

occupations and in other spheres which will result in increased production. With the price per unit of our products greatly reduced, our efforts must be to increase the number of units for sale.

One of the works which can be carried out and which fulfils the condition I have mentioned is the metalling of rural roads, and it is the Government's desire to change over as quickly as possible from formation work to metalling settlers' roads. Not only will this plan enable the farmer to make better use of the land of the Dominion, but it will, by improving the amenities in country districts, tend to check the movement of workers from the country to the cities. It is also hoped that work of the kind will encourage some people to take up again rural occupations.

In addition to borrowed money being used to tide the country over the present difficult phase, there are the funds raised by special taxation under the Unemployment Act. Unfortunately, owing to the endeavour to keep men employed near their homes, and the fact that there is more unemployed labour in the towns than in the country, the works carried out through the medium of the unemployment funds have been mainly of an urban character. Although the works have been the best that local authorities have been able to arrange, they have not resulted in the production of wealth or in an increase in the volume of products for export.

My endeavour in the future will be to divert labour available, and such funds as can be justifiably raised, together with a portion of the Unemployment Board's funds, to carrying out rural developments. Some of these rural works must continue to be what has commonly been understood in the past as public works. I have more particularly in mind the improvement of lands. Men now being displaced in work on railway construction will be given work as far as practicable in metalling roads in outlying districts, on new blocks of land, in forming and making new roads necessary, and in fencing and in preparing those blocks for settlement; also on undeveloped lands, construction of irrigation schemes, reclamation of low-lying country and sand-covered country. In all probability greater national returns can be obtained by intensive work on successful farms than on any possible development of the poorer lands. I do not mean from this that there should be any slackening-off in the endeavour to bring in virgin land or to restore deteriorated land, but unemployment and the country's financial position demand immediate consideration, and the quickest response will come from the application of labour intelligently directed on our best farming-land.

As Parliament has adopted the report of the Railways Board and has discontinued work on all the railways which the Board recommended be suspended, the estimates so far as they affect those railways have been recast and make provision only for liabilities to date and the estimated cost of clearing up and securing the works and plant.

Touching the subject of hydro-electric development, which is really a commercial undertaking, it will be necessary so long as the policy of the Government to control the bulk sources of supply is continued, to spend money on new developments as fast as the growth of load continues. In the past the growth has been remarkable, but with financial tightness a slackening in the rate must be looked for. Whatever the financial condition of the country, there must come a time when there are no new areas to reticulate, and the growth of load thereafter will depend upon the increase of population, together with the utilization of electrical energy in channels in which it is now not used.

There is still a healthy increase in most districts in the demand for electrical energy. It will shortly be necessary, if this additional demand is to be met, to give consideration to developments or extensions of existing stations. Development in this direction as in all others, must, of course, depend on available finance.

Even though it be found impossible for a time to borrow money abroad it will be necessary, to employ our labouring population and to prevent complete stagnation, to carry out a certain amount of work with the financial resources obtainable within New Zealand. I am satisfied when the issues are put to the test it will be found that the resources of New Zealand are greater than we have imagined.

In conclusion, the country is to-day, so to speak, in "reverse gear." Public-works activities may be said to be running in "top gear." A "change of gear" must now be made.

The statement of the year's operations and comments on same by my predecessor now follow.