for by two factors—first, the change in accounting procedure whereby credits-in-aid have been abolished and revenue previously shown as a reduction of expenditure is now brought in as revenue. The amount involved exceeds £4,000,000. The second matter affecting this revenue heading is the change-over of items from War Expenses Account to the Consolidated Fund. Where expenditure has been so transferred, the revenue or recoveries in respect thereof is also brought into the account bearing the expenditure. The major item in this connection is recovery from the Marketing Accounts of portion of the subsidies now being met in the first instance from the Consolidated Fund.

Expenditure

Dealing now with the expenditure, it is pleasing to note that the first and, incidentally, the largest single item—namely, debt services—shows a reduction of £394,000 over the amount actually paid out last year, and this reduction has been effected, notwithstanding an increase of over £21,000,000 in the public debt during last year.

Increased provision is made each year for repayment of the public debt, the amount this year being £4,249,000, an increase of £285,000. The interest charge, however, is substantially lower due to the Government's administration of the overseas debt, repaying out of revenue where possible or otherwise replacing overseas debt at high interest rates by internal debt at lower interest rates.

The balance of the expenditure under the permanent appropriations in the sum of £2,985,000 is substantially the same as for last year.

On this occasion the annual appropriations are hardly comparable with those for last year, due to the various major differences in the set-up which I have already explained.

I do not think any comment is required at this stage on the reinstated votes for the three Service Departments. As regards the new vote for "Stabilization," this covers the items previously charged to War Expenses Account and certain subsidies which have in the past been met out of the Consolidated Fund. This applies, for example, in the case of the subsidy on wheat paid out of the "Industries and Commerce" vote and the carriage of fertilizers charged to vote, "Agriculture."

The amount of the new stabilization vote—namely, £13,789,000—is, of course, the gross expenditure and will be offset by recoveries of approximately £3,400,000, which are brought in under the heading "Departmental Receipts."

The total of the annual appropriations this year is £74,078,000 compared with the net expenditure last year of £31,752,000, a net increase of £42,326,000. This is accounted for by—

	£
Transfers of items from War Expenses Account	19,741,000
Credits in aid now abolished	4,143,000
Increase in wheat subsidy	954,000
Increase in social security transfer	11,000,000
Special items—	£
Transfer of film studios	85,000
Contribution to international organizations	176,000
Abolition of recovery by Land and Income Tax Department from Social Security Fund	132,000
Abolition of Recovery by Health Department from Social Security Fund	136,000
Decentralization of the Land and Income Tax Department	32,000
Drought relief	30,000
Transfer to Land for Settlement Account	100,000
General election expenses	120,000
Milk marketing expenses	450,000
Other items	191,000
	1,452,000
Departmental expansion—	
Public Works Department	1,012,000
National Employment Service	404,000
Education	774,000
War pensions	654,000
Health	299,000
Rehabilitation	127,000
Police	198,000
Scientific and Industrial Research	112,000
All other Departments	1,456,000
	5,036,000
	<u>£42,326,000</u>

It should not be overlooked that Departments are now resuming activities which, through lack of man-power, were heavily curtailed during the war period.

Full particulars of the proposed expenditure are set out in the printed Estimates.

SOCIAL SECURITY FUND

The part which social security now plays in the economic life of the community focuses increasing attention on the position of the Social Security Fund. Monetary benefits for last year totalled £16,552,000, an increase of over £3,000,000 as compared with the previous year. Medical and hospital benefits and administration expenses amount to £6,408,000, an increase of approximately £500,000, making a total expenditure out of the Fund for the year of £22,960,000.

This was financed by revenue payable directly into the Fund, comprising the social security charge, registration fee, and miscellaneous, totalling £15,286,000, and by a transfer from the Consolidated Fund of £7,000,000, as set out in the Budget last year. The balance of expenditure over receipts was met by drawing on the moneys in the Fund. It will be necessary to rebuild the working balance in this Fund, and I shall refer to that aspect in a few moments.

The anticipated expenditure out of the Social Security Fund for 1946-47 reflects the increased benefits granted during the latter part of last year and the family benefits which operate from the beginning of the present financial year.

The revenue payable directly into the Fund will now be augmented by the increase in terms of last year's legislation in the social security charge from 1s. to 1s. 6d. in the £1. Notwithstanding this, however, to meet the additional benefits, a substantial increase will be necessary in the contribution from the Consolidated Fund. Moreover, as the contribution from the Consolidated Fund cannot conveniently be made at the full monthly rate in the earlier part of the financial year and the social security charge itself is payable in part at periodical intervals while benefits are mainly payable on a monthly basis, a working balance of slightly over a month's expenditure is considered essential. Provision is accordingly being made this year to strengthen the Fund to this extent, involving a greater contribution from the Consolidated Fund than would otherwise have been required.

Summarizing the receipts and expenditure, we arrive at the following:—

RECEIPTS						£
Social security charge	..	..	..	..	..	19,900,000
Miscellaneous receipts	..	..	..	..	..	138,000
Transfer from Consolidated Fund	..	..	..	..	..	18,000,000
						<u>£38,038,000</u>
EXPENDITURE						£
Monetary benefits other than family benefits	..	..	..	..	..	16,512,000
Family benefits	..	..	..	..	..	12,620,000
Medical benefits	..	..	..	..	..	5,806,000
Administration expenses	..	..	..	..	..	730,000
Emergency benefits	..	..	..	..	..	120,000
						<u>£35,788,000</u>

On the basis I have outlined and taking into account the opening balance of £1,716,000, we should close the year with a carry forward of approximately £3,900,000.

NATIONAL DEVELOPMENT PROGRAMME

Our loan programme for the past year, apart from borrowing for war purposes, visualized £16,650,000 being required, but shortage of materials and the fact that our man-power was only partially reabsorbed into civilian employment militated against fully developing the plans made for the year. As a result, our borrowing was reduced, the amount raised under this heading being £12,980,000.

As has been the case for several years past, the whole of this loan programme has been financed by funds received from State Departments for investment.

Now that the war has happily ended, the Government are able to resume their long-term policy of public works. My colleague, the Hon. the Minister of Works, has already announced the Government's plans in this connection, covering the whole Dominion.

Housing is, of course, regarded as of first priority, and although we have much lee-way to make up, even at present our housing standards compare favourably with those of any other part of the world.

After housing is the important question of increasing hydro-electric supplies. In the North Island, a chain of ten electric-power stations generating 800,000 kilowatts is in the process of being constructed on the Waikato River, which will have the effect of trebling present supplies. In the South Island the Clutha River scheme will be implemented, while the Tekapo Lake control and power-station and the Cobb River and Waitaki extensions will be completed.

Irrigation and land development occupies a prominent place in the Government's plans, the objective being not only to bring additional areas under cultivation and to improve existing holdings by the provision of adequate water-supplies, but by further reclamation to provide additional land for industrial purposes.

Main Highways Account

Highways and roads have now reached a stage where a comprehensive overhaul is due. Both have suffered from diversion of labour and materials during the war years and if New Zealand is to maintain her standard of arterial highways and roads, considerable expenditure must necessarily be incurred in both delayed maintenance and new development.

In regard to the main highways the Government have decided to provide additional financial assistance to the account. The revenue of the Main Highways Account fell from £3,060,000 for the year 1938-39 to £1,692,000 for the year 1943-44. Because of this heavy reduction in income the recoupment of interest to the Consolidated Fund was suspended from the 1st April, 1943, until such time as the revenue of the Main Highways Account recovered sufficiently to pay current interest and the arrears. Wartime postponement of main-

tenance works now necessitates so large an expenditure, however, that the Government deem it preferable to use the available funds for essential maintenance rather than payment of arrears of interest. It has been decided, therefore, to write off not only the arrears of interest (£1,416,297) to 31st March last, but also the 1946-47 interest of approximately £520,000. This is equivalent to a grant of £1,936,000.

In addition to the foregoing concession, the Government have decided that the sum of £1,226,000, advanced by way of loan in 1930, shall also be written off so that the Main Highways Account shall have no liability with regard to either interest or principal on that amount. Provision accordingly will be made in the ensuing Finance Bill.

With these very substantial concessions it is anticipated that the Main Highways Account, the revenue of which is already mounting rapidly, will, from April, 1947 onwards, be in a position to meet its full liabilities under all headings.

1946-47 Programme

As regards the current financial year cost of works to be provided from loan-moneys is set down at £21,000,000, compared with loans raised for this purpose during the past year of £12,980,000. As an illustration of the main projects upon which these loan-moneys will be expended the following table sets out the position for last year compared with the 1946-47 estimates:—

	1945-46. £	1946-47. £
Housing	5,710,000	7,500,000
Electric supply	2,920,000	3,100,000
Land for settlements	1,500,000	3,500,000
Education buildings	1,188,000	1,250,000
Railway improvement	851,000	1,156,000
Highways	100,000	1,500,000
Other public works, including public buildings; irrigation, soil conservation, and roads; State forests; State coal-mines; and telegraph extension	711,000	2,994,000

Details of the above proposals are to be found in the estimates of expenditure.

A further item to be financed out of the National Development Loans Account is the capital of the New Zealand National Airways Corporation following the passing, last session, of the New Zealand National Airways Act. In terms of this legislation a New Zealand National Airways Corporation was set up for the purpose of establishing and operating national air transport air services, both in the Dominion and overseas. The interests of the largest private operator—namely, the Union Airways of New Zealand, Ltd.—have already been acquired, and at an early date the whole of the civil air transport services will be under the control of the new Corporation. Another corporation, owned by the United Kingdom, Australia, and New Zealand Governments, is being established to operate an air

service across the Pacific connecting Australia and New Zealand with Vancouver via Fiji, Honolulu, and San Francisco. Canada will also operate a service on the same route, their activities being co-ordinated with those of the Corporation and these services will run parallel with a like service organized and operated by a United States company.

The whole of the loans funds required for the National Development programme will be provided by the State Departments and from the 3 per cent. "tap" issue at present open for public subscription on the local market.

This loan, maturing 15th July, 1961-63, was opened on the 3rd January, 1946, the proceeds being applied initially to meet part of the cost of repaying loans which matured in London on the 1st January and 1st February last. This procedure was continued till 31st March, 1946, when £2,625,430 had been subscribed. Since 1st April, £5,500,000 has been received and has been applied towards the current year's national-development-loans programme. The total receipts from this issue so far has thus been over £8,000,000.

In submitting this loan programme for the current year, I would remind honourable members that for some time past the Government have been engaged in a comprehensive survey of capital works covering the whole Dominion and including State, local authority, and private works, with the object, firstly, of ascertaining the magnitude of the problem which has to be faced during the next few years, and, secondly, of establishing a system of priorities depending on the resources available and the relative importance of the works. This co-ordination of State and private effort will be of material importance in ensuring that adequate progress is made in meeting the nation's housing requirements, and that, by maintaining a proper flow of labour and material to such works, the Government's policy in regard to full employment is safeguarded.

Hospital rating

The Government has given consideration to the recommendations of the Parliamentary Select Committee on Local Government with respect to hospital rating. The Government does not agree that the hospital rate should be abolished. It agrees, however, that it is desirable that the rate should be stabilized. It has been decided that from the beginning of next financial year the hospital levy in any district of New Zealand shall not exceed 0.5d. per pound of rateable capital value.

While the amount levied on local authorities will be determined on the above basis, each local authority will allocate the sum required amongst its ratepayers, according to the system of rating in vogue in its area. It is also the view of the Government that hospital districts should be enlarged in order to promote a more efficient system of health administration and that a greater measure of control of Hospital Board expenditure should be exercised.

Regrading of State Services

The legislation governing the major State Services provides for the regrading of those Services at intervals of not more than five years. The last statutory regrading undertaken was in 1937, and this would have been followed by a further review in 1942. It was, however, necessary to postpone the regrading during the war years, but the Government agreed to it being put in hand immediately hostilities ceased.

The Railways Service, the Post and Telegraph Service, and the Departments under the control of the Public Service Commissioner will all be regraded as at 1st April, 1946. This involves the task of reviewing the salary grading of all positions in these Services, and, where necessary, realigning them. New salary scales, incorporating the cost-of-living bonus, have now been approved by the Government for application with the regrading.

The review of positions and the introduction of revised scales should do much to remove any anomalies that have become apparent since 1937, and enable the Public Service to embark on its post-war tasks with the staff position placed on a proper basis.

In addition to the services mentioned, a report has recently been presented to the Government by a Consultative Committee covering recommendations in connection with the salaries of both primary and post-primary teachers. This report is receiving the urgent attention of the Government and an announcement will be made shortly as to the new rates which will cover, in addition, the salaries of the University teaching-staff.

As regards the Armed Services, proposals for a general regrading have been prepared by the Navy, Army, and Air Force and are now being considered by a co-ordination committee representative of the three Services. As soon as these investigations have been completed, they will be reviewed by the Government and a decision announced.

Superannuation of State employees

Legislation was passed last session of Parliament, improving very materially the superannuation benefits payable to State employees.

It is proposed to introduce this session, a general consolidating and unifying measure, when any existing anomalies will be removed.

THE FUTURE

Before outlining in detail the new proposals with regard to taxation, I would take this opportunity of discussing some of the long-range plans for the economic and social developments of New Zealand.

Housing

The Government's housing programme envisages the construction of 12,000 houses per annum during the next five years. Timber

milling will be stimulated and strict control maintained over supplies in order to ensure that priority is given to the most urgent requirements. More houses will come before bigger houses.

Education

In the field of education there will be a vigorous school-building programme to overtake the wartime arrears of school buildings. With more buildings and more teachers a further extension of the school-leaving age will be possible and greatly extended services for the health and education of our children will be developed. Improvement is also to be made in University education facilities and the necessary finance will be made available in the Supplementary Estimates.

Coal

Coal production, which is the basis of so many of our industries, has given much concern during recent years particularly since the supplies previously available from Australia have been discontinued. Open-cast mining has been of material assistance, but from time to time the Government have found it necessary to purchase coal-mines, often as a result of impending closing down, but in any case to increase production. The Government's policy in this connection is to acquire by purchase the whole of the privately-owned coal-mines in the Dominion and to run them entirely on a national basis. The importance of adequate coal-supplies cannot be over-emphasized and the Government are convinced that nationalization is the only satisfactory solution of this problem.

Primary Industries

New Zealand ranks high among food-producing countries and we have great opportunity and a moral obligation to increase our production to the maximum.

The Government's efforts will be directed towards encouraging increases in the production of meat and dairy produce, and agricultural crops, as well as in special produce to serve our domestic markets. The Government visualizes extensive land development, irrigation, and swamp-land reclamation and the bringing about of considerable improvements in rural living and working conditions.

Secondary Industries

It is the Government's policy to encourage the establishment and development of worthwhile secondary industries. Partly due to the war we have successfully established many new industries employing many thousands of workers and the production of consumer goods on an economic basis.

As I have said earlier, import selection will still be necessary to ensure the most economic use of the Dominion's overseas funds. Although the maximum quantity of goods will be imported within the

available funds, clearly the most advantageous use of the funds is to import goods which cannot be made in New Zealand and to make the fullest use of our own industrial resources.

Rehabilitation

Remarkable progress has already been made in the rehabilitation scheme and the Government will continue to do everything possible to restore the opportunities of ex-servicemen and women lost as a result of the war. Priority is assured to them for State houses and building materials and liberal education and trade-training facilities are provided.

On the land, it is estimated that 8,000 ex-servicemen will require to be settled; 2,380 of these have already been settled. The settling of the remaining 5,620 will be pushed ahead as quickly as suitable land can be acquired and developed.

TAXATION

I now come to the important matter of taxation.

The reduction in war expenditure following the demobilization of our Forces has now made possible a reduction in taxes. It is reasonable that the amount available should, as far as possible, be applied in reduction of war taxes. Last session the first step in this direction was made in the reduction in the national security tax by 6d. in the £1, which became operative in the early part of the present financial year. This reduction will involve a loss of revenue of £7,000,000 per annum. The relief in this respect is enjoyed by all taxpayers. A further benefit to the taxpayer, though not in respect of war taxation, was made in the complete abolition of the social security registration fee, amounting to approximately £600,000 per annum.

Continuing war costs

Before considering further taxation adjustments, it is necessary to study carefully the continuing costs which the war has imposed on our financial position. The additional permanent expenditure resulting from the war and represented by the difference between 1939 and 1946 costs, under the four main headings, is summarized as follows:—

	£(m.)
Interest, management charges, and repayment cost of war debt of £21,775,000	7·7
War pensions: 31st March, 1939, £1,616,000, now £2,050,000; 1939-45 war, £2,240,000	3·0
Rehabilitation (apart from loan-moneys)	3·0
Extra costs of Navy, Army, and Air: 31st March, 1939, £2,220,000; 31st March, 1947, £7,895,000	5·6
Increase	<u>£19·3</u>

As set out in Table No. 1 attached to this Statement, total receipts from taxation for all purposes during last financial year amounted to £114.9 millions.

This was derived from the following sources:—

	£(m.)	£(m.)
On income—		
Income-tax	35.3	
Social Security charge	14.6	
National Security tax	21.7	
		71.6
Other taxes—		
Customs duty	11.7	
Sales-tax	15.0	
Beer duty	4.0	
Highways revenue	2.3	
Stamp duties	7.8	
Land-tax	0.9	
Social Security registration fee	0.6	
Miscellaneous	1.0	
		43.3
		<u>£114.9</u>

This shows an increase over the previous year, 1944-45, of £6,250,000 at the same rates of taxation.

It is realized that the high taxation rates, which had necessarily to be imposed in connection with the war effort, may militate against the establishment and extension of industries, and we cannot hope to maintain a policy of full employment nor improve living standards without a balanced development of industries and sufficient incentive for industry to forge ahead.

Our guiding principle is the encouragement of production, and to that end it is proposed to reduce or abolish first those taxes which tend to discourage work and enterprise; secondly, to reduce those which are reflected in production costs and the cost of living, while retaining those taxes which may be regarded as the permanent sources of State revenue and which reflect less adversely on the nation's productivity.

The practical solution of our tax and debt problems is a high level of production, employment, and national income. By these means we will not only lighten the burden of taxes and debt charges, but will achieve even higher standards of living than we have previously attained. The high level of production during the war years has given us a conception of what is possible. The problems confronting us are by no means easy ones. The economic machine must run smoothly, incentives must be given both to labour and to capital, there must be an equitable distribution of the national income, and the tax system must be so adjusted as to contribute to the maximum in attaining our objectives.

Excess Profits Tax

To provide a new stimulus to industry, thus benefitting all sections of the community, excess profits tax is to be abolished. This tax was imposed solely for war purposes, and its retention can no longer be justified. The object of the tax was, of course, to obtain for the State the greater proportion of the profits arising from wartime activities. The continuation of such a tax would be a definite deterrent to industry, and, as I have already explained, the Government are particularly anxious to assist industry towards rehabilitation and expansion. The discontinuance of the excess profits tax will result in a loss of taxation of approximately £500,000 per annum.

Income-tax

Income-tax bears directly on the incomes of the people, and it is accordingly proposed, in respect of tax payable this financial year, to reduce the war surcharge from $33\frac{1}{3}$ per cent. to 15 per cent. This concession will absorb an estimated amount of £4,750,000.

Attached to this statement are schedules showing the effect of this reduction, together with the reduction from 2s. 6d. to 2s. in the £1 in the combined social security and national security tax, in so far as a typical married taxpayer and company profits are concerned.

Tables 11 and 12 show in greater detail with regard to a wide range of incomes the tax to be paid and the residue remaining after payment of tax.

A married man with a dependent wife obtains a further reduction in income-tax through the increased amount of exemption for a wife—viz., from £50 to £100. This amendment has already been effected in the Land and Income Tax Amendment Act, 1945. His position is as follows:—

Fixed Gross Income.	Total Tax Payment during Last Year.	Total Tax Payment during Current Year.	Increased Residue.
£	£	£	£
400	76	54	22
500	107	80	27
600	140	107	33
800	212	166	46

The married man with a wholly dependent wife and children for whom the universal family benefit is paid obtains the advantage of the social security benefit of 10s. per week for each child—paid

regardless of the parents' income—and the two reductions in taxation rates, with the increased exemption for a dependent wife. The combination of these factors gives the following result:—

Fixed Gross Income.	Residue Last Year, after Payment of all Income Taxation.	Residue for the Current Year, including £26 per child Family Benefit, and including £50 per child exemption.	Increased Residue.
---------------------	--	--	--------------------

Taxpayer with dependent wife and one child

£	£	£	£
400	334	378	44
500	403	454	51
600	470	528	58
800	600	670	70

Taxpayer with dependent wife and two children

400	342	412	70
500	413	488	75
600	480	562	82
800	612	706	94

Taxpayer with dependent wife and three children

400	376	438	62
500	421	521	100
600	490	596	106
800	624	742	118

It will be observed from this last group, that a taxpayer with an income of £500 and a dependent wife and three children would have a residue after payment of all income taxation during the financial year ended 31st March, 1946, amounting to £421. The amount which will be available in the same family during the current financial year will be £521. This additional £100 represents an increase of 23 per cent. over the sum available during 1945–46.

The rate of income-tax on companies will be restored to that which applied up to March, 1942. Companies will thus pay the basic rate of company income-tax plus 15 per cent., and will also pay social and national security tax at the reduced rate of 2s. in the pound. The effect of these reductions gives a much more favourable incentive to increased production than existed under the higher war rates of tax. This is demonstrated from the following table which shows a comparison of the amount available after payment of income-tax, social and national security tax.

Assessable Income.	Total Taxation during Year ended 31st March, 1946.	Present Residue.	Residue under Present Proposals.	Increase in Residue over Previous Year.
£	£	£	£	£
2,000	805	1,195	1,321	126
5,000	2,847	2,153	2,583	430
7,000	4,673	2,327	2,990	663
10,000	7,028	2,972	3,968	996

These adjustments, it is hoped, will provide that measure of encouragement for workers and employers alike to assist in the restoration of peacetime industry to the maximum extent possible.

Gold Export Duty

Another tax which was specially imposed for war purposes was the additional gold export duty imposed in 1939. Under the circumstances it is now proposed to abolish the whole of this additional charge which should assist materially in gold-mining operations in the Dominion.

Primage Duty on Books and Periodicals

In response to representations made at the conference of book-sellers on 19th March last, the Government have decided to remove the 3 per cent. primage duty from books and periodicals on the understanding that book-prices to the public will be reduced by 5 per cent. The necessary Order in Council has been passed and will come into operation to-morrow, the 16th instant.

Sales Tax

The present rates of sales tax are high and were designed, firstly, to provide portion of the revenue required for war purposes, and, secondly, to discourage expenditure on consumer goods during the war period. The Government proposes to make the maximum reductions possible with the funds available as quickly as possible. One method would be to reduce all items bearing a 20 per cent. sales tax to, say, 10 per cent. Such an adjustment, however, would have the disadvantage that it would not benefit such items as timber and clothing, which are already taxed at the rate of 10 per cent. The Government are particularly anxious to reduce building costs, while clothing is an essential item in living costs, and any savings would be of direct benefit to the public. Consequently, as an alternative to a general reduction from 20 per cent. to 10 per cent., the Tariff Schedule has been carefully examined, and it is proposed to make individual reductions according to the necessities of the particular items with the object of benefiting families and home-builders. To this end it has been decided to abolish entirely the sales tax on (a)

all building materials, including timber, cement, building paper and wallboard, glass, hardware, wallpaper, paint, bricks, and roofing materials; (b) clothing of all descriptions; (c) household furnishings of all kinds, including perambulators; and (d) a miscellaneous number of items including dried or dehydrated fruits and surgical and dental instruments. The total taxation reductions for a full year is estimated at £7,000,000.

To the extent that the items concerned are at present being subsidized for stabilization purposes, the subsidies will be discontinued as soon as administratively possible, but nevertheless the net effect of these adjustments will be substantially to reduce living costs generally.

A complete list of the items concerned is shown in the Resolution which will be submitted to the House at the conclusion of this statement.

The exemptions from sales tax which I have mentioned will involve a loss of revenue for a full year of £7,000,000, but as these will operate for six months and a half only of this year the concessions this year will mean a reduction of £3,800,000.

Summary of Tax Reductions

These taxation adjustments may be summarized as follows, showing the effect for a full year and also the loss of revenue for the present financial year:—

	Full Year £(m.)	Present Year £(m.)
<i>Already in Operation—</i>		
Reduction in national security tax	7·0	7·0
Abolition of social security registration fee	0·6	0·6
Reduction due to increased wife exemption	1·3	1·3
	— 8·9	— 8·9
<i>Proposed—</i>		
Reduction of income-tax surcharge from 33½ per cent. to 15 per cent.	4·7	4·7
Elimination of excess profits tax	0·5	0·5
Reductions in sales tax	7·0	3·8
Reductions in gold duty and primage duty	0·1	0·1
	— 12·3	— 9·1
	<u>21·2</u>	<u>18·0</u>

Honourable members will appreciate that taxation concessions amounting in a full year to no less than £21,200,000 during what may be described as the transitional period represents a very material relief from the burden of taxes imposed on account of the war, and at the same time should encourage all sections of the community to produce to the maximum of their ability and so ensure that New Zealand plays her part in the re-establishment of world economy.

Double Taxation

An additional measure of relief is afforded by an arrangement recently made with the Chancellor of the Exchequer of the United Kingdom for the elimination of double taxation of income. I am pleased to be able to tell you that complete agreement has been reached with the United Kingdom Government on all important points. A formal document is now in course of preparation, and it is hoped that this will be finished at an early date so that the terms of the agreement may be announced and made operative as early as possible. The agreement will prove of real assistance to traders and others with interests in both countries.

Conclusion

And now, Mr. Chairman, my task for this evening is reaching an end.

That task has been more agreeable than any in recent years, because this is the first Budget since New Zealand, with the Allies, emerged victorious from the most desperate war ever fought to preserve human rights and justice against savage and brutal forces seeking to subjugate the world.

In opening I said that to-day is a great anniversary—a year ago to-day was V.J. Day. It is equally fitting to recall that this is also another notable anniversary. Five years ago to-day the world was thrilling to the announcement of the terms of the Atlantic Charter, which had been adopted on the previous day as embodying the guiding principles of the United Kingdom and the United States of America.

That Charter was the foundation on which the construction of the machinery of international co-operation was commenced. It was the beginning of the road to United Nations, and recognition of the hopes and ideals of mankind. Many recognized the great step forward it made, and its terms only required more careful definition and elaboration to make it the Magna Carta of all nations.

That Charter recognized the desire to bring about the fullest collaboration between all nations in the economic field with the object of securing for all improved labour standards, economic advancement, and social security.

New Zealand has already indicated for a decade that it recognizes the need for considerable advances to a better world and a richer life for mankind. Whether we work in the field, factory, or office, or whether our dealings are with other nations and their citizens, the way to true happiness and prosperity lies along the road where the maintenance of our rights is matched with the realization and observance of our community responsibility.

Many great leaders have expressed their faith in national and international organization capable of giving mankind the chance to ensure that the vast suffering of the conflict through which we have passed shall not have been in vain.

In a memorable address a short time ago Field Marshal Smuts, Prime Minister of South Africa, said:—

“ People are searching their own souls for the causes that have brought us to this pass. May it be our privilege to see that this suffering, this travail and search of man’s spirit, shall this time not be in vain. Without feeding on illusions, without pursuing the impossible, there is yet much in the common life of the people which can be remedied, much unnecessary inequality and privilege to be levelled away, much common-sense opportunity to be erected as the common birthright, and public atmosphere for all to enjoy as a right. Health, housing, education, decent social amenities, provision against avoidable insecurities—all these simple goods, and much more, can be provided for, and thus a common higher level of life achieved by all.”

May I also direct your minds to what I feel are the deep-seated and abiding realities affecting this country of ours as a Sovereign State, and as a member of the world family of nations.

We are a new country. There are people now living who can remember our early beginnings. We have, through our own strivings and development, and through our steadily maturing sense of national responsibility, achieved our adulthood as a nation. As an adult nation we stood shoulder to shoulder with our friends in the conflict now ended. It is as an adult nation that we stand face to face with friends and former foes alike to ensure that the sacrifices of war bear good fruit in time of peace.

I am more than ever convinced that the key to success in this great aim is the wholehearted adherence to the maxim that, to a just observance of our rights and privileges, we must unite a firm resolve to shoulder our every obligation and responsibility—individual to individual, individual to nation, nation to individual, and nation to nation.

These are sentiments that must strike an echo in the hearts and souls of our people in New Zealand for here those ideals have been steadily growing and flourishing. Because of our natural bounties and our general appreciation of the necessity for community responsibility in the attainment of those ideals New Zealand is among the fortunate nations. Let us bend ourselves further to the task of implementing a programme that is designed to entrench our gains in the field of national and international practical idealism.

Table No. 1

REVENUE OF THE CONSOLIDATED FUND, SOCIAL SECURITY FUND, AND WAR EXPENSES ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 1946, AND FOR THE YEAR ENDED 31ST MARCH, 1945

	1946.				1945.			
	Consolidated Fund.	Social Security Fund.	War Expenses Account.	Total.	Consolidated Fund.	Social Security Fund.	War Expenses Account.	Total.
Taxation—								
Income-tax ..	£ 26,465,912	£ ..	£ 8,821,971	£ 35,287,883	£ 25,686,050	£ ..	£ 8,562,017	£ 34,248,067
Land-tax ..	937,395	..	21,737,527	937,395	952,622	..	20,526,552	20,526,552
National security tax ..	..	14,557,460	..	14,557,460	..	13,663,858	..	13,663,858
Social security charge ..	..	585,713	..	585,713	..	574,436	..	574,436
Registration fees ..	..	..	..	..	..	..	..	..
Customs duties ..	8,800,016	..	2,861,443	11,661,459	8,471,679	..	2,788,310	11,259,989
Beer duty ..	2,308,600	..	1,712,578	4,021,178	2,074,458	..	1,535,003	3,609,461
Sales tax ..	4,505,443	..	10,558,975	15,064,418	4,063,558	..	9,539,368	13,602,926
Highways tax ..	2,324,068	..	..	2,324,068	1,929,618	..	..	1,929,618
Stamp duties ..	2,802,089	..	5,024,014	7,826,103	2,282,152	..	5,060,548	7,342,700
Postage ..	..	..	600,000	600,000	..	..	600,000	600,000
Other ..	227,195	..	100,339	327,534	229,259	..	120,554	349,813
Loan-moneys ..	48,370,718	15,143,173	51,416,847	114,930,738	45,689,396	14,238,294	48,732,352	108,660,042
Reciprocal aid ..	..	..	37,182,884	37,182,884	..	..	54,418,343	54,418,343
Interest receipts ..	..	..	26,836,516	26,836,516	..	..	24,545,702	24,545,702
Disposal of surplus assets ..	5,857,264	..	..	5,857,264	5,363,806	..	..	5,363,806
Other receipts ..	4,277,833	143,020	1,774,377	6,195,230	3,194,596	38,112	3,478,643	3,478,643
Transfers from Consolidated Fund ..	58,505,815	15,286,193	128,480,377	202,272,385	54,247,798	14,276,406	132,781,657	201,305,861
	-7,000,000	7,000,000	..	..	-10,700,000	4,500,000	6,200,000*	..
	51,505,815	22,286,193	128,480,377	202,272,385	43,547,798	18,776,406	138,981,657	201,305,861

*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, 1946, COMPARED WITH THAT OF THE FINANCIAL YEAR ENDED 31ST MARCH, 1945.

	Year ended 31st March, 1946.	Year ended 31st March, 1945.	Increase.	Decrease.
Permanent Appropriations—	£	£	£	£
Under special Acts of Legislature—				
Civil List	95,441	79,451	15,990	..
Debt Services—				
Interest	18,584,434	17,323,346	1,261,088	..
Sinking Fund .. .. .	..	..	..	..
Repayment of Public Debt Act, 1925 ..	3,914,184	3,585,147	329,037	..
Transfers to Loans Redemption Account	50,000	182,546	..	132,546
Payments on guaranteed loans ..	..	<i>Cr.</i> 3,948	3,948	..
Administration and management ..	247,760	296,606	..	48,846
Total—Debt Services ..	22,796,378	21,383,697	1,594,073	181,392
Other Services—				
Highways	2,319,130	1,916,948	402,182	..
Other special Acts	288,942	4,608,298*	..	4,319,356
Total—Other Services ..	2,608,072	6,525,246	402,182	4,319,356
Total—Permanent Appropriations	25,499,891	27,988,394	2,012,245	4,500,748
Annual Appropriations—				
Vote,—				
Legislative	126,994	121,506	5,488	..
Prime Minister's Department ..	41,346	35,628	5,718	..
External Affairs	208,670	177,023	31,647	..
Finance—				
Treasury	73,787	94,837	..	21,050
Customs	176,307	156,842	19,465	..
Land and Income Tax	328,226	211,112	117,114	..
Stamp Duties	177,965	136,407	41,558	..
Audit	90,977	43,896	47,081	..
Total—Finance	847,262	643,094	225,218	21,050

* Includes transfer of £4,000,000 to War Expenses Account.

Table No. 2—continued

STATEMENT OF THE ACTUAL NET EXPENDITURE OF THE CONSOLIDATED FUND, ETC.—*ctd.*

—	Year ended 31st March, 1946.	Year ended 31st March, 1945.	Increase.	Decrease.
Annual Appropriations—continued	£	£	£	£
Vote—continued				
General Administration—				
Public Service Commissioner's Office	27,190	20,574	6,616	..
Internal Affairs	649,887	585,815	64,072	..
Island Territories	384,873	286,706	98,167	..
Printing and Stationery	352,726	409,035	..	56,309
Marine	231,948	183,851	48,097	..
Labour	132,983	239,143	..	106,160
Native	275,345	330,586	..	55,241
Valuation	75,345	48,491	26,854	..
Electoral	28,283	11,225	17,058	..
Census and Statistics	71,233	32,988	38,245	..
National Employment Service	182,020	..	182,020	..
Rehabilitation	293,346	142,080	151,266	..
Total—General Administration	2,705,179	2,290,494	632,395	217,710
Law and Order—				
Justice and Prisons	311,186	267,261	43,925	..
Crown Law Office	9,841	8,476	1,365	..
Police	730,973	759,193	..	28,220
Total—Law and Order ..	1,052,000	1,034,930	45,290	28,220
Maintenance of Public Works and Services	1,942,344	881,715	1,060,629	..
Development of Primary and Secondary Industries—				
Organization for National Development	14,742	7,582	7,160	..
Lands and Survey	509,144	380,810	128,334	..
Agriculture	1,067,463	1,130,315	..	62,852
Scientific and Industrial Research	331,275	228,545	102,730	..
Mines	67,651	97,585	..	29,934
Transport	114,330	83,236	31,094	..
Industries and Commerce	998,539	644,927	353,612	..
Tourist and Publicity	258,240	231,323	26,917	..
Total—Development of Primary and Secondary Industries	3,361,384	2,804,323	649,847	92,786
Social Services—				
Health	2,692,389	2,162,551	529,838	..
Mental Hospitals	863,808	563,546	300,262	..
Education	6,460,623	5,067,571	1,393,052	..
War and other pensions	4,172,633	3,840,335	332,298	..
Social Security	7,000,000	4,500,000	2,500,000	..
National Provident and Friendly Societies	112,448	109,100	3,348	..
Total—Social Services ..	21,301,901	16,243,103	5,058,798	..
Unauthorized Expenditure—				
Services not provided for	164,694	812,869	..	648,175
Total—Annual Appropriations	31,751,774	25,044,685	7,715,030	1,007,941
			9,727,275	5,508,689
		
Total Expenditure	57,251,665	53,033,079	4,218,586	..

Table No. 3
SOCIAL SECURITY FUND

	Year ended 31st March, 1943.	Year ended 31st March, 1944.	Year ended 31st March, 1945.	Year ended 31st March, 1946.	Estimate for Year ending 31st March, 1947.
<i>Receipts</i>					
Registration fees	£ 540,921	£ 551,064	£ 574,436	£ 585,713	£ 25,000
Social security charge	11,624,046	12,796,108	13,663,858	14,557,460	19,900,000
Miscellaneous receipts	48,673	44,913	38,112	143,020	113,000
Balance from previous year	3,023,835	3,086,801	2,945,139	2,389,701	1,716,302
Transfer from Consolidated Fund ..	3,800,000	4,100,000	4,500,000	7,000,000	18,000,000
	19,037,475	20,578,886	21,721,545	24,675,894	39,754,302
<i>Expenditure</i>					
Administration expenses	518,030	509,294	563,676	721,587	730,000
Emergency benefits	118,923	115,573	105,834	121,959	120,000
<i>Hospital benefits, &c.—</i>					
Maternity benefits	505,219	513,939	530,734	600,209	621,000
Hospital benefits	1,539,282	2,133,389	2,266,688	2,173,460	2,195,000
Medical benefits	1,016,032	1,179,331	1,287,023	1,427,309	1,496,000
Pharmaceutical benefits	563,247	762,198	980,237	1,133,366	1,206,000
Supplementary benefits	97,399	137,823	170,032	229,971	288,000
<i>Monetary benefits—</i>					
Age	7,783,084	8,101,669	8,492,015	9,817,615	11,530,000
Widows	866,597	949,099	985,451	1,043,593	1,506,000
Orphans	20,628	22,442	23,253	24,178	23,000
Family	790,719	876,858	1,405,112	2,611,759	12,620,000
Invalids	1,036,374	1,067,409	1,072,619	1,183,537	1,415,000
Miners	80,100	76,653	74,367	88,359	98,000
Maori War	189	118	78	101	100
Unemployment	49,639	32,316	27,822	31,661	30,000
Sickness	362,088	376,878	351,866	565,420	450,000
Universal superannuation	603,124	778,758	995,036	1,185,508	1,460,000
Balance	3,086,801	2,945,139	2,389,702	1,716,302	3,966,202
	19,037,475	20,578,886	21,721,545	24,675,894	39,754,302

Table No. 4

WAR EXPENSES ACCOUNT

STATEMENT SHOWING THE NET EXPENDITURE FOR THE YEAR ENDED 31ST MARCH, 1946, COMPARED WITH THE YEAR ENDED 31ST MARCH, 1945

	Year ended 31st March, 1946.	Year ended 31st March, 1945.	Increase.	Decrease.
Navy—				
Pay and allowances	£ 3,527,039	£ 2,950,412	£ 576,627	£ ..
Accommodation, victualling, and clothing	561,315	432,148	129,167	..
War and other stores	182,947	1,238,578	..	1,055,631
Medical services	16,044	10,049	5,995	..
Educational and vocational services	4,262	8,797	..	4,535
Land, buildings, and ships	744,833	713,907	30,926	..
Docking, repairs, maintenance, and rent	346,802	904,600	..	557,798
Transport	285,454	330,076	..	44,622
Miscellaneous effective services	108,316	156,588	..	48,272
Non-effective services	237,481	193,926	43,555	..
	6,014,493	6,639,081	1,036,270	1,710,858
Army—				
Pay and allowances	23,183,540	23,136,937	46,603	..
Accommodation, victualling, and clothing	2,398,504	2,665,124	..	266,620
War and other stores	Cr. 7,022,410	20,358,248	..	27,380,658
Medical services	558,400	481,025	77,375	..
Educational and vocational services	19,195	14,849	4,346	..
Land, buildings, and fortifications	307,952	695,307	..	387,355
Repairs, maintenance, and rent	295,513	364,305	..	68,792
Transport	3,871,426	2,959,997	911,429	..
Miscellaneous and effective services	368,525	285,970	82,556	..
Non-effective services	36,879	7,415	29,464	..
	24,017,524	50,969,177	1,151,772	28,108,425
Air—				
Pay and allowances	9,297,772	10,451,540	..	1,153,768
Accommodation, victualling, and clothing	1,695,862	2,127,039	..	531,177
War and other stores	15,515,117	13,223,341	..	2,708,224
Medical services	66,641	62,663	3,978	..
Educational and vocational services	2,401	7,888	..	5,487
Land, aerodromes, and other buildings	484,623	957,808	..	473,185
Repairs, maintenance, and rent	97,405	143,365	..	45,960
Transport	465,442	863,513	..	398,071
Miscellaneous effective services	4,532,257	321,348	4,210,909	..
Non-effective services	64,909	124,599	..	59,690
	32,122,429	33,283,104	4,214,887	5,875,562
Ancillary—				
Primary producers' subsidies	1,498,296	2,459,369	..	961,073
Stabilization subsidies	3,033,057	2,559,324	473,733	..
Grants and subsidies for promotion and expansion of war production	362,288	150,746	211,542	..
E.P.S. and other security measures	354,903	214,394	140,509	..
Services for Armed Forces (recoverable)	Cr. 877,936	2,207,396	..	3,084,432
Reserve stocks, indents, and manufactured goods (recoverable)	Cr. 4,066,041	Cr. 5,246,406	1,180,365	..
Soldier's financial assistance, patriotic, and similar grants	379,869	762,742	..	382,873
Bulk purchases and sales by Food Controller	Cr. 1,761,899	103,108	..	1,865,007
National Service Department	297,277	348,962	..	51,685
UNRRA	1,078,443	..	1,078,443	..
Miscellaneous (recoverable in part and whole)	221,720	76,825	144,895	..
Miscellaneous (non-recoverable)	1,119,364	1,253,351	..	133,987
	1,640,241	4,889,811	3,229,487	6,479,057
Rehabilitation advances, &c.	2,572,967	1,243,318	1,329,649	..
Reciprocal aid : Reverse lend-lease	22,777,672	26,734,595	..	3,956,923
Gratuities	18,000,000	..	18,000,000	..
Transfer to Loans Redemption Account	27,500,000	6,250,000	21,250,000	..
	70,850,639	34,227,913	40,579,649	3,956,923
			50,262,065	45,625,825
			45,625,825	..
Total	134,645,326	130,009,086	4,636,240	..

Table No. 5
PUBLIC DEBT
MATURITY AND DOMICILE OF DEBT OUTSTANDING, 31ST MARCH, 1946

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 ..	..	..	4,130	..	4,130
Treasury bills ..	..	..	18,000	54,982,000	55,000,000
Funded debt† ..	30,125,249	..	..	..	30,125,249
Interest free‡ ..	..	..	367,446	..	367,446
1947 ..	..	..	3,523,823	164,271	3,688,094
1948 ..	14,177,011	82,300	6,583,630	1,839,250	22,682,191
1949 ..	..	..	12,491,760	355,425	12,847,185
1950 ..	9,375,000	..	18,786,815	9,337,280	37,499,095
1951 ..	1,562,500	779,000	..	..	2,341,500
1952 ..	..	..	2,612,985	10,704,130	13,317,115
1953 ..	..	..	11,352,695	1,126,385	12,479,080
1954 ..	9,153,224	..	9,393,505	346,475	18,893,204
1955 ..	2,613,636	..	6,141,870	357,130	9,112,636
1956 ..	15,000,000	..	17,604,745	1,723,950	34,328,695
1957 ..	..	..	30,128,530	7,530,245	37,658,775
1958 ..	24,031,831	..	19,570,195	139,118,778	182,720,804
1959 ..	..	..	10,171,980	55,678,098	65,850,078
1960 ..	..	..	7,250,705	1,306,510	8,557,215
1961 ..	7,889,599	..	17,651,415	2,162,120	27,703,134
1964 ..	9,174,570	..	8,613,710	3,749,950	21,538,230
1966 ..	21,547,734	..	..	..	21,547,734
1972 ..	6,250,000	..	..	..	6,250,000
Totals ..	150,900,354	861,300	182,267,939	290,481,997§	624,511,590

* 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. I]. † 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 stipulated periods thereafter. § Includes holdings by Reserve Bank previously shown under "Public."

SUMMARY OF DEPARTMENTAL INVESTMENTS

	£
Investments held by accounts within the Public Account ..	21,059,265
National Broadcasting Service	1,950,000
Marketing Department	14,451,755
Government Life Insurance	4,187,075
Native Trustee	242,010
Post Office	143,340,771
Post Office : National savings	35,031,000
Public Trustee	20,030,056
Reserve Bank	45,571,965
State Advances Corporation	3,010,000
State Fire Insurance Office—	
Accident Branch	572,500
Fire Branch	1,035,600
	£290,481,997

Table No. 6

IMPROVEMENT IN NEW ZEALAND ECONOMIC CONDITIONS

MOST RECENT INFORMATION COMPARED WITH EARLIER PERIODS

	Unit.	Depression low.		1935-36.		1938-39.		Latest Figure.
		Year ended 31st March.	Amount.	Year ended 31st March.	Amount.	Year ended 31st March.	Amount.	
<i>Production—</i>								
Value of total production	£(m.) ..	1932 ¹	83.3	1936 ¹	113.8	1939 ¹	136.1	184.5 ⁵
Volume of total production (1938-39 = 100)	Index No.	..	..	1936 ¹	93	1939 ¹	100	107
Value of farm production	£(m.) ..	1932 ¹	49.2	1936 ¹	72.5	1939 ¹	82.6	112.0 ⁶
Volume of farm production (1938-39 = 100)	Index No.	..	..	1936 ¹	101	1939 ¹	100	107 ⁵
Value of gross farming income	£(m.) ..	1933 ¹	38.1	1936 ¹	57.8	1939 ¹	69.0	94.5 ⁵
Wool production (bales)	(000) ..	..	..	1936 ¹	717	..	..	1,006
Butter production (tons)	(000) ..	..	..	1936 ¹	168	..	..	126
Cheese production (tons)	(000) ..	..	..	1936 ¹	89	..	..	90
Meat production (tons)	(000) ..	..	..	1936 ¹	440	..	..	507
Value of factory production ²	£(m.) ..	1933 ¹	17.7	1936 ¹	23.2	1939 ¹	30.5	44.0 ⁶
Volume of factory production ² (1938-39 = 100)	Index No.	..	..	1936 ¹	76	1939 ¹	100	129
Total factory employees	(000) ..	1934	85.8	1936	102.3	1939	123.7	141.8
Electric-power production (units)	Million..	..	..	1936	1,031.7	1939	1,413.5	2,273.8
Gas production (coal-gas sold) (cubic feet)	Million..	..	..	1936	3,324.4	1939	3,591.4	4,533.5
Coal production (tons) ..	(000) ..	1933 ⁴	1,821	1935 ⁴	2,115	1938 ⁴	2,222	2,834
Timber production (superficial feet)	Million	1932	154.2	1936	293.1	1939	316.7	350.7

For footnotes see end of table.

Table No. 6—continued
 IMPROVEMENT IN NEW ZEALAND ECONOMIC CONDITIONS—continued
 MOST RECENT INFORMATION COMPARED WITH EARLIER PERIODS—continued

	Unit.	Depression low.		1935-36.		1938-39.		Latest Figure.	
		Year ended 31st March.	Amount.	Year ended 31st March.	Amount.	Year ended 31st March.	Amount.	Year ended 31st March.	Amount.
<i>Production—continued</i>									
Building permits issued in urban districts—									
Total value all buildings	£(m.) ..	1933	2.5	1936	5.9	1939	12.1	1946	16.4
Private dwellings	Number	1933	1,496	1936	4,140	1939	8,083	1946	7,736
Government housing construction: Dwellings commenced (included above)	Number	..	..	..	..	1939	3,432	1946	2,623
Membership of workers' unions	(000) ..	1933 ⁴	71.9	1935 ⁴	80.9	1938 ⁴	249.2	1944 ⁴	223.0
<i>Transport and Communication—</i>									
Value of exports (excluding specie)	£(m.) ..	1932	33.9	1936	49.7	1939	57.9	1946	88.9
Volume of total exports (1936-38 = 100)	Index No.	..	..	1935 ⁴	96	1938 ⁴	97	1945 ⁴	95 ⁶
Value of imports (excluding specie)	£(m.) ..	1932	24.8	1936	37.4	1939	54.4	1946	57.0
Post and telegraph: Volume of business handled	£(m.) ..	1933	153	1936	220	1939	286	1946	655
Radio-receiving licenses	(000) ..	..	..	1936 ³	192.3	1939 ³	317.5	1946 ³	393.0
<i>Railways—</i>									
Passenger journeys	Million ..	1933	18.4	1936	20.4	1939	23.3	1946	32.4
Net ton-miles run	Million ..	1933	363.4	1936	443.6	1939	574.5	1946	842.5
Motor-vehicles licensed	Number	1933 ³	195,019	1936 ³	228,247	1939 ³	307,931	1946 ³	315,500 ⁹
<i>Finance—</i>									
Aggregate private income	£(m.) ..	1933	91.8	1936	124.6	1939	185.8	1945	304.0 ⁶
Salaries and wages payments (included above)	£(m.) ..	1933	58.9	1936	72.5	1939	109.5	1946	185.2 ⁶
Trading bank deposits (excluding Government)	£(m.) ..	1932	51.0	1936	62.1	1939	64.1	1946	133.7
Weekly bank debits (excluding Government)	£(m.) ..	1933	10.4	1936	13.8	1939	18.0	1946	27.6
Net bank-note circulation	£(m.) ..	1932	5.8	1936	6.6	1939	10.4	1946	35.7
Net overseas funds of banks (New Zealand business only)	£(m.) ..	..	7	1936 ⁸	44.1	1939 ⁸	9.3	1946 ⁸	98.4

Finance—continued

Post Office Savings-bank—	..	..	1933	16.9	1936	25.6	1939	30.4	1946	67.9
New deposits	..	..	1933 ³	42.0	1936 ³	52.9	1939 ³	60.7	1946 ³	128.5
Amount to credit of depositors	..	..	..	..	..	..	..	..	..	..
Trustee Savings-banks—	..	..	1933	5.7	1936	6.7	1939	8.6	1946	16.0
New deposits	..	..	1933 ³	10.5	1936 ³	11.8	1939 ³	13.9	1946 ³	27.3
Amount to credit of depositors	..	..	..	..	..	..	..	..	1946 ³	26.9
National Savings Accounts: Amount to credit	..	..	..	..	..	..	..	..	..	..
Mortgages registered	..	..	1934	7.8	1936	16.2	1939	20.0	1946	22.5
Mortgages discharged	..	..	1933	8.1	1936	17.6	1939	16.6	1946	23.3
Land transfer transactions	..	..	1934	9.6	1936	15.6	1939	23.7	1946	38.4
Sales-tax receipts (ordinary revenue)	..	..	..	..	1936	2.5	1939	3.6	1946	4.5
Sales-tax receipts (war taxation)	..	..	..	..	..	..	..	..	1946	10.6
<i>Miscellaneous—</i>	..	..	..	..	..	..	..	..	..	..
Totalizer investments	..	..	1933	3.3	1936	4.5	1939	7.8	1946	16.4
Marriages (rate per 1,000 of mean population)	..	..	1932 ⁴	6.81	1935 ⁴	8.23	1938 ⁴	10.09	1945 ⁴	10.06
Births (rate per 1,000 of mean population)	..	..	1935 ⁴	16.17	1935 ⁴	16.17	1938 ⁴	17.93	1945 ⁴	23.22
<i>Prices Index Numbers—</i>	..	..	..	..	..	..	..	..	..	..
Exports (1909-13 = 1000)	..	..	1932 ⁴	892	1935 ⁴	1102	1938 ⁴	1367	1945 ⁴	1857
Wholesale (1926-30 = 1000)	..	..	1932 ⁴	878	1935 ⁴	936	1938 ⁴	1036	1945 ⁴	1584
Retail—	..	..	..	..	..	..	..	..	..	..
Food groups (1926-30 = 1000)	..	..	1933 ⁴	732	1935 ⁴	835	1938 ⁴	991	1942 ⁴	1127
All groups (1926-30 = 1000)	..	..	1933 ⁴	795	1935 ⁴	887	1938 ⁴	951	1942 ⁴	1109
War-time price index (15th December, 1942 = 1000)	..	..	..	..	..	..	..	..	1946 ¹⁻⁶	1009
<i>Wage-rates—</i>	..	..	..	..	..	..	..	..	..	..
Nominal: Adult males (1926-30 = 1000)	..	..	1933 ⁴	833	1935 ⁴	858	1938 ⁴	1081	1945 ⁴	1381
Effective: Adult males (1926-30 = 1000)	..	..	1932 ⁴	1031	1935 ⁴	1025	1938 ⁴	1137	1942 ⁴	1102
Share prices—	..	..	..	..	..	..	..	..	..	..
Industrial (1938 = 1000)	..	..	1932 ⁴	667	1935 ⁴	1102	1938 ⁴	1000	1945 ⁴	1285
All groups (1938 = 1000)	..	..	1932 ⁴	769	1935 ⁴	1112	1938 ⁴	1000	1945 ⁴	1346

¹ Production year—approximately twelve months ended June.

² Does not include factory processing of primary products.

³ As at end of March.

⁴ Calendar year. ⁵ Advance estimate. ⁶ Preliminary estimate.

⁷ Not available. ⁸ As at last Monday in March.

⁹ "Armed Services" not licensed. ¹⁰ 15th March.

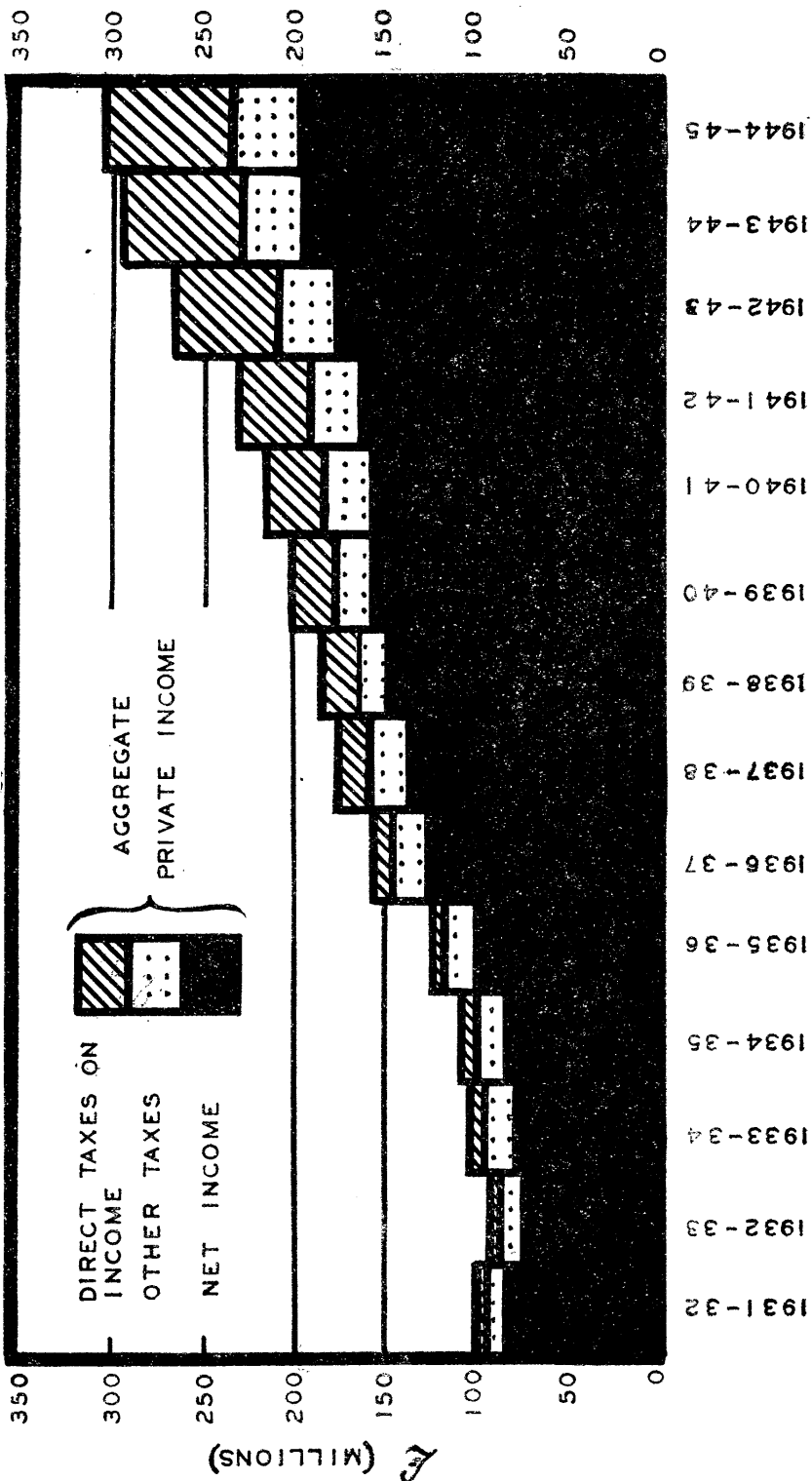
Table No. 7
TAXATION AND PRIVATE INCOME

Year ended 31st March.	Average per Head of Population.			Reconciliation with Retail Price Index.			
	Private Income.	Taxation.	Net Private Income.	Retail Prices Index Number* (1931-32 = 1000).	Gross Private Income.	Taxation.	Net Private Income.
	£	£	£		£	£	£
1932	65·7	11·5	54·2	1000	65·7	11·5	54·2
1933	60·0	12·9	47·1	915	65·6	14·1	51·5
1934	65·6	13·9	51·7	896	73·2	15·5	57·7
1935	68·6	15·9	52·7	913	75·1	17·4	57·7
1936	79·6	16·3	63·3	944	84·3	17·3	67·0
1937	99·8	19·8	80·0	983	101·5	20·1	81·4
1938	108·7	23·1	85·6	1047	103·8	22·1	81·7
1939	115·3	23·5	91·8	1072	107·6	21·9	85·7
1940	122·5	27·2	95·3	1126	108·8	24·2	84·6
1941	132·3	37·5	94·8	1172	112·9	32·0	80·9
1942	141·5	41·8	99·7	1210	116·9	34·5	82·4
1943	161·2	53·6	107·6	1257	128·2	42·6	85·6
1944	178·5	61·6	116·9	1267	140·9	48·6	92·3
1945	182·6	65·3	117·3	1270	143·8	51·4	92·4

* Wartime price index linked on to Census and Statistics Department's retail prices series.

Table No. 8

AGGREGATE PRIVATE INCOME—TOTALS



(Millions)

Table No. 9

AGGREGATE PRIVATE INCOME—PER HEAD

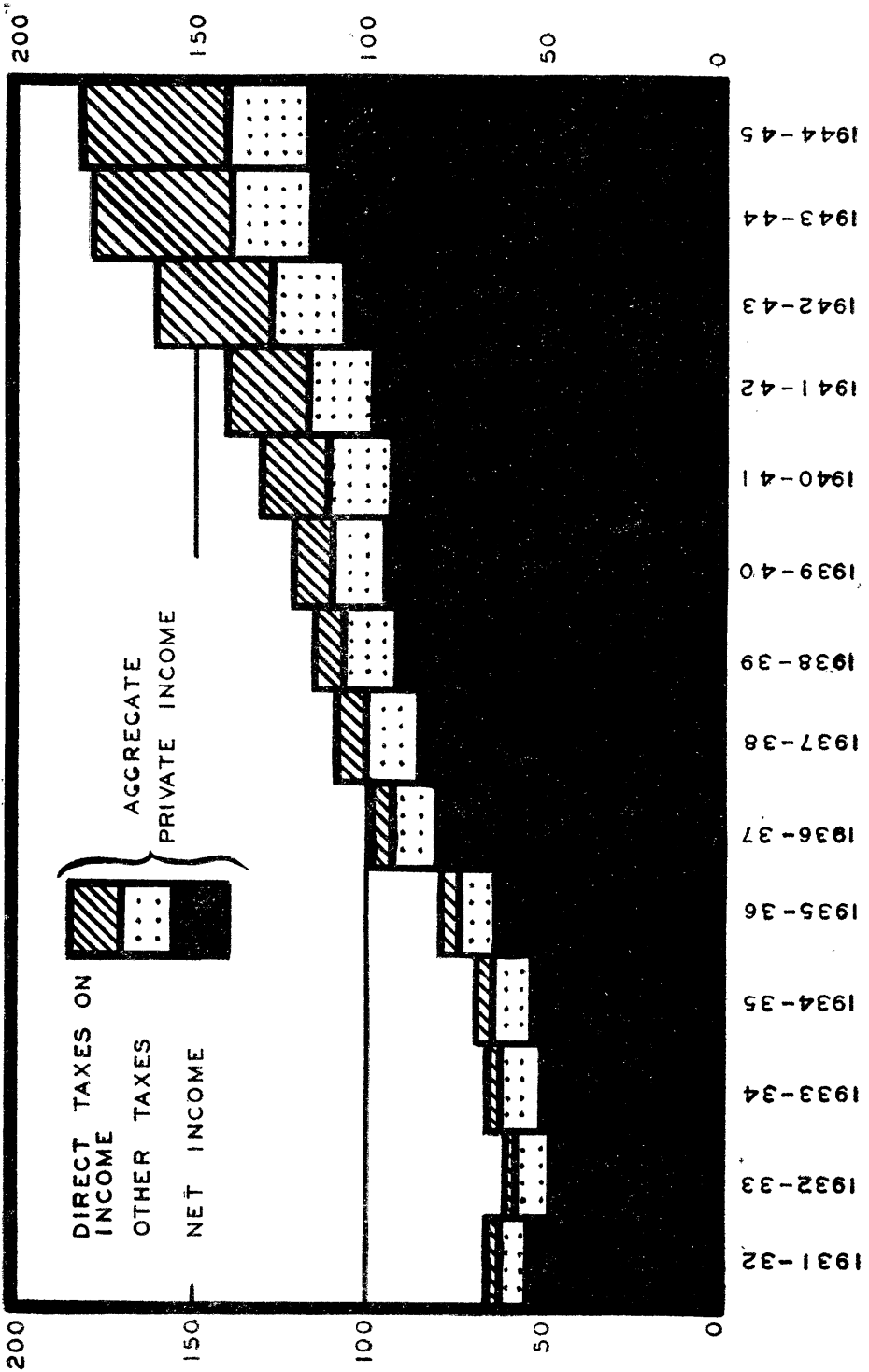


Table No. 10
RETAIL PRICES OF BASIC FOODSTUFFS

Commodity.	Unit of Quantity.	Retail Price (in New Zealand Currency).						United States of America (January, 1946).
		New Zealand (June, 1946).	Australia (Sydney), (May, 1946).	South Africa (May, 1946).	Great Britain (May, 1946).	Canada (February, 1946).		
Bread ..	2 lb. loaf	s. d. 0 5½	s. d. 0 5½	s. d. 0 8½	s. d. 0 5¾	s. d. 0 9	s. d. 1 1¼	
Flour ..	25 lb. bag	4 4	5 3½	8 11½	6 6½	5 9½	9 11¼	
Tea ..	lb. ..	3 10½	2 3	3 1	3 6½	4 4½	5 11½	
Sugar ..	lb. ..	0 4	0 4	0 4½	0 5	0 5¾	0 5	
Milk ..	quart ..	0 6¾	0 7½	1 0½	0 11½	0 7	0 11½	
Butter ..	lb. ..	1 6	1 8	2 11	2 1	2 3½	3 4¾	
Cheese ..	lb. ..	1 0	1 5¾	2 3½	1 4½	1 11½	2 2½	
Beef (prime ribs)	lb. ..	0 7¾	0 8	0 10	1 7¾	2 3¾	2 0½	
Mutton, leg ..	lb. ..	0 10	0 9½	1 3	1 10	..	..
Mutton, shoulder	lb. ..	0 7	0 5¾	1 0½	0 10	..	..
Bacon ..	lb. ..	1 6½	1 10	2 10	2 4½	2 7½	2 6¾	

Table No. 11
COMPANY INCOME

Rate of surtax 33½ per cent., reduced to 15 per cent., and the combined social security and national security rate reduced from 2s. 6d. to 2s., both reductions operating for income derived by companies during the year ended 31st March, 1946, the position is:—

Assessable Income.	Income-tax.	Social Security Charge and National Security Tax.	Total.	Residue left.	Increase in Residue under Budget Proposals.
£	£ s. d.	£	£ s. d.	£ s. d.	£
1,000	191 13 4	100	291 13 4	708 6 8	55
2,000	479 3 4	200	679 3 4	1,320 16 8	126
3,000	862 10 0	300	1,162 10 0	1,837 10 0	213
4,000	1,341 13 4	400	1,741 13 4	2,258 6 8	313
5,000	1,916 13 4	500	2,416 13 4	2,583 6 8	430
6,000	2,587 10 0	600	3,187 10 0	2,812 10 0	564
7,000	3,309 8 9	700	4,009 8 9	2,990 11 3	663
8,000	4,025 0 0	800	4,825 0 0	3,175 0 0	797
9,000	4,528 2 6	900	5,428 2 6	3,571 17 6	896
10,000	5,031 5 0	1,000	6,031 5 0	3,968 15 0	996

Table No. 12

MARRIED TAXPAYER—DEPENDENT WIFE AND TWO CHILDREN

Fixed Gross Income per Annum.	Tax Payment during Financial Year ended 31st March, 1946: Residue includes Family Benefit paid subject to Means Test.		Tax Payment during Financial Year ended 31st March, 1947: Residue, including universal family benefit £52.		Increase in Residue.
	Tax £	Residue £	Tax £	Residue £	
400	58		40		
500	87	342	64	412	70
600	120	413	90	488	75
800	188	480	146	562	82
1,000	263	612	207	706	94
1,500	480	737	391	845	108
2,000	738	1,020	613	*1,161	141
		1,262		*1,439	177
	Income-tax at basic rate, plus 3½ per cent. Combined charge at 2s. 6d. Income-tax based on income derived during year ended 31st March, 1945, and paid in February, 1946. Wife exemption, £50. Child exemption, £50.		Income-tax at basic rate, plus 15 per cent. Combined charge assumed at 2s. for whole of year. Income-tax based on income for year ended 31st March, 1946, and payable in February, 1947. Wife exemption, £100. *Maximum rebate in tax, £26. Child exemption, £50.		

Copy of Prospectus of Conversion Loan
 Dominion of New Zealand

NEW ZEALAND GOVERNMENT CONVERSION LOAN

ISSUE AT PAR OF 3-PER-CENT. STOCK MATURING 15TH APRIL, 1960-63, IN EXCHANGE
 FOR 4-PER-CENT. STOCK AND DEBENTURES MATURING 15TH APRIL, 1946-49

Public notice has been given in the *New Zealand Gazette* of intention to repay on the 15th April, 1946, stock and debentures of the 4-per-cent. loan maturing 15th April, 1946-49.

The Minister of Finance having declared the securities mentioned in the preceding paragraph to be convertible in terms of section 15 of the New Zealand Loans Act, 1932, the Reserve Bank gives notice that on behalf of the Minister it is authorized to receive applications for the conversion of such securities.

Conversion Offer.—In accordance with the terms of this Prospectus holders of convertible securities are offered conversion at par as from the 15th April, 1946, into—
 3-per-cent. stock maturing 15th April, 1960-63.

Interest on Convertible Securities.—A full half-year's interest on the convertible securities will be paid on the 15th April, 1946, after which date interest on the convertible securities will cease.

Applications.—Holders accepting the offer of conversion must transmit their applications on the prescribed form to the Reserve Bank of New Zealand, Wellington, or lodge them with the District Treasury Officer at Auckland, Christchurch, or Dunedin, or with any branch of any trading bank, postal money-order office, or trustee savings-bank in the Dominion for transmission to the Reserve Bank.

Applications for conversion may be for the whole or a part of any holding to which the offer applies, but must be for a multiple of £5 and must be accompanied by any relative documents of title such as debentures (with interest coupons intact in respect of the period subsequent to the 15th April, 1946) or certificates of title to stock in cases where such certificates have been issued.

Assented Stock.—From the date of the closing of the lists for conversion applications until the 11th March, 1946, holdings in respect of which conversion applications have been received will be regarded as "Assented" stock.

Closing of Registers.—The register relating to the 4-per-cent. 1946-49 stock will be closed for transfers on the 11th March, 1946. Repayment of principal and the final payment of interest will be made to the registered holders of the stock as at that date, and conversion will be effected only in the names of the registered holders of the stock on that date.

Securities not converted.—Convertible securities subject to this offer and not converted will be repaid at par on the 15th April, 1946, on presentation to the Reserve Bank of New Zealand of a request for redemption on the prescribed form, accompanied by the relative documents of title such as debentures (with interest coupons intact in respect of the period subsequent to the 15th April, 1946), or certificates of title to stock where such titles are on issue.

Redemption requests with documents of title, such as debentures, may be lodged at the District Treasury Offices at Auckland, Christchurch, or Dunedin, or at any branch of any trading bank or trustee savings-bank in New Zealand, or at any postal money-order office in the Dominion, for transmission to the Reserve Bank.

New Securities.—Ordinary registered stock tendered for conversion will be replaced by ordinary registered stock in accordance with the application submitted.

Death Duty stock will be replaced by stock having the same condition of availability for the payment of death duty attaching thereto.

Debentures tendered will be replaced by ordinary registered stock.

Holders of ordinary registered stock in the new issue may, by making application on the prescribed form, exchange such stock for Bearer Stock Certificates with interest coupons annexed.

Interest on New Securities.—Interest on new securities issued in conversion will be paid on the 15th April and the 15th October in each year. The first payment will be made on the 15th October, 1946, and will be for the half-year ending on that date.

Interest on stock will be paid free of inland exchange by means of interest warrants, which will be transmitted by post. Existing instructions for the payment of interest in the Dominion will apply in respect of stock in the new issue.

Interest on stock certificates to bearer is paid free of inland exchange by means of coupons annexed to the certificates. Interest coupons may be presented at the Reserve Bank of New Zealand, Wellington, at any branch of the Bank of New Zealand, or at any postal money-order office in New Zealand.

Transfers.—The Register of stock for the new issue will be kept at the Reserve Bank of New Zealand, Wellington, where transfers will be registered without payment of any fee.

Stock certificates to bearer (until the name of some person is inserted therein as the holder) are transferable by delivery.

Certificates of Title.—Certificates of title surrendered with applications for conversion will be cancelled. Any holder requiring a certificate of title for stock of the new issue must make separate application on the prescribed form. No fee is payable for the issue of a certificate of title.

Repayment.—The Minister of Finance reserves the right to repay the 3-per-cent. 1960–63 loan at par at any time during the period 15th April, 1960, to the 15th April, 1963, on giving at least three months' notice in the *New Zealand Gazette* of his intention to repay.

If not previously redeemed, the loan will be repaid at par at the Reserve Bank of New Zealand on the 15th April, 1963.

Commission.—Commission at the rate of 5s. per £100 nominal value of convertible securities will be allowed to bankers and registered sharebrokers on conversion acceptances bearing their stamp.

Copies of this Prospectus and forms of application may be obtained from—

- (1) The Reserve Bank of New Zealand, Wellington :
- (2) The District Treasury Offices at Auckland, Christchurch, or Dunedin :
- (3) Any branch of any trading bank or trustee savings-bank in New Zealand :
- (4) Any postal money-order office in New Zealand :
- (5) Members of the New Zealand Stock Exchanges.

The lists for the loan will be opened forthwith and will be closed on the evening of the 15th February, 1946. The Reserve Bank, however, is authorized to accept applications after the closing-date specified in any case where in the opinion of the Bank application prior to such date was impracticable.

Reserve Bank of New Zealand, Wellington, 15th January, 1946.

Copy of Prospectus of Internal Loan

Dominion of New Zealand

NEW ZEALAND GOVERNMENT LOAN

ISSUE AT PAR OF 3-PER-CENT. STOCK MATURING 15TH JULY, 1961-63

Interest payable 15th January and 15th July

Authorized to be raised in accordance with the provisions of the New Zealand Loans Act, 1932, whereby the interest and principal are a direct charge upon the public revenues of the Dominion.

Trustees may invest in this Loan under the powers of the Trustee Act, 1908, unless expressly forbidden by the instrument (if any) creating the Trust.

The RESERVE BANK OF NEW ZEALAND gives notice that, on behalf of the Minister of Finance, it is authorized to receive applications for the issue of stock in terms of this Prospectus.

The proceeds of this issue will be used partly to extinguish some of the liability incurred in New Zealand to provide funds for the redemption of London Loans amounting to £23,392,000 sterling, and partly for National Development purposes.

1. *Applications.*—Applications, which must be accompanied by a remittance for the full issue price of the stock, 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.

Applications must be for a multiple of £10, with a minimum of £50.

2. *Securities.*—New Zealand Government Stock will be issued in either 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) *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.

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 will be registered in the names of the applicant, and Registration Certificates will be issued as soon as registration has been effected. 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 January and 15th July in each year, and the first payment, representing interest from the date of the lodgment of the application moneys up to the 15th July, 1946, 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 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 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.*—The Minister of Finance reserves the right to repay the 3-per-cent. 1961–63 Loan at par at any time during the period 15th July, 1961, to the 15th July, 1963, on giving at least three months' notice in the *New Zealand Gazette* of his intention to repay.

If not previously redeemed, the Loan will be repaid at par at the Reserve Bank of New Zealand on the 15th July, 1963.

6. *Exchange on Remittances.*—Cheques in payment of amounts subscribed to this Loan will be accepted free of inland Exchange.

7. *Commission.*—Commission at the rate of 5s. per £100 of Stock issued will be allowed to Bankers and registered Sharebrokers.

Copies of this Prospectus and forms of application may be obtained 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; at any postal money-order office in New Zealand; or from a member of any Stock Exchange in the Dominion.

The list of applications will be opened forthwith and may be closed at any time determined by the Minister of Finance.

Reserve Bank of New Zealand, Wellington, 3rd January, 1946.