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1936.
NEW ZEALAND.

FINANCIAL STATEMENT.

(In Committee of Supply, 4th August, 1936.)

BY THE HON. WALTER NASH, MINISTER OF FINANCE.

MR. CHAIRMAN,—

The election campaign which concluded on 27th November of last year followed extraordinary difficulties to primary producers owing to fall in prices, and consequential over-mortgaged land. This was associated with cuts in salaries and pensions, and reduced votes for education, health, and other social services, and unprecedented unemployment.

The election policy of the present Government affirmed that New Zealand's trade and marketing policies would best serve the people of the Dominion, the nations in the British Commonwealth, and other countries, by putting our own production and marketing system in order. The election manifesto said that the essential procedure to give the best results to exporters, importers, producers, and consumers would be to allow production to expand so long as any important human wants remained unsatisfied, and to take the necessary steps to ensure that the expansion of production did not ruin the producer by catastrophic price-falls. **Policy.**

This implied the relation of expanded production to sound marketing machinery with means to ensure simultaneous expansion of demand and exploration of new markets to extend sales of immediate and future production. **Production and marketing.**

The aim of the Government as expressed in a paragraph was and is—

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 dependants with everything necessary to make a "home" and "home life" in the best sense of the meaning of those terms.

To this end the Government have raised the allowances to those who are unemployed, have provided for increased rates of pay on Public Works, are instituting the forty-hour week for industry, and have raised the wages of young people on a graduated scale so that when reaching adulthood they will automatically secure a basic wage. This basic wage is a minimum which must be paid throughout industry, and will be based on the sum required to give an adequate standard of living for a man, his wife, and three children. The amount will be fixed by the Arbitration Court, and altered from time to time to suit changing circumstances. **Increased wages.**

On the side of Education it is the Government's intention to reorganize our school, college, and university systems to provide the maximum facilities for all children from the kindergarten to the university. **Education**

This, however, will not be worth while unless we can also ensure that the physical needs of the child and the adult are fully provided for on the same basis as are the needs of the mind. Health services should be made as freely available as educational service.

Public health.

That is why the Government intends to organize a system of public health services, including full medical, maternity, and dental care, which will stress the prevention rather than the cure of illness. This system will be extended to all our people in both rural and urban areas.

National health and superannuation.

The Government has already taken the initial steps for the organization of a complete health insurance, invalidity, and old-age superannuation scheme. The objective is to provide superannuation by right during sickness or old age, without a means test.

The preliminary organization has been established under which negotiations will be inaugurated with all bodies associated with the care of the aged and the sick.

The organization of the Friendly Societies, the National Provident Fund, the Public Service Superannuation Schemes, the Pensions System, the Government Life Insurance Office, and the Health Department will all be used to determine the most efficient financial and service procedure necessary to provide for accident, invalidity, sickness, and old age. In the intervening period whilst the constructive work is proceeding, steps are being taken to introduce pensions for invalids and to raise the general standard of all pensioners.

Banking and credit.

Unless a Government controls its banking and credit system it will be materially hindered in the planning and carrying out of its policy. That is why the first major policy measure of the Government was the Reserve Bank of New Zealand Amendment Act, which gave it full control of the foreign exchanges and of credit within the country, making the Reserve Bank entirely a State Bank.

State Advances Corporation.

In a developing agricultural economy, the question of farming finance is all important, and New Zealand is no exception. Over forty years ago the State initiated a policy whereby settlers were provided with finance at particularly low interest rates, and for long periods. This system has been the greatest single factor in developing New Zealand's farm lands.

Last year the Government then in office established a Mortgage Corporation, changed the old procedure, limited the scope of the legislation for social service, and introduced private shareholders and share capital and bonds not guaranteed by the State. As with the Reserve Bank, the Government has bought out the shareholders of the Mortgage Corporation and the institution has again come under direct Government control and responsibility as the State Advances Corporation. Bonds will be State-guaranteed so that money may be raised at the lowest possible rates. Where it is necessary to assist a farmer in financial difficulties, or for purposes of providing homes for wage-earners, a high percentage of the security will be lent. There are safeguards so that the loans cannot be used for speculation. The intention is to provide homes and farms for the people at low cost.

Housing.

Provision is made in the Housing Act for the erection of houses, and plans are in course of preparation to provide for the construction of some 5,000 houses at a cost of approximately three million pounds. It is hoped to erect some 900 houses before the end of the financial year. Finance will be available to local authorities for house building and full details of procedure will be sent to inquiring local bodies within the next few weeks. Those who save to buy land upon which to erect their own homes may borrow a large proportion of the total cost at special low rates of interest—the interest and principal being repaid by small quarterly instalments spread over a period up to forty years. An interesting innovation in the Act is a provision under which the addition of a small sum to the principal of the mortgage to cover the life of the borrower enables the property on his death to be handed over to his widow free from all further payments.

Dairy industry.

The passing of the Primary Products Marketing Act inaugurated one of the most important features in the history of the Dominion's primary production.

All butter and cheese made after 1st August of the present year becomes the property of the Government when placed on board the overseas steamer for export. At that point the dairy factory will be paid in full the guaranteed price for the dairy-produce by means of a cheque drawn on the Dairy Industry Account at the Reserve Bank—the Government Bank.

The basic f.o.b. guaranteed prices for the current season—that is, for butter and cheese made between 31st July, 1936, and 1st August of 1937—have been fixed as follows:—

	Per Cwt.		or	Per Lb.	
	s.	d.		d.	d.
(a) Finest grade creamery butter scoring 93 or 93½ points	117	3		12	$\frac{9}{16}$
(b) First grade whey butter scoring 88 points and over	107	11		11	$\frac{9}{16}$
(c) First grade cheese scoring 92 or 92½ points ..	63	7		6	$\frac{13}{16}$

These prices will remain constant throughout the season and the differential price-margins previously announced will apply in respect of produce to which higher or lower grading points are allotted.

It is known that there is a wide variation in the costs of butter and cheese making at the various dairy factories throughout the Dominion, so that a fixed f.o.b. purchase price for all butter and cheese will yield a varying butterfat price to suppliers, as the pay-out is dependant on manufacturing results and factory costs, which in turn are dependant on the circumstances, location, standard of efficiency, nature and quality of raw material, and extent of output of individual factories.

The guaranteed price will be paid in full as soon as the produce is delivered to the overseas steamer. If the proceeds of the sale of this produce do not cover the guaranteed price paid out, then the deficit is not the responsibility of the dairy-farmer but of the Government. If on the other hand the proceeds of sale in the first year are greater than the amount guaranteed, this surplus will be used for the benefit of the dairy-farmer and the industry after consultation with its representatives.

The intention of the Government in regard to guaranteed prices to dairy-farmers was expressed by the Prime Minister in his statement, that “ guaranteed prices should commence at an average of, say, the last eight or ten years’ prices ”. In reply to a question put to me when I attended the National Dairy Association Conference at Hastings in June last I said, “ that the price was positively fixed on the butterfat basis of eight to ten years, and the most generous interpretation of that promise ”.

Prices have been fixed in fulfilment of those promises to ensure that dairy-farmers supplying factories working under average factory conditions will receive the average butterfat return of the past eight to ten years. In addition, an allowance has been made for increased costs in the industry.

The basic f.o.b. purchase prices of cheese and whey butter have been fixed to yield, under average factory conditions, a margin of 1½d. per pound of butterfat processed into cheese above the average price of butterfat processed into butter.

In ascertaining the average prices the most complete statistical information from the industry and Government Departments was made available to the Dairy Advisory Committee.

For future years the cost of production, the standard of living of the farmer as compared with other sections of the community, and the stability of the industry will be taken into account in fixing the guaranteed price. The actual wording of the Act determining the procedure is as follows:—

“(4) In fixing prices under this section in respect of dairy-produce exported after the thirty-first day of July, nineteen hundred and thirty-seven, regard shall be had to the prices fixed under this section in respect of dairy-produce exported before that date, and to the following additional considerations, namely:—

“(a) The necessity in the public interest of maintaining the stability and efficiency of the dairy industry:

“(b) The costs involved in the efficient production of dairy-produce:

“(c) The general standard of living of persons engaged in the dairy industry in comparison with the general standard of living throughout New Zealand:

“(d) The estimated cost to the Department of marketing the dairy-produce concerned, and also the cost of the general administration of this Act:

“(e) Any other matters deemed to be relevant.

“(5) Due regard having been paid to the several matters mentioned in subsection four hereof, the prices fixed in respect of any dairy-produce exported after the thirty-first day of July, nineteen hundred and thirty-seven, shall be such that any efficient producer engaged in the dairy industry under usual conditions and in normal circumstances should be assured of a sufficient net return from his business to enable him to maintain himself and his family in a reasonable state of comfort.”

For the purpose of giving effect to these principles the Government has asked Messrs.

- J. Dunlop, representative of the Southern Ward on the New Zealand Dairy Board,
- W. E. Hale, representative of the New Zealand Co-operative Dairy Co., Ltd., on the New Zealand Dairy Board,
- A. Morton, President of the National Dairy Association,
- N. H. Moss, Barrister and Solicitor, Stratford,
- B. Roberts, M.P., Director of Parkvale Co-operative Dairy Co., Ltd.,
- A. J. Sinclair, Secretary-Manager of the Te Awamutu Co-operative Dairy Co., Ltd., and
- D. O. Williams, Economist, Massey Agricultural College, Palmerston North,

to confer with the Executive Commission of Agriculture and report to the Minister of Marketing as to the price to be paid next year.

The relation of farming costs to guaranteed prices is largely affected by interest and other land costs, and I propose later to set out the policy of the Government for adjusting the mortgage liabilities of the farmer to the guaranteed price.

Marketing Department.

The Government's Marketing Department will market the dairy-produce to the best advantage, and the proceeds will be paid into the Dairy Industry Account at the Reserve Bank. In some years there may be a deficit in the account after the year's operations; in other years there may be a surplus to be offset against any deficit.

Sale of produce.

New Zealand dairy-produce is mainly sold through importing houses in Tooley Street, London, most of which have regular connections with the distributors of butter to the British consumer, and the Government has made arrangements to continue to use the efficient genuine distributor and to pay him an adequate commission for the service he performs.

Reciprocal trade.

The more general question arises, however, of trade between the United Kingdom and New Zealand. New Zealand fully appreciates the right of and the necessity for Great Britain to safeguard the interests of her own producers and to increase her output of farm-produce. We, too, are faced with the same necessity, and farming plays a large part in New Zealand's economy. We fully recognize also the economic grounds and the reasons of national security in time of war which British policy must take into account. But such a policy vitally affects the whole fabric upon which our trade with Britain is based and upon which our economy operates. Our natural advantages make for an efficient and economic agricultural industry. On the other hand, we could produce motor-cars and other goods, but at a very much greater cost than Britain.

If, however, our efficient agricultural industry is deprived of an overseas market and we cannot purchase overseas, the efficient British manufacturing industry loses its market, and trade between the two countries suffers. On the other hand, the more we can sell abroad at an economic price the more we can buy. Our efforts will, therefore, be directed to making reciprocal trade agreements. When these agreements are completed New Zealand will have available the proceeds from an increased volume of exports. These proceeds will be used in the first place to meet our debt commitments, and secondly for imports. There is no doubt that the

trade between the United Kingdom and New Zealand could be materially expanded; and it will be our aim, not merely to stabilize the existing trading relations, but to expand them. This procedure will be mutually beneficial.

Reciprocal Trade Agreements with the United Kingdom and other countries do not conflict with the natural development of the Dominion and the right of our youth to creative work.

Internal trade and manufacturing development.

This development and right renders it imperative that we should extend our manufacturing and other industries.

The Government realizes the difficulties of the task in establishing new industries, but sees no other immediate way of extending the production of commodities that could improve our living standards.

The procedure for the rehabilitation of the farmer by removing the burden of over-mortgaged land has been drafted and will be introduced shortly after the debate on this Statement. Its main provisions will conserve to the mortgagee the values which are now sustained by his security, whilst allowing the working farmer to devote his time to production freed from the menace of possible foreclosure or eviction.

Readjustment of mortgages.

Competent farmers will in future be assured of a reasonable income for the work they do on their farms and, so far as the dairy industry is concerned, the guaranteed price is inextricably linked up with the adjustment of the dairy-farmer's debts. The mortgage legislation will provide that his liabilities will be adjusted so that he may receive a decent standard of living for himself and his wife and family. With stability of farm income will come an assessment of charges against that income, and the mortgage legislation will ensure to every reasonably efficient farmer that the charges will be so adjusted as to give sufficient return to maintain the standard of living referred to.

A procedure has also been worked out for the adjustment of urban mortgages.

The atmosphere of Europe and international politics is giving the Government much concern. As has been wisely said, "Nations do not necessarily go to war, war now comes to the nation."

Defence.

The Government is taking such steps as will provide for the effective defence of the Dominion, and is investigating procedure to this end. The estimates which will be submitted will show a substantial increase in Naval expenditure. This is to meet commitments that have already been made to the United Kingdom.

The ordinary Defence estimates show a slight increase over last year, and it is proposed to overhaul completely the expenditure to ensure the most effective utilization of the money provided.

Whilst making provision for the defence of the Dominion and the maximum co-operation with the British Commonwealth in its policy for this purpose, the Government is of opinion that the progress of the world can only be achieved through a properly organized League of Nations.

If conflict comes it can end only in domination by powerful nations for a time or (if progressive development is to continue) in the constitution of another League of Nations. If a League of Nations is essential to the development of the human race, then our choice is between the present League to work out the possibilities of avoiding war before war comes, or another League after war with its destruction of all that is worth while in material and human values. As suggested by the Prime Minister of Great Britain, if those who died could come again, with the knowledge of experience, their presence would prevent the conflict which may come unless the League of Nations is reconstituted now. The Government affirms its faith in the League, and has sent delegations to the International Labour Conference held in June last and to the League Assembly, which is scheduled to open on 21st September next. By agreement with the other countries, the Government will do its part to maintain the peace of the world.

League of Nations.

UNEMPLOYMENT.

New industries.

Progress towards full employment must be made through the extension of our secondary industries and development of new industries and services. To this end the Minister of Industries and Commerce has set up a Bureau of Industry to investigate and develop new industries, and provision for financial assistance for this purpose has already been made.

Additional Christmas payments.

In the interim period the first essential was to remove the immediate distress prevailing throughout the Dominion, and shortly after assumption of office £270,000 was distributed to the unemployed to enable them to enjoy some pleasure during the Christmas period.

Two months later, on 2nd March, all relief rates were reviewed, the unemployed in the provincial towns being placed on the same basis as those in the cities.

Increased rates of pay.

On 1st June, after a comprehensive review of conditions and finances, it was decided to increase all rates of pay, the increases varying from 4s. per week in the case of single men up to 19s. 6d. per week for married men with large families. The sustenance rates were also increased by from 3s. to 13s. per week.

Conditions were improved and income scales raised. The increases as compared with last year involved £800,000. These were inevitably temporary measures.

The difficulties of the task are recognized, but on its successful achievement depends the health and happiness of our people. It is realized that the reorganization of the industrial activities of the whole community and the obtaining of a proper balance between industries are matters requiring sustained effort.

Every one must recognize that under any rational economic order every person willing to work is entitled to the things necessary for a reasonable standard of living. If science, power, and the machine displace human labour, then social economic and financial procedure must be adjusted to the new conditions.

Promotion of full time employment.

While engaged in these plans, the Government is promoting as much full-time employment as possible. One of the means adopted to this end is the acceleration of a sound Public Works policy under which a large number of men are engaged in creating assets of national benefit. I will have more to say in regard to Public Works presently. Local bodies, also, recognize their responsibilities to the people within their areas and generally, with the aid of subsidies from the Employment Fund, are making efforts to assist the Government by expanding their programmes of work.

Gold prospecting.

The resources of the Fund are also being used to promote full-time work in other directions. One such avenue is the gold-prospecting schemes which have provided considerable employment, and in some districts particularly the results obtained have been distinctly encouraging. The policy in this connection is now being directed more towards the organization of large parties to explore thoroughly likely areas for gold-bearing reefs with a view to the opening-up of new fields and the restoration of the industry on a more permanent basis.

Placement Scheme.

A general activity of the Labour Department that has proved very successful in obtaining full-time work for unemployed is what is known as the Placement Scheme. In the past the Department has operated small labour exchanges, but recently these activities have been entirely reorganized and plans drawn up to cover fully the employment field.

During the ten weeks of effective life of the new plan, no less than 1,462 men have been placed in permanent employment and 1,185 in temporary positions.

Employment Fund.

Concerning the finances of the Employment Fund: reference to the Public Accounts will show that the total amount available last financial year was £5,289,563, made up of—

	£
Balance carried forward	1,332,946
Revenue from taxation	3,920,026
Interest and other miscellaneous receipts	36,591

Of the revenue of £3,920,026, the sum of £416,335 was received from the general unemployment levy, £2,468,019 was received from the wages-tax, and £1,035,672 from the special charge on "other income". Allowing for the reduction in the tax to 8d. in the £1 for the second half of the year, the revenue proved to be buoyant and well up to expectations. In fact, the actual collections of wages-tax indicate that the aggregate amount of wages and salaries paid in the Dominion during the year was increased by at least £5,000,000.

Disbursements from the Fund for last year totalled £4,882,852, made up as follows:—

	£
Relief payments under various schemes	3,464,104
Food, clothing, and other necessities	98,445
Sustenance payments	807,095
Sundry loans and grants	145,761
Christmas bonus and other miscellaneous payments	166,603
Administration expenses	200,844
	<u>£4,882,852</u>

The year closed with a credit balance of £406,711 in the Fund, against which there were considerable commitments. For the current financial year it is estimated, on the present basis of taxation, that the revenue will amount to £4,210,000, and this, with the balance carried forward, will provide a total of £4,616,711. With the acceleration of full-time employment at standard rates of pay by the Government, local bodies, and in industry generally, it is now estimated that this sum will be sufficient to meet the estimated expenditure for work-relief, sustenance, and other charges on the Employment Promotion Fund. At one stage it appeared likely that there would be a temporary shortage in the Employment Fund, and provision was made in the Imprest Supply Act to transfer up to £300,000 from the Consolidated Fund. As it turned out it was not necessary to make use of this provision.

PUBLIC ACCOUNTS.

As the Public Accounts for last financial year have already been published, it is hardly necessary for me to do more than make passing reference to them. Honourable members will find attached hereto comparative statements of the revenue and the expenditure both with the Budget figures and with the figures for the previous financial year.

The outcome of the year's transactions may be summarized as follows:—

<i>Revenue.</i>		£	£
Taxation	21,556,415		
Interest receipts	2,721,446		
Other receipts	1,894,506		
		<u>26,172,367</u>	
<i>Expenditure.</i>			
Permanent appropriations—			
Debt services	9,345,954		
Exchange	1,593,536		
Highways	2,107,406		
Other services	701,552		
Annual appropriations—			
Social services	7,756,212		
Other services	4,385,907		
		<u>25,890,567</u>	
Surplus		<u>£281,800</u>	Surplus, 1935-36.

The main feature in the year's operations, and the only one that is important from the point of view of the current year's Budget, was the buoyancy of the revenue. The surplus of £281,800 realized was entirely due to this factor. The total revenue received exceeded the Budget estimates by £430,000, but subsequent to the Budget being brought down a further review of the revenue estimates was made, and on the basis of that review the 7½-per-cent. increase in salaries and wages and restoration in pensions was back-dated to 1st August instead of commencing on 1st October as was contemplated. The additional amount involved was approximately £140,000, and, if allowance is made for this, the revenue for the year exceeded expectations by some £290,000.

**Increased
taxation yield.**

The extent to which the revenues have recovered is better illustrated by a comparison of the yield from taxation for last financial year with that of the previous year. With the exception of stamp and death duties and land-tax, every item of taxation shows a substantial increase amounting in the aggregate to £2,092,000. This increase was offset by a decrease of £679,000 in the yield from stamp and death duties, due to abnormal amounts of death duties having been paid during 1934–35, and a decrease of £34,000 in land-tax due to lower valuations.

Treasury bills.

Consequent on the surplus of revenue over expenditure, no Treasury bills were outstanding on the 31st March. In this connection I would mention that it is customary to arrange temporary finance from other Government accounts on the security of Treasury bills in anticipation of revenue receipts, and in the financial year under review recourse to bills was necessary to the extent of £3,650,000. All such bills, however, were redeemed by the 31st March. The bills had a currency not exceeding three months, and interest ranging from rates of 1¼ per cent. to 2½ per cent. was paid on them.

**Part liquidation
of deed of
hypothecation.**

In addition to repaying all Treasury bills, the amount outstanding under a deed of hypothecation entered into for liquidating reserves invested in discharged soldiers settlement securities was reduced during the year by £950,000, leaving the amount outstanding as at the 31st March last at £2,900,000. This amount is held departmentally, and is not part of the public debt in the ordinary sense of the term.

PUBLIC DEBT.

**Purposes for
which debt
raised during
the year.**

The long-term public debt showed an increase of £1,979,881 as a result of operations during the year. Additional debt to the amount of £3,836,591 was incurred for the following purposes:—

	£
Expenditure on public works	2,400,000
Cost, charges, and expenses of dealing with £10,135,800 of London debt last year	836,015
Premiums on conversions in New Zealand	340,576
Greymouth Harbour Board guaranteed debt taken over	260,000
	<hr/>
	£3,836,591

**London
Conversion
Loan, 1935.**

Concerning the item for cost, charges, and expenses of the London 1935 conversion, the particulars of this operation are contained in last year's Budget. The conversion issue was at a discount of 1½ per cent., but the largest item in these expenses was £523,270 for exchange on remitting £2,135,800 to London for redemption purposes, the amount converted in London being £8,000,000 only. I may add that the £836,000 referred to did not represent a net increase in the public debt, as approximately £1,250,000 out of the Public Debt Repayment Account was used for redemptions.

Concerning the next item—premiums on conversion in New Zealand £340,576—this is the result of conversion to a lower rate of interest at par of 4-per-cent. securities purchased by Government Departments from time to time at market prices above par. No increase in debt charges was involved.

The Greymouth Harbour Board debt of £260,000 was guaranteed by the State, but was taken over and became part of the public debt as the result of the passing of the Greymouth Harbour Board Amendment Act, 1935, which provided for a readjustment of the finances of the Board pursuant to an agreement entered into with the Government, whereby the subsidy formerly payable to the Board ceased and the Crown became entitled to the revenue from the special coal rate applicable to coal shipped from the Port of Greymouth.

**Greymouth
Harbour Board
debt taken
over.**

Against the gross increase of £3,836,591 referred to must be set redemptions to the amount of £1,856,710, funds for the purpose being derived from the following sources:—

**Debt
redeemed.**

	£
Public Debt Repayment Account	1,440,215
Reparations and war credits	3,330
Repayments of capital by other accounts	413,165
	<u>£1,856,710</u>

Of the debt redeemed, £187,900 was held in Australia, £1,261,615 in London, and £407,195 in New Zealand.

As already indicated, the net effect of the year's operations was an increase in the debt of £1,979,881, bringing the debt as at 31st March, 1936, to £282,561,098. There were, however, other movements in the debt which are worthy of note. The debt held in London decreased by £2,260,300, and in Australia by £590,900. This means that the external debt of the Dominion to be provided for out of our exports has fallen by £2,851,200. The debt domiciled in New Zealand increased by £4,831,081, but behind this is a decrease of £2,995,770 in the debt held by the public, and an increase of £7,826,851 in the debt held by Government Departments. These movements represent a considerable improvement in the debt position as a whole. Any particular reduction in the debt held abroad represents a lightening of the debt burden upon the Dominion. While it involves a redistribution of income, the debt held internally involves no net burden on the Dominion as a whole, but the charges on the debt held abroad mean so much less available for the purchase of goods for consumption in New Zealand. I may add that it is the Government's policy not only to refrain from further borrowing abroad apart from conversion operations designed to lighten the interest burden on the existing debt, but to endeavour to reduce steadily the amount of overseas indebtedness.

**Effect of debt
operations.**

The position in regard to the domicile of the total public debt of the Dominion as at the 31st March, 1936, is as under:—

**Domicile of
debt.**

	£
London	158,711,930
Australia	1,592,650
New Zealand	122,256,518
	<u>£282,561,098</u>
Total	<u>£282,561,098</u>

As far as conversion operations are concerned, honourable members are already aware that arrangements have been made for dealing with £5,869,989 of 6-per-cent. stock in respect of which there was a right to repay on or after the 1st August. Notice was given of the Government's intention to repay on this date, and applications for conversion and cash subscriptions were invited in London for a total of £4,000,000 3-per-cent. stock at an issue price of £98 10s. per cent. Applications received were, for conversion £1,558,000, cash subscriptions £1,238,000, leaving £1,204,000 to be subscribed by the underwriters. The complete success of the issue was unfortunately marred by the reaction from the world affairs at the time, but, allowing for this, the issue was a satisfactory one, and the Dominion was congratulated upon it by leading financial opinion in London. The return to investors over the term of the new loan is £3 2s. 1d., while the cost to the Government, after allowing for the redemption of the discount on issue and other expenses, will be £3 4s. 10d. per cent. The balance of the 6-per-cent. stock,

**London
Conversion
Loan, 1936.**

£1,869,989, is to be redeemed from funds to be provided from New Zealand. The amount in question, together with the cost of remitting the same to London, £458,147, will be provided to the extent of £1,690,000 from the Public Debt Repayment Account, and the balance borrowed internally. No public issue in New Zealand will be necessary. The net result of the conversion to a lower rate of interest and the debt repaid is a saving in interest of £208,000 per annum.

PUBLIC WORKS.

Public Works.

Expenditure on public works out of loan-money was drastically curtailed in 1932 and 1933, falling from over £8,000,000 to less than £2,000,000 in the space of two years. This sudden curtailment of Public Works activities undoubtedly accentuated the effects of the fall in prices, and was a material factor in the increase in unemployment throughout the Dominion. Practically all financial authorities agree that times of depression, when interest rates are low, is the time when Public Works should be expanded to relieve the economic pressure, and as soon as the Government assumed office it took immediate steps to resume the orderly development of the resources of the Dominion, thereby providing full employment on useful works for a large number of men. As part of the deflationary policy which accentuated the depression the Public Works wage-rates were reduced to the low level of 8s. a day for single men and 10s. a day for married men. Under the Agreement recently concluded with the Public Works men the Government has not only restored the wage-rates but has raised them to the level of 16s. a day for both married and single men with a five-day week, and in addition is providing various facilities which will substantially improve the standard of comfort of the men engaged upon Public Works.

Public borrowing not necessary this year.

The fact that the moneys required for this financial year for an expanded programme of Public Works are available without any loan issue to the public is in itself evidence that the financial resources of the Dominion have not been utilized to the fullest extent. The distribution of moneys following expenditure on Public Works not only increases the purchasing-power of the people directly, but supplies a stimulus to secondary employment, which is most desirable and necessary to the process of recovery.

Nature of works.

Many of the works which have been or will be placed in hand are of such a nature as to ensure a full and immediate return of the annual costs attaching to the loan funds utilized. Into this category fall such works as hydro-electric extensions, erection of postal and other office buildings, railway improvements and additions in the more heavily trafficked localities. Other works represent an immediate and probably full return of costs to the community, but not necessarily to Government accounts; I refer here to works of improvement to main highways, new schools, various schemes of land-development, and the completion of certain main lines of railway. A third class of works is that which is undertaken now in the knowledge that a full return, direct or indirect, is not obtainable immediately but in full anticipation that the continuance of recovery and the normal development of the country will bring such a return within a reasonable term. Such works comprise tourist roads and the development of tourist resorts, harbour works, and afforestation. There is a final type of work, however, which provides a great deal of employment, but for which a full return, direct or indirect, seems so little likely of realization within a reasonable number of years that it is considered desirable to finance it in the main from current revenue. The works of this type are grading and constructional work on aerodromes and landing-grounds and the settlement on farm lands of unemployed workers, and a substantial contribution for these works is being made out of the Consolidated Fund. Mainly for this reason, vote "Maintenance of Works and Services" has increased from £145,000 for last year to £1,182,000 for this year.

Railways.

In the programme of substantial works to be executed by economical methods, using local plant and equipment to the full and even importing a small proportion of plant where necessary, railway-construction occupies an important place. A commencement was made some months ago on the connection between Napier and Gisborne. Operations on the incomplete length between Westport and Inangahua

were started recently. The connection of the Marlborough and Canterbury districts by means of the South Island Main Trunk Railway has also been taken in hand. A total of £600,000 for all such works for the current year will be provided in the Public Works Estimates which will be presented later in the session.

The intended provision of £610,700 for additions and improvements to opened railway-lines compares with a net expenditure of £292,909 last year, and will be applied in completion of the new station and yards at Wellington, the provision of additional rolling-stock and equipment, the electrification of the line between Wellington and Paekakariki, including the length to Johnsonville, and other works. In addition, expenditure out of renewal funds of the railways upon new rolling-stock, bridge-renewals, and other works will amount this year to £1,000,000.

The initiation of a greater volume of useful building work is a policy in which the Government is particularly interested, by reason of the great number of subsidiary industries and businesses which are affected by the increase of such activity. Furthermore, there is need and ample scope for expansion for our schools, mental hospitals, and public buildings generally, which at present leave much to be desired. Accordingly, the building programme has been considerably expanded, the loan allocation for this year being £1,200,000 as against a net expenditure last year of £346,880. There is a continuous demand for new post-office buildings and works, and the new loan-money provision for these purposes for this year will be £300,000, which will be supplemented to the extent of £100,000 from the post-office depreciation reserve established for the purpose of renewals. Additions and extensions to schools and erection of new buildings have been provided for to the extent of £500,000, and £400,000 has been allocated for general buildings, including large office buildings in Auckland and Wellington, which, when completed, will save the payment of rentals in various private buildings scattered through both of these cities.

Public buildings.

Concerning mental hospitals, there are at the present time in our hospitals 935 patients in excess of what is considered to be proper accommodation, a state of overcrowding that calls for immediate action. In addition, provision has to be made for an annual increase of about 250 patients. Definite steps are being taken by the Government to improve the position, and at the present time there is under construction accommodation for approximately 600 patients. These works include four villas for 100 men and 100 women at Kingseat, Auckland; two villas for 100 men at Tokanui in the Waikato; three villas for 150 women at Ngawhatu, Nelson; one villa for 50 women at Hokitika; and two villas for 100 men at Templeton Farm, Christchurch. The latter institution was started in 1930, and two of the villas at present under construction are set apart for children. There is now at this home an adult section as well as the children's section, and when the present villas are completed there will be proper accommodation for 400 feeble-minded persons. Apart from accommodation for patients, many of the administrative buildings, such as stores, kitchens, and bakehouses, have become inadequate to deal with present requirements. Furthermore, some of the buildings (particularly at Seacliff and Nelson) have reached a stage where replacement is becoming necessary. Thus, if overcrowding is to be avoided and a proper standard of accommodation maintained, we must have an extensive building programme for some time to come.

Mental hospitals.

In addition to these building activities, the Government is planning an extensive programme for the construction of houses to meet the present inadequate accommodation. The only limit to the erection of useful and necessary buildings is the number of tradesmen and the materials available.

Housing.

The improvement of transport routes, in both densely and sparsely populated areas, is one of the most important services which can be provided for the community. Roading expenditure is divided between two main accounts—the Main Highways Account providing for about 12,000 miles of roads of primary and secondary importance, and the "Roads" vote providing for a certain number of new "tourist" roads and numerous small metalling, formation, and bridge works in outlying areas. The provision for the "Roads" vote has been set down at £765,000 out of capital funds, together with some little assistance from current

Highways and roads.

revenue; £444,377 was the net expenditure last year. The main highways expenditure is estimated to reach approximately £3,050,000 for the current year, inclusive of certain permanent charges for interest and subsidies. The major portion of this sum will be found from the petrol-tax, tire-tax, and other taxation revenue earmarked for the purpose.

Lands improvement.

Drainage of swamp and other lands, irrigation works, flood prevention and protection, and reclamation of land from the sea in suitable localities, are the principal types of activity under this heading, whereon the net capital expenditure last year was £136,245, and for which the current year's allocation is £320,000, augmented by a substantial provision from the Consolidated Fund for such works as are not considered justifiable projects for the expenditure of loan-money only. The extension of irrigation works in Canterbury is being pursued steadily, and care is being taken to ensure that the revenue from this work for the benefit of private lands will repay the interest and other annual costs.

Hydro-electric development.

The supply of electricity by the State is one of the most important of public services, and it is pleasing to state that a strong financial position is being attained, a net profit for last year of approximately £122,000 over the whole of the Government's undertakings having been gained. This profit automatically goes in reduction of past losses, which have now been reduced to £224,000. Last year's revenue at £1,041,000 passed the million mark for the first time. It is considered that the substantial reductions in the price of electricity to the consumer which have taken place during recent years as a result of the bulk supply of power by the Government warrant the extension of Government operations in this sphere.

Miscellaneous works.

Substantial provision will also be made for general land-development and for the settlement of unemployed workers on the land, and also for continuance of the policy of establishing Natives on suitable land. Greater activity in afforestation will be met from an increased vote for the State Forests Account.

Sundry other works include the extension of telegraph and telephone systems, for which £360,000 will be allocated in the capital expenditure programme, and also lighthouses, harbour works in more remote localities, and additions to tourist resorts.

Radio beacons.

The Government has decided to install radio beacons at suitable lighthouses on the New Zealand coast for the use of ships fitted with wireless direction-finding apparatus. Two equipments will be ordered immediately for erection at Baring Head and Cape Campbell on the eastern end of Cook Strait, to be followed by a third for the western end of the Strait, and two more for outlying islands marking the approach to Auckland. The programme will go on continuously until all stations where radio beacons are necessary are equipped.

Coastal survey.

An arrangement has been concluded with the British Admiralty whereby a fully-equipped survey ship—H.M.S. "Endeavour"—will arrive in New Zealand next April to commence a re-survey of the New Zealand coast-line. The existing charts contain many inaccuracies, and the information as to soundings at sea is quite inadequate for the present-day methods of navigation. All the New Zealand Government is asked to find towards the cost of this work is the provision of coal and the cost of the ship's annual survey and refit.

Aggregate programme.

The works and development programme dealt with above, including maintenance of highways, amounts in the aggregate to approximately £10,450,000, made up as follows:—

	£
Railway construction and improvement	2,350,000
Buildings	1,300,000
Roads and highways	3,760,000
Land development and improvements	1,550,000
Hydro-electric supply	510,000
Other works	980,000
	£10,450,000

Of this total, £5,940,000 will be provided out of borrowed moneys and the balance of £4,510,000 from revenue, the Consolidated Fund, the Highways Account, and the Employment Promotion Fund being drawn upon for the purpose.

BUDGETARY PROPOSALS.

I come now to proposals embodied in the estimates of the Consolidated Fund for the current financial year.

Dealing firstly with the expenditure, the estimates show a net increase of £95,000 over last year's expenditure under Permanent Appropriations. There is an increase of £405,000 in the amount for highways, but this merely reflects the estimated increase in the corresponding revenue item. Against this increase there is a saving of £87,000 in debt charges, £138,000 in exchange, and £87,000 under Other Special Acts, the latter being due mostly to the fact that the final payment to complete New Zealand's contribution of £1,000,000 towards the Singapore base was made last financial year. Concerning debt charges, I may say that as a result of conversion operations there is a net decrease of £189,000 in interest, partly offset by increases for debt repayment.

Under the departmental votes provision is made for expending this year £4,817,000 more than was spent last year. When honourable members receive the estimates shortly they will be able to see for themselves the items for which additional money is to be provided. I will, however, indicate the votes principally concerned.

The cost to the Consolidated Fund of the restoration of salaries and wages in the Public Service as from 1st July last is approximately £470,000, of which £197,000 is reflected in the lower estimate of the revenue item for railway interest, the balance, £273,000, being included in the Consolidated Fund votes.

In dealing with the Public Works programme, I indicated that the vote for Maintenance of Works and Services is to be increased by £1,037,000. This large increase is mainly due to provision of £308,000 for aerodromes and £400,000 for other works that will be financed partly out of revenue and partly out of loan-money. In addition, there is £97,000 for restoration of flood damage and £170,000 for plant, material, and services, an item hitherto provided for out of the Public Works Fund.

An extra £204,000 is to be provided under vote "Lands and Survey," mostly for the purpose of paying standard wages to the men engaged in land-development work under the Small Farms Scheme. Following this course will obviate overloading the properties with capital charges. For similar reasons the wage cost of the Native land development schemes is to be provided out of vote "Native," with the result that a comparative increase of £233,000 is shown for this vote.

It will also be seen that an additional £250,000 has been provided for Defence. Of this amount £190,000 is on account of Naval Defence, due to the fact that larger cruisers are to be taken over, while £60,000 additional is for strengthening our Land and Air Defences, particularly the latter. The additional amount for Naval Defence is offset to the extent of £100,000 by the fact that no contribution toward the Singapore base is required this year.

Concerning marine affairs, I have already mentioned the installation of radio beacons and a re-survey of the coast-line. In addition a number of lighthouses where transport arrangements are now rather primitive will be fitted with oil-engined winches and rope haulage to lessen the present arduous labour of handling stores.

Another matter for which provision is made is a reorganization of the Fisheries Branch of the Marine Department. Henceforth a continuous statistical record of the industry is to be kept, as it is not possible to regulate the industry intelligently without knowing the amount of fishing that is going on and the quantities and kinds of fish that are landed. Improved equipment for the control of fishing-grounds is also contemplated. The Government also proposes to take over fresh-water fish research work now in the hands of a Committee of the Acclimatization Societies, and this research work will later be extended to salt-water fish.

Under the Employment Promotion Act the administration of unemployment taxation is vested in the Commissioner of Taxes. Largely on this account vote "Land and Income Tax" shows an increase of £68,000. It is not proposed to recoup vote "Labour" for the cost of administering the Employment Promotion Fund. Thus, the whole of the revenue of the Fund will be

**Consolidated
Fund
expenditure.**

**Permanent
Appropriations.**

**Departmental
votes.**

**Restoration
of cuts in
salaries and
wages.**

**Expenditure
on capital
works.**

**Land
development
costs.**

Defence.

**Lighthouses,
&c.**

**Reorganization
of fishing
industry
and research
work.**

**Employment
administration.**

expended in assisting the unemployed. Under vote "Labour" provision is also made for the appointment of additional Inspectors of Factories and for the purposes of the Fair Rents Act. The increase in the amount of the vote is £193,000.

Public health.

In the view of the Government, among the most urgent matters requiring attention are more adequate provision for safeguarding the health of the people, better facilities for education, and greater assistance to the aged and infirm.

In the field of health activities, provision is made in the estimates for the appointment of additional officers for the school medical service and a considerable expansion of the dental service. To permit of these services being made available in all districts, approximately double the present number of trained dental nurses are needed, but by taking immediate steps to increase the number of trainees it is anticipated that staff requirements will be fully met within a few years. A properly equipped training-school for the training of students is to be established in Wellington.

Milk for school-children.

A daily supply of milk for children at school is another matter receiving attention, and provision is made on the estimates for the inauguration of this important service. Owing to the varying circumstances it will probably be necessary to deal with each centre separately, but by next year the service should be fairly general throughout the Dominion.

Plunket Society grants restored.

Grants to the Plunket Society have been restored to the former level.

The Government is also concerned to raise the standard of health of the Maori, and for this purpose seven additional nurses and six additional Inspectors are being appointed to the Maori hygiene service.

Maori hygiene.

Subsidies to Hospital Boards.

Increased requirements of Hospital Boards are reflected in an increase of approximately £78,000 in subsidies payable under the Hospitals and Charitable Institutions Act. The chief factors in the increase, apart from restoration of salary and wage cuts, are improvements in the staff conditions and hours of duty and better and more extensive facilities for treatment on the institutional side.

These and other items have increased the vote for "Health" by £146,000.

Education.

For education, as previously indicated, an extensive building programme aimed at improving the standard of accommodation in our schools has been arranged. Provision is made in the estimates for an additional £655,000 to cover teachers' salaries and other expenses arising out of the admission of five-year-old children to the schools, larger allowances for school committees, and transport and board of post-primary school-children living at a distance from a school. Free conveyance of school-children to technical and other secondary schools has in the past been confined to those who were able to take advantage of railway services. It is now proposed that assistance should be given towards the cost of transport by road for those for whom rail facilities are lacking, a conveyance allowance being paid as in the case of primary-school children.

School buildings, grounds, &c.

The maintenance of school buildings has fallen into arrears, and provision is made for a considerable increase in most of the items under this subdivision of the vote. An amount is also included for the improvement of school-grounds.

Kindergartens, and W.E.A.

Full restoration of the capitation payments to free kindergarten schools is provided for, and the grant to the Workers' Educational Association is restored.

Pensions.

The vote proposed for pensions is £5,480,000, compared with an expenditure of £3,770,000 for last year. As a community we have a definite responsibility to ensure that those who are not able to fend for themselves, because of infirmities or old age, are able to enjoy a reasonable standard of comfort. As already indicated, it is the intention of the Government to establish a national health and superannuation scheme that will provide or insure every one against these contingencies. In the meantime we must, as a matter of urgent necessity, do something to increase the inadequate pensions at present paid. As a commencement it is proposed, as from 1st July last, to do the following:—

Increased pensions.

War pensions:—

- (1) Increase the rate of economic pensions payable to war pensioners to 25s. a week:
- (2) Fully restore economic pensions payable to war widows and widowed mothers:

- (3) Restore the allowances payable to wives and other dependents of deceased and disabled soldiers:
- (4) Remove the present marriage restriction on the granting of pensions to the wives and widows of ex-soldiers in the case of all women who were married on or before 31st July last. This applies also to the wives of ex-soldiers applying for war-veteran's allowances:
- (5) Increase the Maori War pension to £1 a week.

Old-age pensions:—

- (1) Raise the old-age pension to £1 a week:
- (2) Provide for women if otherwise qualified to receive it, the full old-age pension at sixty years of age:
- (3) Reduce the residential qualification for old-age pensions to twenty years:
- (4) Provide for income and not property owned to be the decisive factor in determining the amount of pension payable:
- (5) Provide for all naturalized aliens otherwise qualified to be eligible for the old-age pension.

Miners' pensions:—

- (1) Miners incapacitated through occupational diseases to be eligible for miner's pension:
- (2) Miners' widows' pensions to be restored.

Widows' pensions:—

- (1) Increase the pension of widows with dependent children from 10s. to £1 a week, the pension in respect of children to remain at 10s. a week:
- (2) Enable deserted wives with dependent children to qualify for pensions on the same basis as widows.

Invalid pensions:—

Provide a pension for invalids, being persons permanently incapacitated for employment, at the rate of £1 a week plus 10s. for a wife and 10s. for each child under sixteen years of age, the income qualification to be the same as for an old-age pension.

Family allowances:—

Maximum income qualification to be restored to £4 per week.

To provide for these increases for nine months of the current year and also the normal expansion, vote "Pensions" has been increased by £1,710,000.

ESTIMATED REVENUE.

The current year's revenue for the first four months indicates a rising tendency, and I am satisfied that no increase in the rates of tax would be necessary to provide for all the additional ordinary expenditure. However, to provide the £1,710,000 required for pensions, I propose to obtain a further £1,000,000 from income-tax and slightly more than £800,000 additional from land-tax.

The small increases in the rates of pensions together with the wider field covered will remove incalculable hardship and trials whilst the raising of the necessary money will, on the closest reasoning, cause a minimum of inconvenience to those who have to pay. Whilst it is often invidious to make comparisons with other countries, I would like, before setting out the rates of income-tax, to quote some figures comparing the effective rate—being the amount of tax payable on every pound of the total income—paid in Great Britain with that proposed for New Zealand. The comparison is based on the tax payable by a man with a wife and two children and the last two columns set out the net income of the taxpayer after the tax has been paid. I may add that owing to the recent increase of 3d.

Sources of additional revenue.

Income-tax.

in the standard rate the amounts for United Kingdom are slightly higher in some cases than is shown.

Total Income.	Effective Rate of Tax in the £.				Balance after paying Tax.					
	New Zealand.		United Kingdom.		New Zealand.		United Kingdom.			
£	s.	d.	s.	d.	£	s.	d.	£	s.	d.
300	..	Nil	..	Nil	300	0	0	300	0	0
400	..	0 2·04	..	0 2·25	396	12	0	396	5	0
600	..	0 8·96	..	0 10·8	577	12	0	573	0	0
800	..	1 1·42	..	1 6·9	755	5	4	737	0	0
1,000	..	1 4·89	..	1 11·76	929	12	0	901	0	0
5,500	..	5 6·72	..	5 6·42	3,970	17	0	3,977	17	6
10,000	..	7 10·47	..	7 2·9	6,063	13	4	6,379	2	6

The principle guiding the Government when making its decision is that a first charge on the national income should be the care of the aged and the ailing. The alterations in pensions and the taxation systems have been made accordingly.

**Simplification
of tax
system.**

Whilst increasing the yield from income-tax, the Government intends to simplify the tax system and make it more equitable as between taxpayers. Since 1930 considerable alterations have been made in the rates of tax and of exemptions therefrom, but such alterations have generally been made on a "patchwork" basis, with the result that the system to-day is very complicated and not as equitable as it might be. Accordingly it is intended to remodel the whole system. The general exemption of £210 will be retained, and this amount—being a minimum that should be available to every one—it is proposed to deduct from all income before tax is levied. On this principle the general exemption and also the £50 exemption for a dependent husband or wife will be at a flat rate as for dependent children at present. Thus a man with a wife and two children will pay tax on his income in excess of £360. Other existing exemptions for insurance premiums, &c., will be maintained, but henceforth no exemption will be allowed for employment-tax paid.

**Rates of
income-tax.**

On the taxable balance—*i.e.*, income less exemptions—tax will be payable this year at the following rates: For earned incomes of individuals (but not companies) a basic rate of 1s. 8d. in the pound increased by 1/100th of a penny for every pound of taxable balance up to £5,500 and thereafter 1/150th of a penny for every pound up to a maximum of 8s. 2d. in the pound reached at a taxable balance of £8,950. The basic rate may seem high compared with the lowest rate charged last year but, owing to the fact that exemptions are to be allowed at a flat rate, the rates of tax on the taxable balance are not comparable with those imposed last year. What is comparable is the effective rate—*i.e.*, the tax payable per pound of total income. For instance, a man with a wife and two dependent children and a total income of £400 paid 1½ pence in the pound in income-tax last year and under the system proposed he will pay 2½ pence in the pound. The maximum effective rate in the pound will be 7s. 11¼d. on a total income of £9,160 in the case of a single man without dependents, being the lowest income at which the maximum rate is reached compared with 5s. 11¾d. paid last financial year.

On unearned income the rates as for earned income will be increased by 33½ per cent. as at present.

The considerations that warrant giving a general exemption of £210 to individuals do not apply to companies; consequently no such exemption will be allowed in assessing companies, but this is compensated for by fixing the basic rate for companies at 1s. as against 1s. 8d. for individuals. The graduations for companies will be the same as for individuals, but the maximum rate for companies will be 7s. 6d. in the pound reached at £8,950. To illustrate how the rates for individuals and for companies compare, I may mention that a single man without dependents with a total income of £1,000 will pay £91 16s. 9d. in tax while a company with the same income will pay £91 13s. 4d.

Business and economic conditions generally were better last year than in the previous one. Accordingly, apart from higher rates of tax, there would have been an increase in revenue. Allowing for this and the additional taxation imposed, I have estimated the yield from income-tax at £6,000,000, a total increase of £1,419,000 over last year's receipts.

Concerning land-tax: It is proposed to re-introduce the graduated land-tax, from which an estimated revenue of £1,300,000 is expected, or approximately three times the present revenue. The tax removed by the Coalition Government in 1931 had, for fifteen years previously, yielded revenue between £1,000,000 and £1,500,000 per annum, and sometimes slightly in excess of the latter sum. **Land-tax.**

The principle of land-tax has been the subject of debate and controversy throughout the centuries. It must be accepted that a charge on land of any kind reduces its selling-value, such selling-value being based on the net return which can be obtained from the land after all charges have been paid, which means that, given stability in prices and costs of production, a reduction in land-tax is a gift to the immediate land-owner. Conversely, an increase in the tax must be met by the immediate owner. To ensure taxation in some measure according to ability to pay, the existing flat tax will be continued at a penny in the pound of taxable balance of unimproved value up to £5,000, after the ordinary exemption or mortgage deductions have been made, which means that the farmer owning land of an unimproved value of £5,000, with mortgages of £3,000, will be assessed on £2,000, the tax payable being £8 6s. 8d. as at present. The working farmer should be the first to be helped, after which the ability to pay should be considered. When the unimproved value reaches higher levels the tax will be increased accordingly on all land, whether it be city, suburban, or rural.

The existing ordinary and mortgage exemptions will be continued.

The rates of tax to be paid on the restored procedure of graduated tax will be as follows:—

Taxable balances up to £5,000—one penny in £1, increasing by 1/8000ths of a penny for every £1 in excess of £5,000, reaching a rate of twopence in the pound at £13,000, threepence at £21,000, fourpence at £29,000, fivepence at £37,000, and sixpence at £45,000, from which point the tax continues at the flat rate of sixpence to the maximum value owned by any individual, trust estate, or company.

The purpose of land-tax is, in principle, to obtain for the community the values created by it. The principle behind the policy of the Government is to ensure to those who utilize land the maximum payment for their labour. In other words—the farmer's eyes should be on the return for his products rather than on the acquisitive possibilities of profit derived from land sales.

Applied to city, suburban, or rural land, values that accrue through public activities and increased population should automatically come to the State, and the policy of the Government will be directed to this end.

Summed up, the procedure will mean the minimum taxation on the working farmer and home-owner, with increasing rates on abnormally large holdings and other areas held in many cases for speculative profit instead of for use in production.

Concerning the Customs revenue, this is dependent upon imports, and our ability to buy goods from other countries is, of course, governed by our exports. For the export year ended on 30th June last the value of exports in New Zealand currency was £53,660,000, compared with £42,954,000 for the previous year. Thus there is scope for a considerable expansion of imports, and the figures for recent months indicate that it is taking place. After a careful review of the position I have placed the estimate for Customs revenue for this year at £9,100,000, which is £939,000 in excess of the amount received last year. **Customs revenue.**

The increasing turnover in goods will proportionately increase the yield from the sales tax, the estimate for which shows a comparative increase of £437,000. Then the general improvement in economic conditions will, it is anticipated, be reflected in an increase of £55,000 in beer duty and £388,000 in highways revenue. The latter consists mainly of the proceeds from the petrol-tax and motor license fees, and, as the people generally will have more leisure and more earnings, both these items are expected to show a substantial increase. **Sales tax, &c.**

Stamp and death duties revenue.

The remaining large item of taxation, stamp and death duties, is expected to yield £368,000 more than was received last year. Death duties may return a somewhat greater sum this year, and the indications are that duty on instruments, impressed stamps, racing revenue, and amusement-tax will all contribute to the increase in revenue.

Interest receipts.

The estimate for receipts from interest is £200,000 below the amount received last year, mainly due to the fact that an anticipated increase in railway revenue will be more than offset by the cost of restoring the salaries and wages to the 1931 level and reducing the working-hours of the staff. Consequently it is estimated that interest payable to the Consolidated Fund by the Railways will this year be lower by £151,000.

Other receipts.

“Other Receipts” for this year are expected to be £635,000 in excess of the amount received under this heading last year. This is mostly due to the fact that the estimates allow for the transfer to the Consolidated Fund of £575,000, profits on the change over to our own silver coin.

Summary of revenue.

The net result of all the items reviewed is an estimated revenue of £31,067,000, which is £4,894,633 more than was received during last financial year. The estimates of revenue are as follows:—

Taxation—	£	£
Customs	9,100,000	
Beer duty	770,000	
Sales tax	2,900,000	
Film-hire tax	70,000	
Gold export duty	110,000	
Highways	2,512,000	
Stamp and death duties	3,210,000	
Land-tax	1,300,000	
Income-tax	6,000,000	
Miscellaneous	45,000	
	<hr/>	
Total taxation .. .. .	..	26,017,000
Interest receipts .. .. .	..	2,520,000
Other receipts .. .. .	..	2,530,000
		<hr/> <hr/>
		£31,067,000

Summary of expenditure.

The Budget estimate of expenditure may be summarized as follows:—

	£	£
Debt services	9,259,000	
Exchange	1,455,000	
Transfer of highways revenue	2,512,000	
Other Permanent Appropriations	618,000	
Annual votes—		
Social services	10,302,000	
Other votes	6,658,000	
	<hr/>	
Total, Main Estimates .. .. .	..	30,804,000
Cost of reducing working-hours in various State Services .. .. .	..	150,000
Other Supplementary Estimates .. .. .	..	100,000
		<hr/> <hr/>
Total estimated expenditure .. .. .	..	£31,054,000

Budget surplus.

It will be observed that these figures provide for a small surplus of £13,000 as a margin against contingencies.

I have given some details of the Government's procedure and legislation and the financial position of the Dominion.

Policy fulfilled.

May I, in conclusion, recite the eleven final paragraphs of the policy which the Government placed before the electors with a statement of achievement after eight months of office.

We first promised to—

- (1) *Guarantee prices to farmers and abolish the present speculative nature of their income.*

This has been applied to the dairy industry; and the fruit, eggs, and honey producers desire to obtain the benefits of the procedure.

- (2) *Legislate a statutory minimum wage and salary to provide an adequate standard of living for all workers.*

The 1931 rates of pay have been restored, in and out of the Public Service, and the Arbitration Court is charged with determining a basic wage.

- (3) *Reorganize the education system to provide the maximum possibilities of advancement for all our children.*

The five-year-old children are back in the schools. The training colleges at Wellington and Dunedin have been reopened. School Committees are being provided with adequate funds. An extensive school-building programme is under way. Attendance of the children of the rural areas at secondary schools has been facilitated. The grants are being restored to the Free Kindergarten and the Workers' Educational Association.

- (4) *Institute a National Health Insurance Service to provide every facility for the maintenance and restoration of health.*

Plans are being prepared for the erection of a dental training school, and procedure necessary to establish a National Health Service is being investigated.

- (5) *Provide a superannuation and pensions system that will supply an adequate income to the aged, the ailing, the widow, and all those unable to earn their own living.*

Old-age pensions and pensions for widows with children have been increased to £1 per week.

Miners' pensions have been restored.

Deserted wives and invalids are to receive £1 per week with 10s. for each dependent.

Women are to receive the full old-age pension at sixty years.

Widows of soldiers otherwise unqualified are to receive a pension.

Economic pensions have been increased and pensions for soldiers' dependents restored.

- (6) *Organize productive development employment through Public Works assistance to local authorities, and the fostering of secondary industries.*

Fifteen thousand men are working on Public Works under reasonable rates of pay and good conditions. Negotiations are proceeding with local authorities for facilitating the commencement of necessary work. The Bureau of Industry has plans under way for new industries.

- (7) *Assume control of the central credit system of the Dominion to ensure the maximum utilization and distribution of the resources of the Dominion.*

The Reserve Bank has been taken over; credit facilities for the dairy industry and housing projects are available.

- (8) *Support the covenant of the League of Nations for the avoidance of war and the maintenance of peace and the closest relations with the nations of the British Commonwealth.*

A full delegation has been sent to the International Labour Conference, and another delegation is on its way to the League of Nations Assembly at Geneva.

The Minister of Marketing leaves for the United Kingdom after the close of the session to extend trade with the Old Country, with subsequent negotiations with other members of the British Commonwealth of Nations.

- (9) *Reorganize the Mortgage Corporation on lines similar to the State Advances Department.*

The Corporation has been purchased by the State. The new regulations and extended loan procedure have been inaugurated.

- (10) *Maintain the guarantees of the Public Service Superannuation System.*

The system is still operating and it is proposed to remove the anomalies next year. Steps will be taken later in the session to remove some of the injustices suffered by members of the Public Service who were compulsorily retired on actuarial pensions.

- (11) *Restore the "cuts" made in wages and salaries.*

They have been restored.

A record, Mr. Chairman, worthy of some of our earlier statesmen, but it is not enough—legislation is insufficient—much work has still to be done.

The accomplishments will not be recognized until later. We may succeed, we may fail—I think we will succeed. I do know that in the words of a great Church leader, "Hard indeed is the task set before us, and well we know that from this side and that, from the higher social classes and from the lower very many difficulties and obstacles will present themselves to be overcome; but we will not for all that lose heart, nor allow ourselves to be turned from our resolutions."

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REVENUE FOR THE YEAR ENDED 31ST MARCH, 1936, COMPARED WITH THE YEAR ENDED
31ST MARCH, 1935.

	Year ended 31st March, 1936.	Year ended 31st March, 1935.	Increase.	Decrease.
	£	£	£	£
Taxation—				
Customs	8,161,161	7,423,597	737,564	..
Beer duty	715,042	671,008	44,034	..
Sales tax	2,462,601	2,170,504	292,097	..
Film-hire tax	60,657	44,491	16,166	..
Gold-export duty	106,976	102,617	4,359	..
Highways	2,124,130	1,910,452	213,678	..
Stamp and death duties	2,841,766	3,520,723	..	678,957
Land-tax	458,873	492,526	..	33,653
Income-tax	4,581,328	3,796,477	784,851	..
Miscellaneous	43,881	45,212	..	1,331
Total—Taxation	21,556,415	20,177,607	2,092,749	713,941
Interest—				
On capital liability—				
Working railways	1,051,477	1,088,050	..	36,573
Postal and telegraph	541,000	546,000	..	5,000
On Public Debt Redemption Fund	615,020	632,065	..	17,045
On other public moneys	513,949	664,130	..	150,181
Total—Interest	2,721,446	2,930,245	..	208,799
Other receipts—				
Registration and other fees	235,761	228,563	7,198	..
National-endowment revenue	146,126	147,761	..	1,635
Territorial revenue	289,478	291,415	..	1,937
External affairs	128,562	97,110	31,452	..
Justice	149,366	144,197	5,169	..
Marine	138,189	139,168	..	979
Native	5,372	5,204	168	..
Printing and Stationery	189,581	175,656	13,925	..
Stamp duties	54,886	45,048	9,838	..
Tourist and Health Resorts	85,652	77,308	8,344	..
Miscellaneous	463,072	1,641,777	..	1,178,705
Recoveries on account of expenditure of previous years	8,461	25,035	..	16,574
Total—Other receipts	1,894,506	3,018,242	76,094	1,199,830
			2,168,843	2,122,570
			2,122,570	..
Totals	26,172,367	26,126,094	46,273	..

Table No. 4.

COMPARATIVE STATEMENT OF THE ESTIMATED AND ACTUAL REVENUE OF THE CONSOLIDATED FUND
(ORDINARY REVENUE ACCOUNT) FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 1936.

	Estimate for 1935-36.	Actual for 1935-36.	Difference.	
			More.	Less.
	£	£	£	£
Taxation—				
Customs	7,900,000	8,161,161	261,161	..
Beer duty	675,000	715,042	40,042	..
Sales tax	2,475,000	2,462,601	..	12,399
Film-hire tax	55,000	60,657	5,657	..
Gold-export duty	100,000	106,976	6,976	..
Highways	2,040,000	2,124,130	84,130	..
Stamp and death duties	2,710,000	2,841,766	131,766	..
Land-tax	470,000	458,873	..	11,127
Income-tax	4,250,000	4,581,328	331,328	..
Miscellaneous	45,000	43,881	..	1,119
Total—Taxation	20,720,000	21,556,415	861,060	24,645
Interest—				
On capital liability—				
Working railways	980,000	1,051,477	71,477	..
Postal and telegraph	556,000	541,000	..	15,000
On Public Debt Redemption Fund	560,000	615,020	55,020	..
On other public moneys	518,000	513,949	..	4,051
Total—Interest	2,614,000	2,721,446	126,497	19,051
Other receipts—				
Registration and other fees	230,000	235,761	5,761	..
National-endowment revenue	135,000	146,126	11,126	..
Territorial revenue	260,000	289,478	29,478	..
External Affairs	140,000	128,562	..	11,438
Justice	146,000	149,366	3,366	..
Marine	134,000	138,189	4,189	..
Native	5,000	5,372	372	..
Printing and Stationery	175,000	189,581	14,581	..
Stamp duties	45,000	54,886	9,886	..
Tourist and Health Resorts	85,000	85,652	652	..
Miscellaneous	1,048,000	463,072	..	584,928
Recoveries on account of expenditure of previous years	5,000	8,461	3,461	..
Total—Other receipts	2,408,000	1,894,506	82,872	596,366
			1,070,429	640,062
			640,062	..
Total revenue	25,742,000	26,172,367	430,367	..

Table No. 5.

ESTIMATED REVENUE OF THE CONSOLIDATED FUND (ORDINARY REVENUE ACCOUNT) FOR THE YEAR ENDING 31ST MARCH, 1937, COMPARED WITH THE ACTUAL REVENUE RECEIVED FOR THE YEAR ENDED 31ST MARCH, 1936.

	Estimate for 1936-37.	Actual for 1935-36.	Differences.	
			Increase.	Decrease.
Taxation—	£	£	£	£
Customs	9,100,000	8,161,161	938,839	..
Beer duty	770,000	715,042	54,958	..
Sales tax	2,900,000	2,462,601	437,399	..
Film-hire tax	70,000	60,657	9,343	..
Gold-export duty	110,000	106,976	3,024	..
Highways	2,512,000	2,124,130	387,870	..
Stamp and death duties	3,210,000	2,841,766	368,234	..
Land-tax	1,300,000	458,873	841,127	..
Income-tax	6,000,000	4,581,328	1,418,672	..
Miscellaneous	45,000	43,881	1,119	..
Total—Taxation	26,017,000	21,556,415	4,460,585	..
Interest—				
On capital liability—				
Working Railways	900,000	1,051,477	..	151,477
Postal and Telegraph	560,000	541,000	19,000	..
On the Public Debt Redemption Fund	580,000	615,020	..	35,020
On other public moneys	480,000	513,949	..	33,949
Total—Interest	2,520,000	2,721,446	19,000	220,446
Other receipts—				
Registration and other fees	235,000	235,761	..	761
National-endowment revenue	145,000	146,126	..	1,126
Territorial revenue	290,000	289,478	522	..
External Affairs	154,000	128,562	25,438	..
Justice	148,000	149,366	..	1,366
Marine	138,000	138,189	..	189
Native	5,000	5,372	..	372
Printing and Stationery	195,000	189,581	5,419	..
Stamp duties	55,000	54,886	114	..
Tourist and Health Resorts	90,000	85,652	4,348	..
Miscellaneous	1,070,000	463,072	606,928	..
Recoveries on account of expenditure of previous years	5,000	8,461	..	3,461
Total—Other receipts	2,530,000	1,894,506	642,769	7,275
			5,122,354	227,721
			227,721	..
Totals	31,067,000	26,172,367	4,894,633	..

Table No. 6.

STAMP AND DEATH DUTY REVENUE FOR THE YEAR ENDED 31ST MARCH, 1936, COMPARED WITH THE YEAR ENDED 31ST MARCH, 1935.

Item.	Year Ended 31st March,		Increase.	Decrease.
	1936.	1935.		
	£	£	£	£
Adhesive stamps	149,575	125,954	23,621	..
Duty on instruments	277,441	238,093	39,348	..
Estate and succession duty	1,510,873	2,159,990	..	649,117
Gift duty	104,606	45,404	59,202	..
Impressed stamps, and duty on cheques	197,637	186,741	10,896	..
Stamp duty on interest	53	68	..	15
Company licenses	87,781	83,856	3,925	..
Sharebrokers' licenses	1,930	2,051	..	71
Bank-note duty	34,389	218,017	..	183,628
Totalizator revenue	378,851	371,985	6,866	..
Amusements-tax	56,507	49,526	6,981	..
Lottery duty	17,762	18,000	..	238
Overseas-passenger duty	20,685	18,455	2,230	..
Rates, fines, and miscellaneous	3,626	2,583	1,043	..
			154,112	833,069
			..	154,112
Totals	2,841,766	3,520,723	..	678,957

Table No. 7.

STATEMENT SHOWING CUSTOMS DUTIES COLLECTED FOR YEAR 1935-36 COMPARED WITH THE YEAR 1934-35.

	1935-36.	1934-35.	Increase.	Decrease.
	£	£	£	£
Tobacco, cigars, and cigarettes ..	1,709,252	1,665,726	43,526	..
Spirits, wine, and beer ..	733,791	679,930	53,861	..
Motor-vehicles and parts* ..	677,634	487,240	190,394	..
Motor-spirit* ..	1,176,260	1,057,598	118,662	..
Tea ..	133,505	120,600	12,905	..
Sugar ..	673,206	653,909	19,297	..
Other goods ..	2,222,989	2,028,521	194,468	..
Primage duty ..	324,717	289,808	34,909	..
Surtax ..	509,807	440,265	69,542	..
Totals ..	8,161,161	7,423,597	737,564	..

* Excluding tire-tax and petrol-tax earmarked to Main Highways.

Table No. 8.

STATEMENT OF THE ACTUAL NET EXPENDITURE OF THE CONSOLIDATED FUND (ORDINARY REVENUE ACCOUNT) FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 1936, COMPARED WITH THE FINANCIAL YEAR ENDED 31ST MARCH, 1935.

	Year ended 31st March, 1936.	Year ended 31st March, 1935.	Increase.	Decrease.
	£	£	£	£
Permanent Appropriations :—				
Under special Acts of Legislature,—				
Civil List ..	26,516	23,100	3,416	..
Debt Services—				
Interest ..	7,730,194	8,023,812	..	293,618
Amortization of debt—				
Sinking fund ..	10,859	10,859	..	..
Repayment of Public Debt Act, 1925 ..	1,543,086	1,578,293	..	35,207
Transfers to Loans Redemption Account ..	13,987	7,326	6,661	..
Administration and management ..	29,285	117,733	..	88,448
Payments on guaranteed loans ..	18,543	42,605	..	24,062
Total—Debt Services ..	9,345,954	9,780,628	6,661	441,335
Other Services—				
Education ..	95,967	87,207	8,760	..
Contribution towards Singapore Naval Base ..	100,000	100,000	..	..
Other grants and subsidies ..	251,447	242,949	8,498	..
Salaries and honoraria ..	65,350	60,224	5,126	..
Pensions ..	44,351	40,057	4,294	..
Highways—				
Transfers to Main Highways Account ..	1,975,945	1,455,143	520,802	..
Paid to boroughs ..	109,427	110,748	..	1,321
Expenses of collecting, &c. ...	22,034	21,074	960	..
Advances ..	3,342	Cr. 6,123	9,465	..
Other special Acts—				
Cost of exchange on the purchase from banks of surplus sterling in London ..	..	1,190,265	..	1,190,265
Exchange on remittances of public moneys to or from countries overseas ..	1,593,536	268,894	1,324,642	..
Miscellaneous ..	114,579	67,596	46,983	..
Total—Other Services ..	4,375,978	3,638,034	1,929,530	1,191,586
Total—Permanent Appropriations ..	13,748,448	13,441,762	1,939,607	1,632,921

Table No. 8—continued.

STATEMENT OF THE ACTUAL NET EXPENDITURE OF THE CONSOLIDATED FUND (ORDINARY REVENUE ACCOUNT) FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 1936, COMPARED WITH THE FINANCIAL YEAR ENDED 31ST MARCH, 1935—continued.

	Year ended 31st March, 1936.	Year ended 31st March, 1935.	Increase.	Decrease.
	£	£	£	£
Annual Appropriations :—				
Vote,—				
Legislative.. .. .	79,238	88,273	..	9,035
Prime Minister's Department	23,521	22,596	925	..
Finance—				
Treasury	41,834	37,722	4,112	..
Customs	96,034	87,627	8,407	..
Land and Income Tax	74,829	64,604	10,225	..
Stamp Duties	87,515	81,902	5,613	..
Audit	29,468	26,738	2,730	..
Total—Finance	329,680	298,593	31,087	..
General Administration—				
Public Service Commissioner's Office	4,334	4,377	..	43
Internal Affairs	363,658	367,802	..	4,144
External Affairs	136,667	95,353	41,314	..
Printing and Stationery	176,098	155,015	21,083	..
Marine	112,710	109,182	3,528	..
Labour	44,971	39,961	5,010	..
Native	48,918	61,584	..	12,666
Valuation	48,178	38,953	9,225	..
Electoral	85,833	5,148	80,685	..
Total—General Administration	1,021,367	877,375	160,845	16,853
Law and Order—				
Justice and Prisons	251,111	239,239	11,872	..
Crown Law Office	6,273	5,625	648	..
Police	453,890	435,545	18,345	..
Total—Law and Order	711,274	680,409	30,865	..
Defence—				
Naval Defence	462,245	437,840	24,405	..
Defence	552,125	465,232	86,893	..
Total—Defence	1,014,370	903,072	111,298	..
Maintenance of Public Works and Services	145,492	91,845	53,647	..
Development of Primary and Secondary Industries—				
Lands and Survey	189,652	160,215	29,437	..
Agriculture	591,802	539,247	52,555	..
Industries and Commerce, Tourist, and Publicity	161,872	133,996	27,876	..
Scientific and Industrial Research	59,848	53,127	6,721	..
Mines	19,240	19,567	..	327
Transport	25,205	27,469	..	2,264
Total—Development of Primary and Secondary Industries	1,047,619	933,621	116,589	2,591
Social Services—				
Health	808,966	779,216	29,750	..
Mental Hospitals	279,670	252,442	27,228	..
Education	2,795,098	2,595,661	199,437	..
Pensions	3,769,612	3,439,879	329,733	..
National Provident and Friendly Societies	102,866	77,538	25,328	..
Total—Social Services.. .. .	7,756,212	7,144,736	611,476	..
Unauthorized Expenditure,—				
Services not provided for	13,346	17,314	..	3,968
Total—Annual Appropriations	12,142,119	11,057,834	1,116,732	32,447
			3,056,339	1,665,368
Total Expenditure	25,890,567	24,499,596	1,390,971	..

Table No. 9.

NET EXPENDITURE.

COMPARATIVE STATEMENT OF THE APPROPRIATED AND ACTUAL EXPENDITURE OF THE CONSOLIDATED FUND (ORDINARY REVENUE ACCOUNT) FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 1936.

	Net Appropriations, 1935-36.	Actual Net Expenditure, 1935-36.	Difference.	
			More.	Less.
PERMANENT APPROPRIATIONS :—	£	£	£	£
Under Special Acts of the Legislature,—				
Civil List	25,920	26,516	596	..
Debt services—				
Interest	7,810,010	7,730,194	..	79,816
Amortization of Debt—				
Sinking Fund	10,859	10,859	..	..
Repayment of Public Debt Act, 1925	1,546,280	1,543,086	..	3,194
Transfers to Loans Redemption Account	9,500	13,987	4,487	..
Securities redeemed	1,000	..	..	1,000
Administration and Management	35,500	29,285	..	6,215
Payments on Guaranteed Loans	27,800	18,543	..	9,257
Total—Debt services	9,440,949	9,345,954	4,487	99,482
Other services—				
Education	95,968	95,967	..	1
Other Grants and Subsidies	338,200	351,447	13,247	..
Salaries and Honoraria	65,749	65,350	..	399
Pensions	44,352	44,351	..	1
Highways	2,041,000	2,107,406	66,406	..
Exchange	1,636,000	1,593,536	..	42,464
Other Special Acts	65,700	117,921	52,221	..
Total—Other services	4,286,969	4,375,978	131,874	42,865
TOTAL—PERMANENT APPROPRIATIONS	13,753,838	13,748,448	136,957	142,347
ANNUAL APPROPRIATIONS :—				
Vote,—				
Legislative	81,932	79,238	..	2,694
Prime Minister's Department	23,113	23,521	408	..
Finance—				
Treasury	43,025	41,834	..	1,191
Customs	96,909	96,034	..	875
Land and Income Tax	75,576	74,829	..	747
Stamp Duties	86,309	87,515	1,206	..
Audit	32,219	29,468	..	2,751
Total—Finance	334,038	329,680	1,206	5,564
General Administration—				
Public Service Commissioner's Office	5,210	4,334	..	876
Internal Affairs	374,323	363,658	..	10,665
External Affairs	144,892	136,667	..	8,225
Printing and Stationery	168,832	176,098	7,266	..
Marine	123,921	112,710	..	11,211
Labour	45,838	44,971	..	867
Native	49,342	48,918	..	424
Valuation	48,040	48,178	138	..
Electoral	78,179	85,833	7,654	..
Total—General Administration	1,038,577	1,021,367	15,058	32,268
Law and Order—				
Justice and Prisons	254,029	251,111	..	2,918
Crown Law Office	6,633	6,273	..	360
Police	452,256	453,890	1,634	..
Total—Law and Order	712,918	711,274	1,634	3,278
Defence—				
Naval Defence	462,540	462,245	..	295
Defence	549,455	552,125	2,670	..
Total—Defence	1,011,995	1,014,370	2,670	295
Maintenance of Public Works and Services	165,981	145,492	..	20,489

Table No. 9—*continued.*NET EXPENDITURE—*continued.*COMPARATIVE STATEMENT OF THE APPROPRIATED AND ACTUAL EXPENDITURE OF THE CONSOLIDATED FUND (ORDINARY REVENUE ACCOUNT) FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 1936—*contd.*

	Net Appropriations, 1935-36.	Actual Net Expenditure, 1935-36.	Difference.	
			More.	Less.
	£	£	£	£
ANNUAL APPROPRIATIONS— <i>continued.</i>				
Vote— <i>continued.</i>				
Development of Primary and Secondary Industries—				
Lands and Survey	183,098	189,652	6,554	..
Agriculture	599,059	591,802	..	7,257
Industries and Commerce, Tourist, and Publicity	161,190	161,872	682	..
Scientific and Industrial Research	61,094	59,848	..	1,246
Mines	22,921	19,240	..	3,681
Transport	27,331	25,205	..	2,126
Total—Development of Primary and Secondary Industries	1,054,693	1,047,619	7,236	14,310
Social Services—				
Health	797,603	808,966	11,363	..
Mental Hospitals	272,641	279,670	7,029	..
Education	2,759,652	2,795,098	35,446	..
Pensions	3,725,226	3,769,612	44,386	..
National Provident and Friendly Societies ..	106,231	102,866	..	3,365
Total—Social Services	7,661,353	7,756,212	98,224	3,365
Unauthorized Expenditure,—				
Services not provided for .. .. .	..	13,346	13,346	..
TOTAL—ANNUAL APPROPRIATIONS	12,084,600	12,142,119	139,782	82,263
			276,739	224,610
			224,610	
TOTAL EXPENDITURE	25,838,438	25,890,567	52,129	..

Table No. 10.

ESTIMATED NET EXPENDITURE OF THE ORDINARY REVENUE ACCOUNT FOR 1936-37, COMPARED WITH ACTUAL NET EXPENDITURE FOR 1935-36.

	Estimate for 1936-37.	Actual for 1935-36.	Difference.	
			Increase.	Decrease.
Permanent Appropriations,—	£	£	£	£
Civil List	29,800	26,516	3,284	..
Debt services—				
Interest	7,541,367	7,730,194	..	188,827
Sinking Fund	10,859	10,859	..	..
Repayment of Public Debt	1,624,700	1,543,086	81,614	..
Administration and Management	59,500	29,285	30,215	..
Payments of Guaranteed Loans, Redemptions, and Transfers	22,300	32,530	..	10,230
Total—Debt services	9,258,726	9,345,954	111,829	199,057
Under Special Acts of the Legislature—				
Education	95,526	95,967	..	441
Salaries and Honoraria	83,979	65,350	18,629	..
Pensions	44,523	44,351	172	..
Highways	2,512,000	2,107,406	404,594	..
Exchange	1,455,000	1,593,536	..	138,536
Other Special Acts	364,206	469,368	..	105,162
Total—Under Special Acts	4,555,234	4,375,978	423,395	244,139
Total—Permanent appropriations	13,843,760	13,748,448	538,508	443,196
Annual Appropriations,—				
Legislative	111,708	79,238	32,470	..
Prime Minister's Department	27,256	23,521	3,735	..
Finance—				
Treasury	42,696	41,834	862	..
Customs	113,540	96,034	17,506	..
Land and Income Tax	143,244	74,829	68,415	..
Stamp Duties	91,551	87,515	4,036	..
Audit	38,469	29,468	9,001	..
Total—Finance	429,500	329,680	99,820	..
General Administration—				
Public Service Commissioner's Office	5,200	4,334	866	..
Internal Affairs	357,777	362,896	..	5,119
External Affairs	145,080	136,667	8,413	..
Printing and Stationery	200,183	176,098	24,085	..
Marine	125,838	112,710	13,128	..
Labour	238,066	44,971	193,095	..
Native	281,473	48,918	232,555	..
Valuation	58,990	48,179	10,811	..
Electoral	12,270	85,833	..	73,563
Census and Statistics	66,642	26,205	40,437	..
Total—General Administration	1,491,519	1,046,811	523,390	78,682
Law and Order—				
Justice and Prisons	269,946	251,111	18,835	..
Crown Law	7,797	6,273	1,524	..
Police	498,019	453,890	44,129	..
Total—Law and Order	775,762	711,274	64,488	..
Defence—				
Naval Defence	651,630	462,245	189,385	..
Defence	612,900	552,125	60,775	..
Total—Defence	1,264,530	1,014,370	250,160	..
Maintenance of Public Works and Services	1,182,500	145,492	1,037,008	..
Development of Primary and Secondary Industries—				
Lands and Survey	393,778	189,652	204,126	..
Agriculture	635,172	591,802	43,370	..
Industries and Commerce, Tourist, and Publicity	175,005	135,668	39,337	..
Scientific and Industrial Research	98,308	59,848	38,460	..
Mines	45,664	19,240	26,424	..
Transport	27,125	25,205	1,920	..
Total—Development of Primary and Secondary Industries	1,375,052	1,021,415	353,637	..
Social Services—				
Health	955,431	808,966	146,465	..
Mental Hospitals	306,509	279,670	26,839	..
Education	3,449,689	2,795,098	654,591	..
Pensions	5,479,992	3,769,612	1,710,380	..
National Provident and Friendly Societies	110,604	103,626	6,978	..
Total—Social Services	10,302,225	7,756,972	2,545,253	..
Services not provided for .. .. .	..	13,346	..	13,346
Total—Annual appropriations	16,960,052	12,142,119	4,909,961	92,028
.. .. .	..	..	5,448,469	535,224
.. .. .	..	..	535,224	..
Totals	30,803,812	25,890,567	4,913,245	..

Table No. 11.
PUBLIC WORKS FUND.

STATEMENT SHOWING THE NET EXPENDITURE UNDER APPROPRIATIONS FOR THE YEAR ENDED 31ST MARCH, 1936, COMPARED WITH THE YEAR ENDED 31ST MARCH, 1935.

Vote	Year ended 31st March, 1936.	Year ended 31st March, 1935.	Increase.	Decrease.
	£	£	£	£
Public Works, Departmental	99,385	76,486	22,899	..
Railway-construction	<i>Cr.</i> 34,898	<i>Cr.</i> 29,373	..	5,525
Railways Improvement and Additions to Open Lines	292,909	154,973	137,936	..
Public Buildings—				
General	39,532	30,801	8,731	..
Courthouses	8,701	533	8,168	..
Education Buildings	122,357	51,506	70,851	..
Prison Buildings and Works	2,123	1,605	518	..
Police-stations	6,710	2,754	3,956	..
Postal and Telegraph	97,800	100,484	..	2,684
Mental Hospital Buildings	67,465	98,630	..	31,165
Health and Hospital Institutions	2,191	656	1,535	..
Lighthouses	3,320	4,020	..	700
Harbour-works	<i>Cr.</i> 399	2,581	..	2,980
Development of Tourist Resorts	13,683	12,880	803	..
Roads, &c.	444,377	371,573	72,804	..
Telegraph Extension	195,380	135,933	59,447	..
Lands, Miscellaneous	37,909	82,092	..	44,183
Irrigation, Water-supply, and Drainage	85,414	91,241	..	5,827
Swamp Land Drainage	12,922	15,019	..	2,097
Plant, Material, and Services	22,438	<i>Cr.</i> 10,513	32,951	..
Settlement of Unemployed Workers	146,480	222,309	..	75,829
Native Land Settlement	71,887	125,668	..	53,781
Dairy Industry Loans	10,750	..	10,750	..
Totals, annual appropriations	1,748,436	1,541,858		
Unauthorized—				
Services not provided for	14	122	..	108
Totals	1,748,450	1,541,980	431,349 224,879	224,879
			206,470	

Table No. 12.

STATEMENT SHOWING THE TOTAL WAYS AND MEANS OF THE PUBLIC WORKS FUND, GENERAL PURPOSES ACCOUNT, AND THE TOTAL NET EXPENDITURE TO THE 31ST MARCH, 1936.

WAYS AND MEANS.				£	s.	d.	£	s.	d.
LOANS :—									
Immigration and Public Works Loan, 1870	..	..	..	4,000,000	0	0			
Immigration and Public Works Loan, 1873	..	..	..	2,000,000	0	0			
Immigration and Public Works Loan, 1874	..	..	..	4,000,000	0	0			
General Purposes Loan Act, 1873	..	..	..	750,000	0	0			
New Zealand Loan Act, 1876	..	..	..	750,000	0	0			
New Zealand Loan Act, 1877	..	..	..	2,200,000	0	0			
New Zealand Loan Act, 1879	..	..	..	5,000,000	0	0			
New Zealand Loan Act, 1882	..	..	..	3,000,000	0	0			
New Zealand Colonial Inscribed Stock Loan Act, 1882	..	..	..	250,000	0	0			
North Island Main Trunk Railway Loan Act, 1882	..	..	..	1,000,000	0	0			
New Zealand Loan Act, 1864	..	..	..	1,500,000	0	0			
New Zealand Loan Act, 1886	..	..	..	1,325,000	0	0			
District Railways Purchasing Acts, 1885 and 1886	..	..	..	479,487	7	11			
New Zealand Loan Act, 1888	..	..	..	1,000,000	0	0			
Native Land Purchase Act, 1892	..	..	..	149,700	0	0			
Lands Improvement and Native Lands Acquisition Act, 1894	..	..	..	500,000	0	0			
Aid to Public Works and Land Settlement Act, 1896	..	..	..	1,000,000	0	0			
Aid to Public Works and Land Settlement Amendment Act, 1897..	..	..	..	250,000	0	0			
Aid to Public Works and Land Settlement Amendment Act, 1898..	..	..	..	500,000	0	0			
Aid to Public Works and Land Settlement Act, 1899	..	..	..	1,000,000	0	0			
Aid to Public Works and Land Settlement Act, 1900	..	..	..	1,011,600	0	0			
Aid to Public Works and Land Settlement Act, 1901	..	..	..	1,250,000	0	0			
Aid to Public Works and Land Settlement Act, 1902	..	..	..	1,750,000	0	0			
Aid to Public Works and Land Settlement Act, 1903	..	..	..	997,690	0	0			
Aid to Public Works and Land Settlement Act, 1904	..	..	..	750,000	0	0			
Aid to Public Works and Land Settlement Act, 1905	..	..	..	1,000,000	0	0			
Aid to Public Works and Land Settlement Act, 1906	..	..	..	989,700	0	0			
Aid to Public Works and Land Settlement Act, 1907	..	..	..	1,000,000	0	0			
Aid to Public Works and Land Settlement Act, 1908	..	..	..	1,250,000	0	0			
Aid to Public Works and Land Settlement Act, 1909	..	..	..	1,000,000	0	0			
Aid to Public Works and Land Settlement Act, 1910	..	..	..	1,750,000	0	0			
Aid to Public Works and Land Settlement Act, 1911	..	..	..	1,500,000	0	0			
Aid to Public Works and Land Settlement Act, 1912	..	..	..	1,748,900	0	0			
Aid to Public Works and Land Settlement Act, 1913	..	..	..	1,750,000	0	0			
Aid to Public Works and Land Settlement Act, 1914	..	..	..	3,000,000	0	0			
Aid to Public Works and Land Settlement Act, 1921	..	..	..	5,060,613	0	3			
Aid to Public Works and Land Settlement Act, 1922	..	..	..	4,408,860	12	3			
Finance Act, 1909	..	..	..	1,250,000	0	0			
Finance Act, 1915, and New Zealand Loans Act, 1915	..	..	..	2,000,000	0	0			
Finance Act, 1916	..	..	..	1,000,000	0	0			
Finance Act, 1917	..	..	..	850,000	0	0			
Finance Act, 1918 (No. 2)	..	..	..	2,500,000	0	0			
Finance Act, 1919, Section 5	..	..	..	750,000	0	0			
Finance Act, 1920, Section 15	..	..	..	2,500,000	0	0			
Finance Act, 1921, Section 10	..	..	..	2,673,111	10	11			
Finance Act, 1923, Section 2	..	..	..	4,306,608	17	6			
Finance Act, 1924, Section 2	..	..	..	2,126,009	6	11			
Finance Act, 1925, Section 2	..	..	..	4,151,450	10	2			
Finance Act, 1926, Section 2	..	..	..	5,220,134	10	7			
Finance Act, 1927 (No. 2), Section 2	..	..	..	4,319,594	10	3			
Finance Act, 1928, Section 2	..	..	..	3,185,132	14	8			
Finance Act, 1929, Section 2..	..	..	..	4,097,119	4	6			
Finance Act, 1930 (No. 2), Section 2	..	..	..	5,000,000	0	0			
Finance Act, 1931 (No. 4), Section 2	..	..	..	2,995,290	0	0			
Stock issued for Expenses of Conversion, 1930-31	..	..	..	360,835	18	0			
Post and Telegraph Act, 1908	..	..	..	200,000	0	0			
Midland Railway Petitions Settlement Acts, 1902 and 1903	..	..	..	150,000	0	0			
Paeroa-Waihi Railways Act, 1903	..	..	..	75,000	0	0			
Waikaka Branch Railway Act, 1905	..	..	..	50,000	0	0			
Appropriation Act, 1912	..	..	..	15,000	0	0			
Irrigation and Water-supply Act, 1912	..	..	..	100,000	0	0			
Balances transferred from Separate Accounts, 1931-32—	£	s.	d.						
Waihou and Ohinemuri Rivers Improvement Account	5,518	10	10						
Education Loans Account	12,867	3	9						
Railways Improvement Authorization Act 1914 Account	420,783	17	4						
Native Land Settlement Account	3,445	4	10						
Hauraki Plains Settlement Account	44	10	4						
Rangitaiki Land Drainage Account	10,797	5	0						
Swamp Land Drainage Account	9,008	19	1						
	19,850	14	5						
Utilized for redemptions	19,850	14	5						
				442,614	16	9			
							111,189,453	0	8
RECEIPTS IN AID :—									
Amount transferred from Consolidated Fund	..	..	..	14,555,000	0	0			
Contributions of Canterbury Province for Railways	..	..	..	56,000	0	0			
Proceeds of Railway Material handed over to Cook County Council	..	..	..	4,963	7	4			
Stamp Duties to 31st December, 1876	..	..	..	264,657	16	4			
Transfer from Confiscated Lands Liabilities Account	..	..	..	19,963	1	3			
Receipts under Section 16 of the Reserves and other Lands Disposal and Public Bodies Empowering Act, 1912	..	..	..	21,890	4	5			
Carried forward	..	..	..	14,922,474	9	4			
							111,189,453	0	8

Table No. 12—continued.

STATEMENT SHOWING THE TOTAL WAYS AND MEANS OF THE PUBLIC WORKS FUND, GENERAL PURPOSES ACCOUNT, AND THE TOTAL NET EXPENDITURE TO THE 31ST MARCH, 1936—continued.

WAYS AND MEANS—continued.		£	s. d.	£	s. d.
Brought forward		14,922,474	9 4	111,189,453	0 8
RECEIPTS IN AID—continued.					
Special Receipts under Section 9 of the Railways Construction Act, 1878		60,616	3 0		
Special Receipts under the Ellesmere Lake Lands Acts, 1888 and 1893		70,691	14 6		
Special Receipts under the Railways Authorization and Management Act, 1891		2,257	1 9		
Special Receipts under the North Island Main Trunk Railway Loan Application Act, 1886		114,550	19 6		
Sinking Funds released		506,819	19 3		
Finance Act, 1932, Section 7 (4)—					
Sale of land under Hauraki Plains Act, 1926		8,519	12 9		
Settlement of Unemployed Workers		58,460	3 2		
Receipts under Section 12 of Native Land Amendment Act, 1932..		5,027	2 0		
Agriculture (Emergency Powers) Act, 1934, Section 26		41	7 6		
Finance Act, 1932, No. 2, Section 16—					
Transfer from Land for Settlements Account		43	6 8		
Transfer from State Forests Account		14	17 1		
				15,749,516	16 6
				£126,938,969	17 2
NET EXPENDITURE.					
Expenditure on—					
Immigration		3,313,059	1 9		
Public Works, Departmental		3,091,929	15 2		
Railways, including Surveys of New Lines and Payment to Midland Railway Bondholders		56,582,336	5 11		
Roads		22,986,306	16 10		
Land-purchases		2,054,023	13 8		
Settlement of Unemployed Workers		664,485	8 6		
Development of Mining		880,872	10 11		
Telegraph Extension		11,755,917	7 10		
Public Buildings		12,069,671	12 4		
Lighthouses, Harbour-works, and Harbour-defences		1,322,047	18 7		
Contingent Defence		1,401,143	13 8		
Rates on Native Lands		68,671	16 10		
Thermal Springs		14,599	13 2		
Development of Tourist Resorts		717,136	4 4		
Lands Improvement		928,035	16 4		
Swamp Land Drainage		55,916	10 3		
Plant, Material, and Services		140,986	5 1		
Charges and Expenses of raising Loans		3,828,307	3 7		
Coal-mines		10,835	8 0		
Interest and Sinking Fund		218,500	0 0		
Irrigation and Water-supply		1,303,179	2 2		
Motor Transport Service		33,635	5 3		
Transfer to Main Highways Account, Construction Fund		1,226,000	0 0		
Native Land Settlement		357,970	17 4		
Dairy Industry Loans		10,750	0 7		
				125,036,318	8 1
Balance on 31st March, 1936.—					
Cash in the Public Account		925,584	18 2		
Investments		977,066	10 11		
				1,902,651	9 1
				£126,938,969	17 2

Table No. 13.

STATEMENT SHOWING THE AMOUNT CHARGED TO "UNAUTHORIZED" IN EACH FINANCIAL YEAR FROM 1ST APRIL, 1925, TO 31ST MARCH, 1936.

FINANCIAL YEAR.	CONSOLIDATED FUND.—REVENUE ACCOUNT.			OTHER ACCOUNTS.	PUBLIC WORKS FUND.	TOTAL.						
	Services not provided for.	Excess of Votes.	Total.									
	£	s. d.	£	s. d.	£	s. d.	£	s. d.	£	s. d.		
1925-1926 ..	30,265	7 9	26,257	3 7	56,522	11 4	30,811	19 2	23,665	13 8	111,000	4 2
1926-1927 ..	27,913	18 1	45,418	12 4	73,332	10 5	1,581	10 7	2,801	18 9	77,715	19 9
1927-1928 ..	15,942	15 4	51,560	10 5	67,503	5 9	10,740	8 2	49,604	6 11	127,848	0 10
1928-1929 ..	7,959	7 3	43,312	14 4	51,272	1 7	11,891	14 4	20,639	17 2	83,803	13 1
1929-1930 ..	22,205	12 8	41,407	0 0	63,612	12 8	111,438	6 11	24,827	8 0	199,878	7 7
1930-1931 ..	4,585	0 0	129,903	7 1	134,488	7 1	3,450	8 7	1,586	13 11	139,525	9 7
1931-1932 ..	18,698	6 0	19,182	17 10	37,881	3 10	21,577	6 4	1,376	10 3	60,835	0 5
1932-1933 ..	45,724	18 4	16,005	18 3	61,730	16 7	57,667	1 10	40,160	8 3	159,558	6 8
1933-1934 ..	3,643	17 10	8,326	0 3	11,969	18 1	8,288	2 5	1	12 5	20,259	12 11
1934-1935 ..	17,813	13 4	69,966	7 1	87,280	0 5	47,973	11 7	21,384	12 0	156,638	4 0
1935-1936 ..	13,346	5 0	126,457	14 3	139,803	19 3	108,641	5 3	13	18 5	248,459	2 11

Table No. 14.

STATEMENT SHOWING THE AVAILABLE FINANCIAL RESOURCES OF THE VARIOUS ACCOUNTS ON THE 31ST MARCH, 1936, AS COMPARED WITH THE 31ST MARCH, 1935.

Account.	1936.			1935.		
	Balance on 31st March, 1936.	Liabilities on 31st March, 1936.	Unexhausted Authority for raising Loan on 1st April, 1936.	Balance on 31st March, 1935.	Liabilities on 31st March, 1935.	Unexhausted Authority for raising Loan on 1st April, 1935.
Consolidated Fund—	£	£	£	£	£	£
Ordinary Revenue	479,636	287,813	500,000	204,835	236,879	500,000
Public Works Fund—						
General Purposes	1,902,651	385,582	4,005,634	1,193,331	234,656	6,255,634
Electric Supply	217,604	72,456	1,347,590	332,458	84,035	1,347,590
Electric Supply Sinking Fund	17,555	..	..	1,669	..	..
Bank of New Zealand Shares	1,859,375	..	..	1,859,375	..	..
Discharged Soldiers Settlement	151,751	8,383	..	594,148	35	..
Land for Settlements	328,746	12,656	6,278,000	269,981	2,803	6,278,000
Loans Redemption	584,583	..	..	476,400	..	..
Main Highway—						
Revenue Fund	87,523	147,131	..	33,568	104,062	..
Construction Fund	1,868	48,078	905,900	182,136	30,210	1,055,900
Public Debt Repayment	106,387	..	..	3,469	..	..
Reserve Fund	352,497	..	..	339,228	..	..
Samoan Loan Suspense .. .. .	..	..	4,800	..	..	4,800
Silver and Bronze Coinage Account	634,753	..	..	558,426	..	..
State Coal-mines	75,872	15,401	55,000	71,073	12,985	55,000
State Coal-mines Sinking Fund	8,821	..	..	8,591	..	..
State Forests	14,565	8,952	546,225	41,852	5,396	546,225
Unemployment Fund	406,711	285,717	..	1,332,946	250,000	..
Working Railways	1,796,656	298,137	..	1,840,174	218,877	..
State Advances Loan .. .. .	..	..	9,964,250	171	..	10,198,730
<i>Additional Unexhausted Authorities for raising Loans.</i>						
Government Accident Insurance Act, 1908 .. .. .	..	..	23,000	..	..	23,000
State Fire Insurance Act, 1908 .. .. .	..	..	98,000	..	..	98,000
Totals	9,027,554	1,570,306	23,728,399	9,343,831	1,179,938	26,362,879

Table No. 15.

PENSIONS.

STATEMENT OF AMOUNTS PAID ON ACCOUNT OF PENSIONS FOR THE FINANCIAL YEARS ENDED 31ST MARCH FROM 1932 TO 1936.

	Year ended 31st March,				
	1932.	1933.	1934.	1935.	1936.
	£	£	£	£	£
War	1,261,778	1,217,586	1,246,441	1,264,110	1,349,447
Old-age	1,277,107	1,271,157	1,350,982	1,519,889	1,718,601
Widows'	340,162	311,317	302,020	296,565	311,864
Miners'	69,785	62,563	56,810	58,740	67,834
Maori War	7,582	5,831	4,522	3,607	2,577
Epidemic	5,580	4,197	3,290	1,983	907
Civil Service Act, 1908	7,861	6,453	5,917	5,211	4,676
Defence Act, 1909	2,483	2,176	2,163	2,084	2,127
Judicature Act, 1908	1,833	1,833	2,272	2,682	3,222
Police	1,054	1,166	1,384	1,449	1,575
Blind	16,710	18,065	19,306	21,227	22,991
Family Allowance	90,100	122,810	146,766	152,818	149,043
War Veterans' Allowances .. .. .	..	..	..	..	16,544
Sundry	6,501	6,627	8,022	7,989	8,256
Totals	3,088,536	3,031,781	3,149,895	3,338,354	3,659,664

Table No. 16.
EDUCATION EXPENDITURE.

TOTAL EXPENDITURE ON EDUCATION OUT OF PUBLIC FUNDS, INCLUDING PRIMARY, SECONDARY, HIGHER EDUCATION, TECHNICAL AND SPECIAL SCHOOLS, AND CHILD WELFARE, 1913-14 TO 1935-36.

Year.	Consolidated Fund.					Loan-money: Erection of School Buildings and Residences.		Total.	Per Head of Mean Population.		
	Special Acts.	National Endowment Revenue.	Vote, Education (excluding Superannuation Subsidies).	Revenue from Reserves.	Subsidies to Teachers' Superannuation Fund.	Public Works Fund.	Education Loans Account.				
1913-14 ..	£ 27,742	£ 50,681	£ 1,131,756	£ 71,808	£ 17,000	£ 121,954	..	£ 1,420,941	1	5	3
1914-15 ..	26,128	55,139	1,207,983	70,802	17,000	122,940	..	1,499,992	1	6	2
1915-16 ..	46,874	64,858	1,329,166	84,390	17,000	97,972	..	1,640,260	1	8	6
1916-17 ..	58,408	60,180	1,406,264	90,535	17,000	70,367	..	1,702,754	1	9	8
1917-18 ..	59,362	70,345	1,511,256	90,518	17,000	63,082	..	1,811,563	1	11	5
1918-19 ..	57,716	76,177	1,602,995	92,095	43,000	115,656	..	1,987,639	1	14	1
1919-20 ..	79,747	78,988	2,031,825	99,352	43,000	195,500	..	2,528,412	2	1	10
1920-21 ..	101,972	70,313	2,460,116	100,758	43,000	244,722	214,571	3,235,452	2	11	8
1921-22 ..	96,217	71,737	2,580,562	105,448	43,000	2,469	563,411	3,462,844	2	13	10
1922-23 ..	90,393	66,610	2,514,991	112,378*	68,000	..	361,976	3,214,348	2	9	0
1923-24 ..	96,506	77,788	2,604,508	116,808*	68,000	..	295,681	3,259,291	2	8	11
1924-25 ..	128,844	86,746	2,752,271	118,973*	68,000	..	462,212	3,617,046	2	13	2
1925-26 ..	111,389	87,512	2,854,719	119,978*	70,952	..	564,946	3,809,496	2	14	9
1926-27 ..	115,499	88,545	2,954,597	119,073*	71,452	..	550,954	3,900,120	2	14	11
1927-28 ..	127,289	90,518	2,974,615	123,247*	71,497	..	369,134	3,756,300	2	12	1
1928-29 ..	137,233	94,934	3,067,296	127,444*	71,749	..	375,423	3,874,079	2	13	1
1929-30 ..	140,561	87,420	3,193,828	129,531*	146,781	..	428,764	4,126,885	2	15	10
1930-31 ..	125,331	94,506	3,230,200	106,405*	46,907	..	491,974	4,095,323	2	14	8
1931-32 ..	82,163	79,375	2,851,922	88,207*	46,935	259,148	..	3,407,750	2	4	11
1932-33 ..	..	51,938	2,574,929	85,716*	47,043	52,623	..	2,812,249	1	16	9
1933-34 ..	..	53,221	2,480,055	107,129	57,294	51,435	..	2,749,134	1	15	8
1934-35 ..	..	87,207	2,550,100	128,738	165,306	51,289	..	2,982,640	1	18	5
1935-36 ..	..	95,968	2,747,582†	118,883	170,026	121,424	..	3,253,883	2	1	4‡

* Net revenue after deducting expenses and cost of collection.
‡ On preliminary census results.

† Includes £262 charged to "Unauthorized."

Additional amounts are available from revenue from reserves vested in post-primary schools and University colleges as follows:—

	£
Post-primary schools	39,271
University colleges	21,051
	<u>£60,322</u>

The following amounts were paid out of the Government Fire Insurance Fund for rebuilding school buildings destroyed by fire:—

	£
1916-17	2,127
1917-18	2,658
1919-20	15,682
1920-21	16,162
1921-22	27,103
1922-23	8,542
1923-24	12,490
1924-25	32,829
1925-26	4,938
1926-27	10,337
1927-28	12,474
1928-29	12,197
1929-30	6,357
1930-31	6,671
1931-32	7,768
1932-33	6,424
1933-34	3,846
1934-35	8,541
1935-36	5,149

Table No. 17.

STATE BALANCE-SHEET AS AT 31ST MARCH, 1935.

<i>Liabilities.</i>			<i>Assets.</i>		
	£	s. d.		£	s. d.
Capital—			Land and buildings, including Crown, settlement, and endowment land, departmental land and buildings	40,283,405	17 7
Public debt*	284,431,217	6 10	State forests, nurseries, and plantations	38,473,759	5 3
Rural Advances bonds	4,213,050	0 0	Railways, including permanent-way and works, rolling-stock, and unopened lines	59,176,273	4 11
Public Debt Redemption Fund	17,225,644	10 6	Telegraphs, telephones, and wireless systems	11,021,636	3 6
Creditors—			Electrical schemes	12,992,304	14 8
Sundry	2,144,585	16 0	Drainage and irrigation schemes	4,164,244	12 7
Interest on debentures and stock due and unpaid*	17,412	15 0	Collieries, sawmills, quarries, &c.	388,633	3 10
Interest on public debt accrued but not due*	2,333,270	14 1	Armament and military stores, aviation equipment	2,785,708	7 4
Wages and other payments accrued	7,245	13 5	Oyster-beds, fish-hatcheries, equipment, &c.	122,345	13 0
Payments in advance, &c.	457,359	6 1	Wharves, bridges, harbour-works, lighthouses, &c.	726,493	9 11
Reserves—			Plant, material, and furniture	2,985,316	3 1
General	3,767,466	4 6	Libraries, books, museum exhibits, stationery, stamps, &c.	219,971	4 10
Sinking fund and reserves for loan-redemption	3,272,681	10 1	Live and dead stock, farm crops, &c.	252,915	3 9
Depreciation	6,424,618	4 8	Government steamers, launches, motor-cars, &c.	493,506	2 6
Fire, accident, and marine insurance, bad debts, &c.	1,156,094	11 11	Advances on loan or mortgage	55,731,964	12 2
Amount held on deposit	570,376	3 11	Debtors—		
Suspense	298,611	5 1	Sundry	2,058,346	16 2
Post Office investment and war-loan certificates	1,147,086	3 4	Unpaid purchase-price of land and buildings, and interest thereon	2,157,948	2 9
Miscellaneous liabilities	53,892	10 9	Postponed rents, &c.	433,304	4 11
Excess of assets over liabilities	59,010,458	9 11	Interest and rent, due and unpaid, and due and accrued	3,579,597	14 9
			Special investments—		
			Nauru phosphate rights	565,040	0 0
			Bank of New Zealand shares	2,109,375	0 0
			Reserve Bank of New Zealand	1,000,000	0 0
			Public Trust Office (Public Debt Redemption Fund, &c.)	7,966,688	11 2
			Special assets of various accounts—		
			Native land schemes, &c.	950,416	7 4
			Unallocated loan charges	627,663	7 9
			Payments in advance	251,218	10 9
			Properties acquired by Crown and properties in course of realization	1,122,023	18 3
			Investments—		
			Reserve Fund	324,907	9 3
			Sinking funds	657,140	8 2
			Miscellaneous, including investment of Treasury accounts	5,138,417	17 4
			National Development Account—		
			Expenditure on—		
			Main highways, roads, &c.	29,943,424	0 11
			Development of mining	867,467	15 11
			Education	8,238,834	3 9
			Immigration	3,319,158	9 4
			Harbour-works	1,045,081	10 0
			Land-development	783,799	7 6
			Cost of raising loans	76,475	3 8
				44,274,246	11 1
			Other loan expenditure—		
			War expenditure	65,142,599	9 8
			Naval defence	1,389,656	1 5
			Local bodies	3,037,229	19 2
			Maori-land settlement	247,050	0 0
			Miscellaneous	6,163,496	18 8
				75,980,032	8 11
			Cash—		
			Public Account	5,666,605	17 5
			Receiver-General	23,724	3 10
			State Advances Office Account	980,157	18 4
			Post Office or Post Office Savings-bank	508,386	9 0
			Deposit accounts	34,335	9 1
			In hand and in transit	37,173	0 6
			Deposit with Bank of International Settlements	36,023	0 0
			Public Trust Office	185,602	4 8
				7,472,008	2 10
			Miscellaneous assets	42,223	15 9
				£386,531,071	6 1
				£386,531,071	6 1

* See Note (2) below.

NOTES.—(1) To account for the whole public debt, loan expenditure on war and other purposes not represented by tangible assets has been included under the heading "Other Loan Expenditure." Interest is received in respect of portion of the local bodies' loan expenditure.

(2) Of the amount shown as public debt, £1,193,441 17s. 1d. is held by investment accounts within the Public Account. Interest accrued and interest due and unpaid in respect of this sum is also shown in both sides of the Balance-sheet.

(3) Contingent liabilities:—

	£	s. d.
Subsidies (not including accumulated interest) short paid to—		
Teachers' Superannuation Fund	1,403,084	0 0
Public Service Superannuation Fund	2,304,085	0 0
	3,707,169	0 0
Excess of subsidies recommended by Actuary over subsidies paid:		
Railway Superannuation Fund	1,273,000	0 0
	4,980,169	0 0
Local authorities, loans guaranteed by the Govern- ment	2,975,075	0 0
Less accumulated sinking funds	941,541	14 0
	2,033,533	16 0
	£7,013,702	16 0

Table No. 18.
PUBLIC DEBT.

STATEMENT OF HALF-YEARLY INSTALMENTS OF PRINCIPAL AND INTEREST FOR REPAYMENT OF £27,532,164 ADVANCED BY THE IMPERIAL GOVERNMENT AND FUNDED IN TERMS OF THE AGREEMENT DATED 6TH SEPTEMBER, 1922.

Date Instalments paid.	Interest.	Principal.	Balance of Debt outstanding.
	£	£	£
1st December, 1922	684,794	141,171	27,390,993
1st June, 1923	681,282	144,683	27,246,310
1st December, 1923	677,684	148,281	27,098,029
1st June, 1924	673,996	151,969	26,946,060
1st December, 1924	670,216	355,749*	26,590,311
1st June, 1925	661,367	164,598	26,425,713
1st December, 1925	657,274	168,691	26,257,022
1st June, 1926	653,078	172,887	26,084,135
1st December, 1926	648,778	177,187	25,906,948
1st June, 1927	644,370	181,595	25,725,353
1st December, 1927	639,854	186,111	25,539,242
1st June, 1928	635,225	190,740	25,348,502
1st December, 1928	630,481	195,484	25,153,018
1st June, 1929	625,618	200,346	24,952,672
1st December, 1929	620,635	205,330	24,747,342
1st June, 1930	615,528	210,437	24,536,905
1st December, 1930	610,294	215,671	24,321,234
1st June, 1931	604,930	221,035	24,100,199
1st December, 1931† .. .. .	..	..	24,100,199

* Includes £200,000 paid off the Naval Defence Loan in terms of the clause by which New Zealand has the right, on giving three months' notice, to repay at par any part of the principal.

† Following on the "Hoover" moratorium, the Imperial Government agreed to postpone the instalments of principal and interest due in December, 1931, and June, 1932, only one half-yearly payment was therefore made in 1931-32. Further postponements from 1st July, 1932, were agreed to by the Imperial Government. No payments were therefore made from 1932-33 to 1935-36.

Table No. 19.
PUBLIC DEBT.

STATEMENT SHOWING MATURITY DATES AND DOMICILE OF DEBT OUTSTANDING AS AT 31ST MARCH, 1936.

Year of Maturity (Year ended 31st March).	Due in				Total.
	London.	Australia.	New Zealand.		
			Public.	Department.	
	£	£	£	£	£
Overdue .. .. .	..	..	3,070	..	3,070
1925-45*	2,090,909	..	..	..	2,090,909
1936-37	3,800	667,750	34,730	..	706,280
1936-51†	5,869,989	..	..	..	5,869,989
1937-38 .. .. .	..	92,600	751,400	..	844,000
1937-40‡	101,125	..	12,325,550	..	12,426,675
1938-39	4,000	3,000	265,130	..	272,130
1938-41‡ .. .. .	..	..	3,833,675	..	3,833,675
1939-40	17,173,191	..	15,141	..	17,188,332
1940-43‡ .. .. .	..	..	13,680,225	..	13,680,225
1940-41 .. .. .	..	..	500,015	..	500,015
1941-42 .. .. .	..	17,300	39,600	..	56,900
1943-44	7,339,656	..	..	..	7,339,656
1943-46‡ .. .. .	..	..	9,842,625	..	9,842,625
1943-63†	10,505,989	..	378,639	..	10,884,628
1944-45	7,780,408	..	..	..	7,780,408
1945-46	22,543,590	..	2,500	..	22,546,090
1946-49‡ .. .. .	..	..	8,967,195	..	8,967,195
1947-48	11,221,609	..	..	..	11,221,609
1948-49 .. .. .	..	..	..	10,500	10,500
1948-58†	19,225,465	..	..	..	19,225,465
1949-50	7,500,000	..	..	..	7,500,000
1949-52‡ .. .. .	..	..	12,493,105	..	12,493,105
1949-54†	5,000,000	..	..	..	5,000,000
1950-51	1,250,000	812,000	250,000	..	2,312,000
1952-55	8,000,000†	..	9,976,125‡	..	17,976,125
1952-53 .. .. .	..	..	..	260,000	260,000
1955-56 .. .. .	..	..	..	466,156	466,156
1955-60†	3,989,100	..	..	..	3,989,100
1956-71†	5,000,000	..	..	..	5,000,000
1956-57	12,900	..	..	4,024,790	4,037,690
1957-58	24,100,199§	..	..	14,385,114	38,485,313
1958-59 .. .. .	..	..	..	18,768,348	18,768,348
1959-60 .. .. .	..	..	..	10,982,885	10,982,885
	158,711,930	1,592,650	73,358,725	48,897,793	282,561,098

* Advances by Imperial Government for State Advances purposes.
or after the earlier date on giving notice in *London Gazette*.
the earlier date on giving three months' notice in *New Zealand Gazette*.
in terms of section 8, Finance Act, 1922.

† Government has option to redeem on or after
‡ Government has option to redeem on or after
§ Imperial Government advances funded

Table No. 20.

EXTERNAL TRADE.

STATEMENT SHOWING THE RECORDED, STERLING, AND NEW ZEALAND CURRENCY VALUES OF IMPORTS AND EXPORTS OF THE DOMINION IN EACH FINANCIAL YEAR ENDED 31ST MARCH, FROM 1930 TO 1936 (EXCLUDING SPECIE).

Year ended 31st March.	Exports.		Imports.		Excess of Exports.	
	New Zealand Currency.	Sterling Equivalent.	New Zealand Currency Equivalent.	Full Sterling Equivalent.	On New Zealand Currency Basis.	On Sterling Basis.
	£ (000)	£ (000)	£ (000)	£ (000)	£ (000)	£ (000)
1930	48,412	47,933	49,430	49,085	-1,018*	-1,152*
1931	39,527	37,198	39,833	37,656	-306*	-458*
1932	33,943	30,857	24,761	22,510	9,182	8,347
1933	37,510	32,677	25,059	22,049	12,451	10,628
1934	46,043	36,834	26,136	20,908	19,907	15,926
1935	44,918	35,985	32,568	26,082	12,350	9,903
1936	49,676	39,900	37,440	30,072	12,236	9,828

* Excess of imports.

Copy of Prospectus of 1935 London Loan.

NEW ZEALAND GOVERNMENT £3 PER CENT. INSCRIBED STOCK, 1952-1955.
(Interest payable Half-yearly at the Bank of England on the 1st January and the 1st July.)

ISSUE OF £8,000,000.

Authorized to be raised under the New Zealand Loans Act, 1932.

A First Payment of Interest, at the rate of 15s. per £100 Stock, will be made on the 1st January, 1936.

PRICE OF ISSUE £98 10s. PER CENT.

Payable as follows:—		£	s.	
On Application .. .. .	.. .. .	5	0	per cent.
On Tuesday, 1st October, 1935 .. .. .	.. .. .	93	10	„
		<u>£98</u>	<u>10</u>	„

The Government of New Zealand undertake to observe forthwith the conditions prescribed under the Colonial Stock Act, 1900, as notified in the *London Gazette* of the 14th December, 1900, in order that Trustees may invest in this Stock under the powers of the Trustee Act, 1925, unless expressly forbidden in the instrument creating the Trust.

The GOVERNOR and COMPANY of the BANK OF ENGLAND give notice that, on behalf of the Agents appointed for raising and managing Loans under the above Act, they are authorized to receive applications for £8,000,000 NEW ZEALAND GOVERNMENT £3 per cent. INSCRIBED STOCK, 1952-1955.

If not previously redeemed, the Stock will be repaid at par at the Bank of England on the 1st July, 1955; but the New Zealand Government reserve to themselves the right to redeem the Stock, in whole or in part, by drawings or otherwise, at par or, at any time after, the 1st July, 1952, on three calendar months' notice having been given in *The Times* of such intended redemption. In the latter event the Stock will cease to bear interest on the date fixed for such redemption.

The New Zealand Government Stock issued and payable in London and the interest thereon so payable, the property of persons not domiciled in New Zealand, are not, and will not be, subject to any taxes, duties, or levies by the Dominion.

By Act 40 and 41 Vict. Ch. 59, the revenues of the Dominion of New Zealand alone will be liable in respect of this Stock and the dividends thereon and the Consolidated Fund of the United Kingdom and the Commissioners of His Majesty's Treasury will not be directly or indirectly liable or responsible for the payment of the Stock or of the dividends thereon, or for any matter relating thereto.

The proceeds of the Issue will be applied to the repayment on the 1st October, 1935, of New Zealand Government £5 per Cent. Inscribed Stock, 1935-1945, of which due notice is being given in the *London Gazette* and *The Times*. The total amount of this Stock now outstanding is £10,135,800, and the balance of the moneys required for repayment is being provided by the New Zealand Government so that the present operation involves an actual reduction in the Public Debt.

The transactions of the New Zealand Ordinary Revenue Account for the year ended 31st March, 1935, including £1,578,000 provided from revenue for the redemption of debt and without recourse to reserves, resulted in a surplus of £626,000.

The Exports from New Zealand during the financial year ended the 31st March, 1935, amounted to £44,918,000 and the Imports to £32,568,000, resulting in a favourable visible balance of trade of £12,350,000. Returns at present to hand in respect of the current financial year indicate that a favourable balance is being maintained.

The gross Public Debt of the Dominion on the 31st March, 1935, was £280,580,000, being a decrease compared with the previous year of £22,210,000. This reduction was brought about chiefly by the redemption in full of all short-term debt, Treasury Bills totalling £22,857,000 being paid off during the year. An increase of £3,300,000 in long-term debt was offset by the redemption of a further £2,653,000 of this class of indebtedness, the net result on all public debt transactions thus being the reduction of £22,210,000 already referred to. The redemptions include a portion of the War Debt, which has been reduced from £81,840,000 in 1921 to £65,330,000 on 31st March, 1935. This shows a total reduction in the War Debt of over £16,500,000 since 1921. All Reparation moneys received from Germany have been applied in the reduction of War Debt. The new loan moneys received during the year were applied principally to Public Works (Railways, Electric Power, Telephone and Telegraph Extensions, and other productive works).

Against the Public Debt of New Zealand must be set assets valued at approximately £309,000,000. Of these assets £268,000,000 are directly interest bearing and productive—*e.g.*, Railways, Telephones and Telegraphs, Hydro-electric Development, Advances to Settlers and Workers, Crown Lands, Sinking Funds, &c., and the remaining £41,000,000 are indirectly productive, such as Roads, Public Buildings, &c.

The Repayment of the Public Debt Act passed by the New Zealand Parliament in 1925 substituted for the long-term Sinking Fund system a method whereby the Dominion's Debt reduction resources are now made available to purchase New Zealand Government securities on the open market for cancellation or to pay them off at maturity, thereby ensuring an actual reduction in the Public Debt annually. For this purpose there is issued annually out of the Consolidated Fund a sum equal to $\frac{1}{2}$ per cent. of the Debt affected, and to this is added a sum equal to interest at $3\frac{1}{2}$ per cent. per annum on the Debt paid off under this scheme. By this means a portion of the savings in interest on the Debt paid off is applied to further repayments of Debt, so that the Debt reduction resources are increasing year by year. It is estimated that the Debt outstanding at the inception of the scheme will be liquidated over a period of approximately sixty years, while all subsequent Loans will be liquidated within a similar period from the dates of issue; the total Debt so far redeemed under this system is £11,832,000. The Sinking Funds which accrued under previous legislation have been capitalized and will be held intact.

On the 31st March, 1935, approximately 43 per cent. of the total New Zealand Public Debt was domiciled in the Dominion, as against only 17 per cent. in 1914.

The Books of the Stock will be kept at the Bank of England, where all assignments and transfers will be made. Transfers will be free of Stamp Duty.

Interest will be payable half-yearly at the Bank of England on the 1st January and the 1st July. Interest Warrants will be transmitted by post.

Applications, which must be accompanied by a deposit of £5 per cent., will be received at the Bank of England Loans Office, 3 Bank Buildings, Princes Street, London, E.C. 2. In case of partial allotment the balance of the amount paid as deposit will be refunded by cheque. Default in payment by the 1st October, 1935, of the balance due that day will render the deposit liable to forfeiture and the allotment to cancellation.

Applications may be for the whole or any part of the Issue in multiples of £100. No allotment will be made of a less amount than £100 of Stock.

Scrap Certificates to Bearer will be issued on or after the 16th July, 1935, in exchange for the Allotment Letters. These Certificates, when fully paid, may be lodged for inscription forthwith.

NEW ZEALAND GOVERNMENT £5 PER CENT. INSCRIBED STOCK, 1935-1945.

(Total outstanding, £10,135,800.)

Holder of the above Stock, which will be repaid on the 1st October, 1935, may surrender their holdings in whole or in part and receive therefor New Zealand Government £3 per cent. Inscribed Stock, 1952-1955, at the rate of £100 £3 per cent. Stock for each £100 nominal £5 per cent. Stock surrendered, together with a Cash Payment at the rate of £1 10s. per cent. on the nominal amount of Stock converted. Holders who accept this offer will receive three months' interest payable on the 1st October, 1935, in respect of the £5 per cent. Stock surrendered.

This conversion offer is limited to a total amount of £8,000,000 New Zealand Government £5 per cent. Stock, 1935-1945, and the List of Applications will be closed when this amount of Stock has been surrendered.

Applications for conversion must be made on the special printed forms. Application Forms have already been sent by post to all holders (in the case of a joint account to the first-named holder).

Preferential allotment will be given to holdings which are tendered for conversion as above.

A commission of 5s. per £100 Stock will be paid to Bankers or Stockbrokers on Allotments made in respect of cash or conversion applications bearing their stamp.

Prospectuses and Application Forms may be obtained at the Bank of England Loans Office, 3 Bank Buildings, Princes Street, London, E.C. 2, or at any of the Branches of the Bank of England; of Messrs. Mullens and Co., 13 George Street, London, E.C. 4; at the Bank of New Zealand, 1 Queen Victoria Street, London, E.C. 4; of Messrs. J. and A. Scrimgeour, 3 Lothbury, London, E.C. 2; at any Stock Exchange in the United Kingdom; or at the Office of the High Commissioner for New Zealand, 415 Strand, London, W.C. 2.

The List of Cash Applications will be opened and closed on Monday the 1st July, 1935.

The List of Conversion Applications will be opened forthwith and will be closed on or before Monday, the 8th July, 1935.

Bank of England, London, 28th June, 1935.

Copy of Prospectus of 1936 London Loan.

NEW ZEALAND GOVERNMENT £3 PER CENT. INSCRIBED STOCK, 1952-1955.

(Interest payable Half-yearly at the Bank of England on the 1st January and the 1st July.)

ISSUE OF £4,000,000.

Authorized to be raised under the New Zealand Loans Act, 1932.

A First Payment of Interest, at the rate of £1 5s. per £100 Stock, will be made on the 1st January, 1937.

PRICE OF ISSUE £98 10s. PER CENT.

Payable as follows:—		£	s.
On Application	.. .. .	5	0 per cent.
On Friday, 31st July, 1936	.. .. .	93	10 „
		<hr/>	
		£98	10 „
		<hr/>	

The Government of New Zealand have observed the conditions prescribed under the Colonial Stock Act, 1900, as notified in the *London Gazette* of the 14th December, 1900, and Trustees may invest in this Stock under the powers of the Trustee Act, 1925, unless expressly forbidden in the instrument creating the Trust.

THE GOVERNOR and COMPANY of the BANK OF ENGLAND give notice that, on behalf of the Agents appointed for raising and managing Loans under the above Act, they are authorized to receive applications for £4,000,000 NEW ZEALAND GOVERNMENT £3 per cent. INSCRIBED STOCK, 1952-1955.

If not previously redeemed, the Stock will be repaid at par at the Bank of England on the 1st July, 1955; but the New Zealand Government reserve to themselves the right to redeem the Stock, in whole or in part, by drawings or otherwise, at par on, or at any time after, the 1st July, 1952, on three calendar months' notice having been given in *The Times* of such intended redemption. In the latter event the Stock will cease to bear interest on the date fixed for such redemption.

New Zealand Government Stock issued and payable in London and the interest thereon so payable, the property of persons not domiciled in New Zealand, are not, and will not be, subject to any taxes, duties, or levies by the Dominion.

By Act 40 and 41 Vict. Ch. 59, the revenues of the Dominion of New Zealand alone are liable in respect of this Stock and the dividends thereon and the Consolidated Fund of the United Kingdom and the Commissioners of His Majesty's Treasury are not directly or indirectly liable or responsible for the payment of the Stock or of the dividends thereon, or for any matter relating thereto.

The proceeds of the Issue will be applied to the repayment on the 1st August, 1936, of New Zealand Government £6 per Cent. Inscribed Stock, 1936-1951, of which due notice is being given in the *London Gazette* and *The Times*. The total amount of this Stock now outstanding is £5,869,988 9s. 9d. and the balance of the moneys required for repayment is being provided by the New Zealand Government so that the present operation involves an actual reduction in the Public Debt.

The transactions of the New Zealand Ordinary Revenue Account for the year ended 31st March, 1936, including £1,440,000 provided from revenue for the redemption of debt and without recourse to reserves, resulted in a surplus of £270,000.

The Exports from New Zealand during the financial year ended the 31st March, 1936, amounted to £49,676,000 and the Imports to £37,439,000, resulting in a favourable visible balance of trade of £12,237,000. Returns at present to hand in respect of the current financial year indicate that a favourable balance is being maintained.

The gross Public Debt of the Dominion on the 31st March, 1936, was £282,561,000, involving a gross increase for the year of £3,837,000 long-term Debt of which £2,400,000 was raised for Public Works (Railways, Electric Power, Telephone and Telegraph Extensions and other productive works), the balance representing increases due to conversions, &c. This gross increase was offset by redemptions totalling £1,857,000, leaving a net increase in the long-term Debt of £1,980,000. The redemptions include a portion of the War Debt, which has been reduced from £81,840,000 in 1921 to £65,035,000 on 31st March, 1936. This shows a total reduction in the War Debt of £16,805,000 since 1921.

Against the Public Debt of New Zealand must be set assets valued at approximately £309,000,000. Of these assets £268,000,000 are directly interest bearing and productive, e.g., Railways, Telephones and Telegraphs, Hydro-electric Development, Advances to Settlers and Workers, Crown Lands, Sinking Funds, &c., and the remaining £41,000,000 are indirectly productive, such as Roads, Public Buildings, &c.

The Repayment of the Public Debt Act passed by the New Zealand Parliament in 1925 substituted for the long-term Sinking Fund system a method whereby the Dominion's Debt reduction resources are now made available to purchase New Zealand Government securities on the open market for cancellation or to pay them off at maturity, thereby ensuring an actual reduction in the Public Debt annually. For this purpose there is issued annually out of the Consolidated Fund of the Dominion a sum equal to $\frac{1}{2}$ per cent. of

the Debt affected, and to this is added a sum equal to interest at $3\frac{1}{2}$ per cent. per annum on the Debt paid off under this scheme. By this means a portion of the savings in interest on the Debt paid off is applied to further repayments of Debt, so that the Debt reduction resources are increasing year by year. It is estimated that the Debt outstanding at the inception of the scheme will be liquidated over a period of approximately sixty years, while all subsequent Loans will be liquidated within a similar period from the dates of issue; the total Debt so far redeemed under this system is £13,272,000. The Sinking Funds which accrued under previous legislation have been capitalized and will be held intact.

On the 31st March, 1936, approximately 44 per cent. of the total New Zealand Public Debt was domiciled in the Dominion, as against only 17 per cent. in 1914. A reduction of £2,257,000 in the London domiciled Debt took place during the year ended the 31st March, 1936.

The Books of the Stock are kept at the Bank of England, where all assignments and transfers are made. Transfers are free of Stamp Duty.

Interest is payable half-yearly at the Bank of England on the 1st January and 1st July. Interest Warrants are transmitted by post.

Applications, which must be accompanied by a deposit of £5 per cent., will be received at the Bank of England Loans Office, 3 Bank Buildings, Princes Street, London, E.C. 2. In case of partial allotment the balance of the amount paid as deposit will be refunded by cheque. Default in payment by the 31st July, 1936, of the balance due that day will render the deposit liable to forfeiture and the allotment to cancellation.

Applications may be for the whole or any part of the Issue in multiples of £100. No allotment will be made of a less amount than £100 of Stock.

Scrip Certificates to Bearer will be issued on or after the 21st May, 1936, in exchange for the Allotment Letters. These Certificates, when fully paid, may be lodged for inscription forthwith.

NEW ZEALAND GOVERNMENT £6 PER CENT. INSCRIBED STOCK, 1936-1951.

(Total outstanding, £5,869,988 9s. 9d.)

Holders of the above Stock, which will be repaid on the 1st August, 1936, may surrender their holdings in whole or in part and receive therefor New Zealand Government £3 per cent. Inscribed Stock, 1952-1955, at the rate of £100 £3 per cent. Stock for each £100 nominal £6 per cent. Stock surrendered, together with a Cash Payment at the rate of £1 10s. per cent. on the nominal amount of Stock converted. Holders who accept this offer will receive six months' interest payable on the 1st August, 1936, in respect of the £6 per cent. Stock surrendered. A first interest payment of £1 5s. per cent. on the new Stock will be made on the 1st January, 1937.

Applications for conversion must be made on the special printed forms. Application Forms have already been sent by post to all holders (in the case of a joint account to the first-named holder).

Applications for the conversion of Stock Certificates to Bearer must be accompanied by the relative Stock Certificates with all unmatured Coupons attached.

Preferential allotment will be given to holdings which are tendered for conversion as above. The List of Conversion Applications will be closed as soon as the required amount of Stock has been surrendered and in any case not later than the 11th May, 1936.

Until the 2nd December, 1936, New Zealand Government £3 per cent. Inscribed Stock, 1952-55, issued in accordance with the terms of this Prospectus will be designated "A" Stock; but on that date it will be amalgamated with the £3 per cent. Stock, 1952-1955, already existing.

A commission of 5s. per £100 Stock will be paid to Bankers or Stockbrokers on Allotments made in respect of cash or conversion applications bearing their stamp.

Prospectuses and Application Forms may be obtained at the Bank of England Loans Office, 3 Bank Buildings, Princes Street, London, E.C. 2, or at any of the Branches of the Bank of England; of Messrs. Mullens and Co., 13 George Street, London, E.C. 4; at the Bank of New Zealand (the Bankers to the Government of New Zealand in London), 1 Queen Victoria Street, E.C. 4; of Messrs. J. and A. Serimgeour, 3 Lothbury, London, E.C. 2; at any Stock Exchange in the United Kingdom; or at the Office of the High Commissioner for New Zealand, 415 Strand, London, W.C. 2.

The List of Cash Applications will be opened and closed on Monday, the 4th May, 1936.

The List of Conversion Applications will be opened forthwith and will be closed on or before Monday, the 11th May, 1936.

Bank of England, London, 30th April, 1936.

