

In view of the state of the trade balance, and keeping in mind the uncertainty of the future trend of prices of our produce, I have come to the conclusion that the Customs revenue for the coming year, notwithstanding the normal increase of population, will be substantially less than for last year. My estimate of the revenue for 1926-27 from this source is £7,650,000.

The excise duty collected on New-Zealand-brewed beer during the year 1925-26 was £629,558 (compared with £650,384 during the preceding year). The revenue from this source during the current financial year is estimated at £630,000.

CAPITAL EXPENDITURE.

Capital expenditure.

In the last financial year, including £500,000 transferred from the Consolidated Fund, a total of £6,924,520 was made available for carrying on the public works and general development programme of the Government. The net expenditure on capital works out of accounts to which the additional loan capital was allocated may be summarized as follows:—

	£
Railway construction, additions, and improvement ..	2,786,190
Telegraphs and telephones	931,661
Hydro-electric supply	945,573
Main highways and roads	949,077
Irrigation, swamp-drainage, and rivers improvement..	229,569
Public buildings, including schools	849,041
Other public works	489,368
Total	£7,180,479

The Government's policy regarding public works generally will be fully explained by my colleague the Hon. the Minister of Public Works in his annual Statement. At this stage I am considering the general financial aspect of the matter.

Productive works.

Considering the population of the Dominion, the above is certainly a large capital outlay for one year. It will be observed, however, that the greater part (about £4,700,000) was expended on the first three items enumerated—on railways, telegraphs and telephones, and hydro-electric-power schemes—all of which are productive works which as soon as completed will earn a large part if not the whole of the interest payable on the relative portion of the public debt. Main highways and irrigation and swamp-drainage can also be classed as productive, though the return is in some cases not so immediate.

In regard to such productive works it is essential that every phase of the question—and particularly the probable earning-capacity—should be carefully considered before extensions or new works are undertaken, but once construction has been commenced it is obviously sound business that the work should be completed as quickly as possible, in order that the concern may start to earn interest. For this reason curtailment of finance for undertakings in hand would undoubtedly leave us with unproductive assets.

Non-productive works.

The second class of expenditure—on roads and schools and other public buildings—cannot be classed as unproductive, though there is no immediate monetary return. Roads, for instance, are necessary to open up new lands for settlement and to improve the existing means of communication, while education is vitally necessary to enable the next generation to be properly equipped to maintain and improve the standard of prosperity in this favoured Dominion.

In this class of expenditure it is essential that the State should take the long view; but such expenditure is in the meantime a direct charge on the taxpayer as such, and care must be taken to see that the spending-rate is regulated in accordance with the real needs of the country and the financial strength of the Dominion. Although this class of expenditure cannot be placed on a commercial basis it is essential that the cost of renewals and replacements should be met out of revenue.

An important consideration is the weight of the war burdens which I have previously referred to. The war debt in itself is a heavy dead-weight charge, and if further direct charges are placed on the taxpayer at a rate in advance of the increase in population and wealth of the Dominion, it must mean increased taxation, which in turn would retard business and hinder the development of the country.