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1938.  
NEW ZEALAND.

# FINANCIAL STATEMENT.

(In Committee of Supply. 20th July, 1938.)

BY THE HON. WALTER NASH, MINISTER OF FINANCE.

MR. CHAIRMAN,—

It is again my privilege to present a review of the Government's stewardship for the year, and my task is made the easier in that, in common with its two immediate predecessors, the past year has been one of progress and prosperity.

The economic position of the Dominion is sound and satisfactory. The trade returns for the year ended 31st March last (the June quarter's statistics are not yet available) indicate that exports reached a total of over £65,000,000—a record for the Dominion—and representing an increase of £4,770,000 over that of the previous record in 1936–37. All the principal headings of export contributed to this favourable result.

**Economic conditions.**

Butter exports totalled £18,027,000, representing an increase of £2,060,000 in value and 64,000 cwt. in quantity compared with the results of the previous year. In regard to wool, although there was a very substantial fall in world prices during the latter part of the year and the actual quantity exported from New Zealand showed a reduction of 22,500 bales, exports were valued at £16,012,000, representing an increase of £225,000 over the returns for the previous year. Chilled and frozen meat exports, it is satisfactory to note, amounted to £14,492,000, an increase of £1,866,000 in value and 472,000 cwt. in quantity compared with the results for 1936–37. Altogether the year was a most successful and profitable one.

**increased export returns.**

The increased spending-power within the Dominion during the year resulted in increased imports which reached a total of £58,000,000. It is satisfactory to know that a large proportion of the total increase was in respect of capital goods—machinery, &c.—which will be utilized in revenue-producing activities within the Dominion.

**Improvement within the Dominion.**

The evidence shows that the value of total production and of farm production surpassed the results of any previous year, while farm incomes and salary and wage payments reached record high levels. Similar records were also attained in respect of the bank-note circulation and radio licenses issued, while a very material advance was made in building activity. In addition, as a result of the development of secondary industries within the Dominion, the number of persons in remunerative employment reached record proportions.

The high standard of material welfare which the Dominion enjoyed throughout last year was closely reflected in the banking statistics, and at the 31st March last the amount at credit of depositors with trading banks stood at a total of £66,500,000. The savings-bank statistics perhaps reflect more closely the position of the man of smaller means, and at the 31st March, 1938, the numbers of depositors had reached

record totals of 921,000 in the case of the Post Office Savings-bank and 261,000 as regards trustee savings-banks, while the total amount at credit of the depositors in both classes of banks was no less than £76,486,000, which also constitutes a record for the Dominion.

These and other notable improvements, of which further details will be supplied later, represent no mean achievement for which the Government's measures must to a very large degree be held responsible. It is true, of course, that except by maintaining or improving the quality and increasing the quantity of the Dominion's exports, or by more orderly or efficient marketing, the Government cannot influence overseas prices; nevertheless by the introduction of measures which ensure a more economic utilization of our resources, together with a more equitable distribution of the national income, the Government has been able so to influence prosperity within the Dominion as to be responsible to a large extent for the satisfactory results which have undoubtedly been attained.

In overseas markets at the present time political difficulties and trends in economic nationalism are having a somewhat disturbing effect on prices generally, but the long-range outlook is not an unfavourable one, and it is satisfactory to note that New Zealand produce is commanding excellent prices compared with those of other countries. The possibility of extending existing markets and of developing new ones is receiving the constant attention of the Government, and the negotiations which were completed as a result of my visit abroad in 1937 have proved that the expense involved was an excellent investment.

#### EXTERNAL MARKETING.

An important factor in the development of the Dominion's overseas trade has been the Primary Products Marketing Department, the Export Division of which administers that portion of the Primary Products Marketing Act relating to the purchase and sale of export dairy-produce. The Division is now approaching the completion of its second year in operation. The success of the policy adopted in regard to the marketing of butter and cheese, which was clearly indicated in the first year after the inauguration of the new procedure, has been fully maintained, and there has been general agreement amongst those qualified to judge that the present procedure is superior to the procedure of the past.

The London agents appointed by the Government to sell butter and cheese have rendered excellent service, and they continue to act in full and friendly co-operation with the Department.

The shipping programme of the Department is designed to provide regular shipments of butter and cheese in quantities to meet the needs of the markets, while the distribution of butter and cheese in the United Kingdom has been widened by means of direct shipments to the main United Kingdom ports. In particular, regular shipments have been commenced to Cardiff, Southampton, Hull, and Newcastle-on-Tyne.

Every endeavour is being made to develop markets for dairy-produce in countries other than the United Kingdom. During the past year, as a result of the trade treaty recently effected between Germany and New Zealand, this outlet for New Zealand butter has been reopened, and quantities totalling 58,000 boxes were purchased and shipped to that country. It was also possible to make sales to Canada of approximately the same quantity, while the small but increasing markets for New Zealand butter in the Panama Canal Zone, the West Indies, Honolulu, and the East are being fostered.

The experience of the past two years shows the soundness of the present single-unit system of marketing with general sales instead of individualized factory sales, and of consignment selling instead of the mixed consignment and f.o.b. and c.i.f. selling which was a disturbing feature in the marketing system of the past.

In order to ascertain the extent of savings in the new marketing procedure compared with the old, an analysis of marketing costs has been made, full details of which will be presented to Parliament later in the annual report of the Department. The result of this analysis is impressive, as it discloses that the saving on butter

marketing is 12·89d. per hundredweight, or a total saving on an export of 150,000 tons of £161,125. Correspondingly, the saving on cheese marketing amounts to 8·275d. per hundredweight, or a total saving on an export of 85,000 tons of £58,614. Thus on the export trade in butter and cheese there is an approximate annual saving to the industry of £219,739.

The financial operations of the Dairy Industry Account for the export season ended 31st July, 1937, were recently completed, and the final result showed a deficit on the year's operations of £272,109. In terms of the undertaking given to the dairy industry, this deficit is the responsibility of the Government.

In regard to the export season ending on 31st July, 1938, the actual total realizations will not be available for some months, but estimates have been prepared based on information supplied by the London Manager of the Department. It has been estimated that for the season realizations from overseas sales will average 117s. 6d. per hundredweight for butter and 66s. per hundredweight for cheese. On the basis of the guaranteed prices as fixed at the beginning of the season, those realizations would show a surplus of £914,666 on export butter and a deficit of £86,100 on export cheese. There is a surplus on butter sold locally of approximately £100,000, making in all a total estimated surplus of £928,566.

In the Primary Products Marketing Amendment Act, 1937, the Government was empowered to make adjustments in the guaranteed prices announced at the beginning of any season, so that if circumstances warranted an increase in prices the necessary statutory authority would be provided. The Government has realized that during the season just closing dairy-farmers have experienced difficulty in obtaining farm labour at the wages they could afford to pay, and in order to meet this difficulty, and also to make some compensation for any increased farm costs, the Government considered that an additional payment to the dairy-farmers for their produce was justified. It was therefore decided that the guaranteed prices, as fixed in August, 1937, should be increased by 0·41d. per pound for butter and 0·21d. per pound for cheese. These increases apply to all butter and cheese which is exported with the concurrence of the Department after the 31st July, 1937, and which is manufactured from milk or cream delivered to a dairy factory on or after the 1st August, 1937, and before the 1st August, 1938. The increased amounts of 0·41d. per pound on butter and 0·21d. per pound on cheese will also be paid on butter and cheese manufactured during the period mentioned and sold locally. These additional payments will absorb approximately £815,349 of the estimated surplus, leaving an estimated credit balance of £113,217.

The guaranteed prices as now increased are as follows:—

CREAMERY BUTTER.				Price per Pound.
				d.
Finest grade—				
94 points and over	..	..	..	13·785
93 to 93½ points (basic guaranteed price)	..			13·66
First grade—				
92 to 92½ points	..	..	..	13·5975
90 to 91½ points	..	..	..	13·41
Second grade	..	..	..	12·91
WHEY BUTTER.				
First grade ..	..	..	..	12·66
Second grade	..	..	..	12·16
CHEESE.				
Finest grade—				
94 points and over	..	..	..	7·90625
93 to 93½ points	..	..	..	7·875
First grade—				
92 to 92½ points (basic guaranteed price)	..	..	..	7·75
91 to 91½ points	..	..	..	7·6875
Second grade	..	..	..	7·50

Dairy  
Industry  
Account.

Guaranteed  
prices  
adjustment.

The guaranteed prices for the 1937-38 season are so fixed that the average pay-out to suppliers of milk to cheese-factories should be 2d. per pound of butterfat in excess of the average pay-out to suppliers of cream to butter-factories. This margin of 2d. per pound butterfat in favour of cheese manufacture is designed to compensate cheese-factory suppliers for the costs of delivery of milk to factories and for their somewhat lower return from by-products as compared with suppliers to butter-factories. In the past the market returns for cheese and butter have not shown the margin in favour of cheese that is necessary to maintain cheese production, and the pooling of returns from butter and cheese and the provision of the 2d. margin cheese over butter has done much to stabilize the cheese industry.

**Guaranteed  
prices for  
ensuing  
season.**

The question of fixing the guaranteed prices for the coming season is now receiving consideration. There has been some controversy in regard to the method of determining of the guaranteed prices. Suggestions have been made that the prices should be fixed by an independent tribunal under the presidency of a Judge of the Supreme Court. Representations to this effect were made by the Dairy Board Conference and by a Conference of the New Zealand Farmers' Union. The Government, after consideration, intimated that if this were the wish of the dairy industry the Government would give favourable consideration to the appointment of the tribunal asked for. However, the proposal was negatived at the recent National Dairy Association Conference, and a unanimous resolution was carried to the effect that the fixing of the prices should remain the responsibility of the Government, but that an advisory tribunal should be set up to submit recommendations to the Government. The Government understands from the resolution of the National Dairy Association Conference that the dairy industry is content to leave the final decision respecting prices to the Government.

Accepting the spirit of the representations which were made on behalf of the dairy industry, the Government decided to appoint a Committee for the purpose of making the fullest inquiry into the costs and other factors associated with the production of butter and cheese.

**Advisory  
Committee.**

This Committee, consisting of Sir Francis Frazer (Chairman), Messrs. C. P. Agar, H. M. Caselberg, G. A. Duncan, W. Marshall, N. H. Moss, and Professor Tocker, has been appointed by the Government, and arrangements have been made for Mr. G. M. Pottinger to act as Secretary.

The personnel of the Committee should ensure a thorough and complete investigation of the costs and other factors associated with the production of dairy-produce.

Sir Francis Frazer has special qualifications for the office of Chairman. He holds the degrees of M.A. and LL.B., and during his University course he specialized in economics. His experience as a former Judge and as Chairman of the Dairy Industry Commission of 1934 will be of great service, and the fact that during his term of office as Deputy Chairman of the Executive Commission of Agriculture he has been in close contact with the dairying industry in all parts of the Dominion will enable him to view the problems before the Committee from a national standpoint.

Mr. C. P. Agar was formerly a member of the New Zealand Dairy Board. He has had a wide commercial experience, and is Managing Director of the Tai Tapu Co-operative Dairy Co., Ltd.

Mr. H. M. Caselberg is Supervising Valuer for the State Advances Corporation. His knowledge of farm finance, farm costs, and farm management is extensive. Before joining the State Advances Corporation, Mr. Caselberg was associated with leading stock and station companies, and gained a wide and varied experience.

Mr. G. A. Duncan is a recognized expert in dairy-industry administration, is a qualified accountant, and was also a member of the Dairy Industry Commission of 1934. As Director of the Dairy-produce Export Division he is fully conversant with all matters relating to the marketing of butter and cheese.

Mr. W. Marshall is a prominent dairy-farmer and is the Acting-Chairman of the New Zealand Co-operative Dairy Co., Ltd.

Mr. N. H. Moss is a barrister and solicitor at Stratford. He has a very complete knowledge of farm budgeting, and as a practising member of the legal profession in a dairying centre he is conversant with the problems of the dairy-farmer.

Professor Tocker is a well-known Economist who has occupied the Chair of Economics at Canterbury College for several years and is well versed in agricultural economics.

Mr. G. M. Pottinger was for many years Chief Accountant to the Dairy Board. He is now Secretary of the Dairy-produce Export Division of the Primary Products Marketing Department.

The order of reference as agreed with the Committee will be subsections (4) and (5) of section 20 of the Primary Products Marketing Act, 1936. The section provides:—

(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.

The Committee will meet at Wellington on Wednesday, 27th July. As it will function as an expert investigating Committee its proceedings will be conducted *in camera*. Dairy factory companies are being circularized and will be given the opportunity of submitting to the Committee statements relating to farm and factory costs and other relevant matters. The Committee will also arrange to hear oral evidence from witnesses who, in its opinion, may be able to supplement the information supplied in documentary form. In addition, the Government will make available to the Committee all the statistical and expert evidence and information obtainable from departmental sources.

In view of the possibility of the Government not being in a position to announce the prices to be paid for butter and cheese made from milk or cream delivered to a factory on or after 1st August, 1938, before shipment of such produce commences, provision has been made for continuance of the current year's increased prices until the next year's prices can be announced.

The rationalization of the dairy industry, by consolidation of manufacture of butter and cheese and by elimination of the overlapping in cream-collection services, is proceeding. The value of this work to the industry is becoming more apparent as a result of the economies accruing to dairy companies and to their suppliers in districts where the manufacture of butter has been concentrated in efficient and economic units and where a satisfactory system of zoning of cream collection areas has been instituted.

**Rationalization  
of dairy  
industry.**

### INTERNAL MARKETING.

The policy initiated by the present Government of imposing a measure of regulation in regard to the internal marketing of primary produce was actively and successfully developed during the past year.

**Internal  
Marketing  
Division.**

Under the amended legislation passed last session the Internal Marketing Division of the Primary Products Marketing Department was constituted and a number of functions pertaining to the local market were brought within its jurisdiction. Dairy-produce, eggs, fruit, and honey were specifically mentioned in the new legislation, and these particular commodities have received the especial attention of the Division.

With butter, for instance, regulations were introduced in November, 1937, providing for a more orderly system of distribution as well as fixing wholesale prices throughout the Dominion. This ensured that dairy factories would receive

**Butter.**

the same return for that portion of their output sold on the local market as they received for butter sold for export. Producers and consumers have benefited by the removal of a number of anomalies and undesirable practices which have affected the trade and prices for many years. The provision of adequate supplies of butter to all districts have been provided for, and this, together with uniform grading standards, has given that measure of protection to the trade and to public alike which, although so desirable, had formerly been lacking.

The year under review has been a successful one from a trading point of view.

With the opening of the new branch in Auckland and the establishment of butter-patting facilities there, the Division is now in a position to prepare butter for the local market in the two main centres of the Dominion and to provide a hygienic daily supply for distribution to retailers.

**Imported fruit.** Early this year the Division assumed the responsibility for the handling and distribution of bananas and imported citrus fruits and, although this scheme has been operating for a short period only, the improvement in marketing conditions has been very gratifying.

**Local fruit.** Considerable attention has been paid to the development of the market within the Dominion for locally-grown fruit. This is exemplified by the advertising campaign which was so successfully carried out by the Division in respect to apples and pears. The results achieved in this direction have more than justified the action taken and have assisted materially in the disposal of an abnormally large crop of these two fruits during this season.

**Honey.** The activities of the Division have been extended to honey, and, with a view to stabilizing the industry, the Government acquired the assets of the producer-company known as New Zealand Honey, Limited, Auckland. Through this organization producers were offered a *pro rata* advance of 4½d. per pound on all honey forwarded to its grading and blending depot, and this, in conjunction with sounder marketing methods, has in no small measure resulted in a much improved position in so far as beekeepers are concerned. The Division has operated in close contact with the Honey-export Control Board with a view to promoting sales in various countries where New Zealand has important markets.

**Eggs.** Last season the Division supervised the export of eggs by offering to producers 1s. 1d. per dozen for all eggs forwarded for export. The actual quantity sent overseas was not very large, but the action taken had the effect of stabilizing conditions in the Dominion during the "flush" period. In addition, close supervision was exercised over all egg-pulp contracts, giving purchasers a degree of confidence that had not existed previously.

**Bobby calves.** The Division interested itself in the marketing of bobby calves, and recently prepared regulations governing this trade. In any district where 80 per cent. of the bobby-calf producers are in favour of a pool scheme of marketing, provision has been made for the setting-up of an elective Committee to control the marketing of calves within the particular area concerned. These Committees are producer-controlled and already many requests have been received from producers for assistance in carrying out orderly marketing in this important phase of the dairy industry.

The Division has also been a potent factor in improving the marketing of various products, amongst which may be mentioned kauri-gum, maize, hops, and small and soft fruits.

## HOUSING.

**Housing surveys.**

As pointed out in last year's Budget, measures designed to effect a more equitable distribution of the national income are very closely related to the provision of adequate housing facilities. The surveys which have been carried out by local authorities in terms of the Housing Survey Act, 1935, have indicated a graver social problem than was appreciated except by the comparatively few in actual contact with the position. The results of these surveys indicate very clearly the inseparable connection between the incomes of the people and the amenities of life which they are able to enjoy.



Of the 119 local authorities affected by the Act referred to, 105 have furnished the necessary returns. An analysis has already been made of 90 of these returns, and the following brief summary indicates the results:—

Total population of the 90 towns in question ..	655,829
Number of dwellings .. .. .	163,429
Number of buildings used as dwellings which are unsatisfactory but reparable .. .. .	21,697
Number of buildings totally unsatisfactory .. .. .	3,653
Number of dwelling units in which equipment is only partly satisfactory .. .. .	16,174
Number of dwelling units in which the equipment is totally unsatisfactory .. .. .	13,891
Number of houses at present providing accommodation below the minimum standard .. .. .	20,260
Number of surplus persons accommodated in these houses .. .. .	50,686

The Government had already anticipated the seriousness of the position and a Housing Construction Department was set up towards the end of 1936 with a view to proceeding as quickly as possible with the erection of houses throughout the Dominion for purposes of letting. Adequate provision was also made through the State Advances Corporation for mortgage funds on the table principle and at low rates of interest for those who desired to own their own homes.

**Housing  
Construction  
Department.**

The first contracts for the erection of houses were accepted in March, 1937, and since that date great progress has been achieved.

**Housing  
contracts.**

To date tenders have been called for 4,711 houses in 79 different towns.

Contracts have been actually let for 3,748 houses in 70 different towns.

The average number of houses in each contract is 5.

One hundred and eighty different contracting firms are carrying out work for the Department.

Over 1,000 houses have been completed, and within four and one-half months it is estimated that a further 1,000 will be handed over for occupation.

The total number of houses actually commenced by contractors from March, 1937, to date is over 2,800, and 5,000 persons are directly engaged on the work.

Houses have already been completed in the following twenty-eight towns:—

Whangarei, Auckland, Otahuhu, Hamilton, Thames, Te Aroha, Tauranga, Whakatane, New Plymouth, Hawera, Wanganui, Marton, Feilding, Palmerston North, Gisborne, Napier, Hastings, Masterton, Lower Hutt, Wellington, Johnsonville, Westport, Christchurch, Ashburton, Timaru, Oamaru, Dunedin, Invercargill.

Houses are under way in the following additional thirty-nine towns:—

Dargaville, Devonport, Mount Albert, Mount Roskill, One Tree Hill, Pukekohe, Ngaruawahia, Cambridge, Matamata, Morrinsville, Paeroa, Te Awamutu, Rotorua, Te Kuiti, Taumarunui, Wairoa, Waipukurau, Dannevirke, Pahiatua, Carterton, Stratford, Eltham, Patea, Taihape, Levin, Blenheim, Nelson, Greymouth, Hokitika, Rangiora, Kaiapoi, Riccarton, Lincoln, Lyttelton, Waimate, Temuka, Mosgiel, Balclutha, Gore.

It was realized at the commencement that the progress of the Housing Scheme would depend very largely on the availability of skilled labour. The operations of the Department are, at the moment, being seriously delayed on account of this factor. The average number of artisans employed by the contractors on each house that is under actual construction is only 1.8. This figure explains the long period required by many builders to finish their contracts.

The Department has reached the stage of calling tenders for approximately one hundred houses per week and it is evident that this represents the limit of the building industry's capacity at present.

In a lesser degree the Department's operations have been affected by the shortage of materials. The Government laid it down in the first place that, as far as practicable, the materials for the houses are to be produced or manufactured in New Zealand. The rapid expansion of the Department's operations has, in some cases, been too fast for the manufacturing industries to keep in line. A notable instance is the case of roofing tiles. The stage was reached a few months ago when tile-manufacturers were refusing to quote for the supply of their products. The Department was then forced to import a limited quantity of tiles from Australia. There has also been a shortage of dry New Zealand timber and fibrous plaster of satisfactory quality.

**Housing  
expenditure.**

Up to the 30th June, 1938, the total expenditure on housing, purchase of land, provision of services, administration, &c., amounted to £2,199,115; while the total commitments for land purchases and contracts entered into from the inception of the scheme to the present date amounts to approximately £5,000,000. In addition, loans granted to local authorities for housing construction amounted to £450,000.

While keeping the rentals of properties as low as possible, the principle has been laid down that full costs are to be taken into account in assessing the rentals and accordingly no charge is falling on the general taxpayer.

**State  
Advances  
Corporation.**

In regard to the operations of the State Advances Corporation, a decision was reached during the year to liberalize the terms of lending for the erection of new dwellings, and it was noticeable that during the latter part of the year a substantial increase took place in the number of applications which were received. Advances have been made on a table basis for periods ranging from twenty years to thirty-five years in the case of house properties, while in the case of good farm properties the period is extended to as long as forty-five years. The lending rate in each case has been maintained at 4½ per cent., and it has thus been possible to keep the instalments within the capacity of the average borrower.

As encouragement to people who have a reasonable amount of cash available and whose income resources are satisfactory, the Corporation's policy has been to offer every possible assistance in the way of purchasing building-sites and the provision of plans and specifications. Arrangements were made for the preparation of plans suitable for various localities, and these are made available to borrowers, who have a good range of types and sizes to select from. The standard specifications which have been prepared ensure that the houses are erected on good sound lines, and the Corporation's Property Supervisors provide supervision during the course of erection of the house, thus protecting the borrower as regards the workmanship and materials used in the building.

During the year ended 31st March, 1938, loans amounting to £1,721,000 were authorized in respect of residential properties involving a total of 2,480 applicants and in the case of farm properties 707 loans were authorized amounting to a total of £1,284,000. In addition a total of £544,000 was authorized in respect of seventy-eight applications from local authorities for general purposes.

### PUBLIC ACCOUNTS.

**Surplus  
for year.**

The public accounts for 1937-38 reflect the prosperity which obtained in the Dominion throughout the year and, as has already been disclosed in the published statement, a surplus of £810,000 resulted from the year's operations.

The following is a summary of the position :—

REVENUE.				£	£	
Taxation .. .. .				31,664,000		<b>Summary of year's transactions.</b>
Interest .. .. .				2,141,000		
Other receipts .. .. .				2,254,000		
				36,059,000		
EXPENDITURE.						
Permanent appropriations—				£		
Debt services .. .. .				9,441,000		
Exchange .. .. .				1,828,000		
Highways .. .. .				2,835,000		
Other services .. .. .				1,517,000		
				15,621,000		
Annual appropriations—						
Social services .. .. .				11,872,000		
Other services .. .. .				7,756,000		
				19,628,000		
					35,249,000	
Surplus .. .. .					£810,000	

It will be noted in comparing these results with those of the previous financial year that both revenue and expenditure have reached record proportions. This is in accordance both with modern trends in public finance and with the Government's policy of increasing the range and scope of social services. Such a policy requires little justification in the light of present day enlightened standards.

The Government has already gone some distance along the road of social amelioration, but there is much still to be done, and the remaining problems will be faced with the same resolute determination as has characterized the Government's action up to the present.

No nation can afford to rest content so long as numbers of its citizens who are able and willing to work are denied the opportunity of providing for the reasonable comfort and advancement of themselves and their families. Moreover, if any real benefit is to be obtained from the progress of science and invention, it must be shared by every section of the population. It will be appreciated, too, that an individual is able to take advantage of the various forms of material progress only to the extent to which he has the necessary means of making his demands effective. A progressive extension of social services tends to bring these material advantages within the reach of all.

Of the total increase in expenditure (compared with the immediately preceding year) of £4,574,000, social services accounted for an amount of £1,959,000. Other annual appropriations accounted for an increase of £1,082,000, the result very largely of additional Defence expenditure. Exchange charges were responsible for £247,000, and other services for a total of £1,286,000. The major portion of the increase in the last-mentioned item is largely accounted for by an accretion to the general Reserve Fund of the Dominion.

On the revenue side of the accounts the increase of £4,912,000 is due largely to the more prosperous conditions which obtained in the Dominion as there was very little variation in the actual rates of taxation. Of the increase referred to, income-tax (which surpassed expectations) accounted for no less than £2,461,000, Customs duties for £1,260,000, and land-tax, together with miscellaneous items, for the balance, leaving a surplus for the year, as already stated, of £810,000. Full comparative details regarding both revenue and expenditure are included in the Budget tables.

## PUBLIC DEBT.

**Loans raised.**

The loans raised by the Government during the past financial year totalled £7,454,897, while redemptions of debt amounted to £11,836,805, resulting in a net reduction in the total public indebtedness of £4,381,908.

Details of the loans raised during the year are as follows:—

Public works, including main highways and State forests .. .. .	£
Housing .. .. .	5,851,526
Raised for redemptions but not applied as at 31st March, 1938 .. .. .	1,600,000
Premiums on conversions .. .. .	3,186
	185
	<hr/>
	£7,454,897
	<hr/> <hr/>

The amount borrowed under the first item, together with balances carried forward from the previous financial year supplemented by available revenue resources, was used in financing the works programme for 1937–38. Details of the relative receipts and expenditure are included in the Public Accounts parliamentary paper B.-1 [Pt. I], which have already been published.

The finances of the Housing Account are, in terms of the relative Act, administered by the State Advances Corporation, and a review of the transactions for the year, together with a balance-sheet, will be found in the annual report of the Corporation to be presented to Parliament shortly.

**Redemptions.**

Funds for redemption purposes were obtained from the following sources:—

	£
Public Debt Repayment Account .. .. .	1,713,811
Sinking funds .. .. .	166,664
Other accounts .. .. .	6,330
Sale of State Advances Corporation stock, representing investments of—	£
Loan capital .. .. .	3,250,000
Public Debt Redemption Fund .. .. .	4,000,000
Deed of hypothecation over discharged Soldiers Settlement Account mortgages .. .. .	2,700,000
	<hr/>
	9,950,000
	<hr/>
	£11,836,805
	<hr/> <hr/>

The first three items in the table just referred to cover what might be termed “normal debt repayment operations.” Honourable members are doubtless aware of the provisions of the Repayment of the Public Debt Act, 1925, under which funds are provided from the Consolidated Fund each year for the repayment of debt. The last three items, under which funds for redemptions amounting to £9,950,000 were derived from the sale of State Advances Corporation securities, represent special operations arising out of the transfer of mortgages to the State Advances Corporation pursuant to the provisions of the original Mortgage Corporation of New Zealand Act, 1934–35, and the consequential liquidation of the old State Advances and the Discharged Soldiers Settlement Accounts.

Formerly the transferred mortgages were investments of moneys borrowed and forming part of the public debt, and of moneys from the Public Debt Redemption Fund. This fund was constituted under the Repayment of the Public Debt Act, 1925, of some closed sinking funds and certain amounts transferred to the Discharged Soldiers Settlement Account from the Consolidated Fund. In addition, the mortgage investments of the Discharged Soldiers Settlement Account were covered by a deed of hypothecation under which the amount due at 31st March, 1937, was £2,700,000. When these mortgages were transferred

to the newly-constituted State Advances Corporation in exchange for stock it became possible to sell £9,950,000 of this stock and to apply the proceeds in repayment of an equivalent amount of the public debt. In this way the deed of hypothecation was extinguished and other public debt to the amount of £7,250,000 was cancelled. In essence, the operations were exactly the same as though investments of any sinking fund were realized and the proceeds utilized to extinguish the debt against which the sinking fund was held.

It may be added that the reductions in the public debt thus effected were not all clear gain in that the interest saving on the debt repaid is largely offset by the loss of interest on the investments realized.

All Treasury Revenue Bills issued during the year were redeemed out of revenue by the 31st March, 1938.

No additional funds were raised abroad during the period under review, the policy of the present Government being to repay external loans as quickly as possible and to restrict borrowings to amounts required for conversion purposes. The effect of such a policy is reflected in savings in overseas interest charges. Thus for the year ended 31st March, 1936, the total cost under this heading amounted to £5,837,000, whereas for last financial year the comparable expenditure was £5,341,000, a reduction over the period of two years of no less than £496,000 per annum.

Rural Advances Bonds issued under the provisions of the Rural Advances Act, 1926, were secured upon the assets of the Rural Advances Branch of the old State Advances Account and did not form part of the public debt. As part of the liquidation of the State Advances Account, Rural Advances Bonds to the amount of £4,213,050 were made part of the public debt, but this was purely a technical adjustment and in no way increased the obligations of the Consolidated Fund.

The public debt as at 31st March, 1937, as shown in last year's Financial Statement, was £287,670,200. Details of other items of debt not included in this total are shown on pages 10 and 11 of the Public Accounts, B.—1 [Pt. III], 1936—37. Therein are set out the two items previously referred to: One, the deed of hypothecation over Discharged Soldiers Settlement Account mortgages amounting to £2,700,000; the other, Rural Advances securities totalling £4,213,050. If these debts are added to the public debt as shown in last year's Financial Statement the total will amount to £294,583,250. The reconciliation of the debt as shown for the respective years is as follows:—

	£	£
Public debt as per 1937 Financial Statement ..	287,670,200	
Deed of hypothecation over Discharged Soldiers Settlement securities .. .. .	2,700,000	
Rural Advances debentures and scrip certificates	4,213,050	
	—————	294,583,250
Repayment during 1937—38 .. .. .	11,836,805	
Loans raised 1937—38 .. .. .	7,454,897	
	—————	4,381,908
Public debt as at 31st March, 1938 ..		£290,201,342

The domicile of the public debt as at 31st March, 1938, was as follows:—

	£	Domicile of debt.
London .. .. .	156,857,016	
Australia .. .. .	882,600	
New Zealand .. .. .	132,461,726	
	—————	
	£290,201,342	

### PUBLIC WORKS.

Public works have, since the comparatively early days of New Zealand's history, occupied a prominent place in the national affairs, and it is not without significance that the periods of greatest relative prosperity have been those associated with a vigorous public-works policy.

Certain writers have laid down the principle that public works should be used as a kind of balancing factor to be extended in periods of depression and damped down during booms. The unconditional application of this formula is neither as simple nor as valid as may be imagined. Apart from the fact that a new public-works programme is slow to swing into action, with the result that a depression may get beyond immediate control, it is only in times of prosperity that, for instance, the demand for telephones and telegraph facilities is heavy, that more and better motoring facilities are urged, that increased housing is especially necessary, that the electricity load grows rapidly, that farmers are prepared to pay for irrigation and similar facilities, and that land development and settlement becomes especially worth while.

In any case the present Government does not subscribe to the view that public works should be regarded as a palliative to be undertaken only when private enterprise fails to provide the necessary facilities or to offer the required employment. The present Government's policy is to promote or expand public works on their individual merits as projects of public development.

During the depression years public works generally were woefully neglected, as a comparison of yearly expenditures will clearly indicate; roads and highways development was retarded, school buildings were allowed to fall below proper standards, construction of public buildings was brought almost to a standstill, with the result that to-day many Government offices throughout the Dominion are both overcrowded and out of date, and in the centres private accommodation on a large scale has had to be rented in order to provide for essential requirements. In public buildings alone there is justifiable scope for Government activity for many years to come, while in the meantime progress is limited only by the shortage of skilled labour.

#### Railways.

Adverting to the various classes of public works for which provision is made in the Estimates, the first major class is that of railways. On railway construction last year the sum of £1,120,218 was expended under the relative vote, while for the current year £1,440,000 is being allocated to enable the work on existing lines in both Islands to be continued, and also to permit of commencement of work on the Dargaville Branch and Paeroa-Pokeno lengths together with the requisite surveys and preliminary steps for the Rimutaka Tunnel and the Taneatua-Opotiki line.

The related programme of improvements and additions to open lines of railways is a large one for the current year in an effort to catch up on the shortage of wagons, locomotives, and other rolling-stock. Further work on the Christchurch new station and yard and on various deviations and duplications is also provided for. The year's expenditure is estimated at £3,746,000, comprising £2,844,000 from loan-moneys and the balance from depreciation and renewals reserves and revenue. Last year's net vote expenditure was £1,292,772.

#### Public buildings.

Apart from the housing programme, to which reference has already been made, the public buildings programme for this year is also extensive, the proposed expenditure amounting to £2,360,000, comprising £820,000 for school buildings of various descriptions and £1,540,000 for postal and telegraph buildings, for general departmental office buildings, for air defence, and for mental hospital buildings, courthouses, and police stations. General control is being exercised so that contracts for new buildings are let or withheld having due regard to the existing building activity in any particular locality and also to the supply of skilled tradesmen. Last year's net expenditure on education buildings was £546,846, and on other public buildings £687,702. As has already been indicated, there is an urgent necessity for additional accommodation in public buildings, while many of our school buildings reflect little credit on the Dominion.

#### Roads and highways.

The roading programme, which has always been an important question in New Zealand, is divided into two sections—main highways financed for the greater part from the Main Highways Account, and other roads financed from the Public Works Fund, the Consolidated Fund, and other resources. In earlier years activities were directed more to the construction of new routes, with or without metalling. The trend nowadays is towards the improvement of those routes by widening, metalling, sealing, deviations, or overbridges, as the case

may be. These works require a large proportion of labour and they result in continually decreasing operating costs for the motoring community. The Government has made special provision for the metalling of the more remote settlement roads, popularly termed the "backblock" roads, and the Public Works Statement will provide more detail of the substantial progress which has been made.

After receiving certain aid from revenue, last year's net expenditure from the vote for roads was £1,126,757, and this year it is proposed to provide £1,500,000. The expenditure from all Government sources on works on main highways for the current year is estimated at £5,037,200, compared with £4,031,728 for last year.

Land settlement and development—as represented by the various votes for lands improvement, irrigation and water-supply, swamp-land drainage, settlement of unemployed workers, native-land settlement, lands for settlement, and State forests—form a very large and important part of the public-works programme. The receipts from disposal of produce have increased substantially each year, and these are applied to operating-expenses and to further development. Good progress has been made with the establishment of selected workers on small farms while the native-land-settlement activities, which include the provision of new and better housing, are proving a splendid aid in solving the problem of settling the Maori in useful and productive work suited to his abilities and temperament. The Government has in hand a more active and organized policy in regard to afforestation, calling for substantially more expenditure, estimated at £640,000 for the year.

Land  
settlement  
and  
development.

The total expenditure for the current year on land settlement and development is estimated to be £3,081,500, of which £1,770,000 will be from loans, £898,000 from the Employment Promotion Fund, and £413,500 from the disposal of produce.

Hydro-electricity development is expected to involve much greater expenditure this year than for some years past, due mainly to the necessity for extensions in the Arapuni area and further plant at Waitaki as well as the additional headworks now in hand near Lake Waikaremoana. The demand for electricity continues to grow at a very healthy rate, and it is necessary to push on with extensions and new works in order to have sufficient installed capacity to meet that demand. The accounts for the past year disclose a surplus of approximately £390,000, after charging interest and depreciation, and this surplus will be applied to reduction of accumulated losses and to sinking fund purposes. The gross revenue for the current year is estimated at £1,550,000 against £1,450,000 for the previous year. Constructional expenditure is estimated at £1,192,000 this year, with £364,000 for working expenses, making a total (apart from interest) of £1,556,000. It is anticipated that £742,000 will require to be borrowed to meet this expenditure, the balance being found from revenue. The supply of electricity bids fair to become in the near future one of the most profitable of the State's commercial undertakings.

Hydro-  
electricity.

In summarized form the various classes of work and the year's estimated expenditure thereon is as follows:—

Expenditure  
1938-39.

	£
Railway construction and improvements ..	5,186,000
Highways and roads .. .. .	6,537,200
Public buildings .. .. .	2,360,000
Land settlement, development, and improvement ..	3,081,500
Hydro-electric development .. .. .	1,556,000
Telegraph and telephone extensions .. .. .	750,000
Other works (aerodromes, plant, and material, upkeep of buildings, &c.) .. .. .	1,249,000
Total .. .. .	<u>£20,719,700</u>

Of this total it is anticipated that £14,263,000 will require to be raised by loans, the balance being available from taxation, electricity sales, disposal of farm and forest produce, transfers from the Employment Promotion Fund, and from miscellaneous revenue sources.

It should be emphasized that the expenditure will not by any means be devoted wholly to new construction, sometimes termed capital works. On land-settlement schemes, highways, electrical works, and in State forests, farming, maintenance, operating, and working proceed contemporaneously with construction and extensions, and it would not give the whole picture of expenditure on public works if a part only of the outlays were discussed.

The Government is exercising every care to ensure that, other things being equal, New Zealand materials are built in to the construction, that importations are restricted to essentials, and that the best value is obtained for the moneys expended.

## SECONDARY INDUSTRIES.

**Secondary industries essential.**

If this Dominion is to possess a properly balanced economy it is essential that adequate attention should be given to the extension of secondary industries. Considerable progress has already been made in this connection, and every encouragement is given to the establishment of new industries and to the extension of existing ones, provided that on investigation they appear to be economically justifiable. To this end the Bureau of Industry set up in terms of the Industrial Efficiency Act, 1936, has made rapid progress in carrying out its statutory functions. The Act, honourable members may recollect, contains provision for the registration and licensing of industries, and empowers the Bureau of Industry to prepare plans for the reorganization of existing industries, the adoption of such plans, however, being entirely a matter for decision by the interests concerned.

**Iron and steel works.**

Basic industries naturally receive pride of place, as it is upon their success that the prosperity of so many others depends. A matter of far-reaching importance in this connection was the recent decision of the Government, after the most exhaustive consideration of authoritative reports, to establish an iron and steel works in the Dominion.

The establishment of an industry of the magnitude required, involves a large amount of investigational work on the ore-bodies, coal-supplies, and other minerals before the exact type of plant required and many other factors vital to the success of the industry can be determined with certainty. This preliminary work is now being pushed forward as quickly as possible.

A glance at other countries will show that steelworks give rise to numerous other industries manufacturing a wide variety of articles in which iron or steel is the raw material. In fact, it is not too much to say that iron and steel works are essential if our secondary industries are to be developed to a stage required to give us a properly balanced economy.

**Industrial Efficiency Act.**

The powers of licensing given by the Industrial Efficiency Act are designed to secure greater efficiency in any industry for the benefit of both consumers and producers by regulating new entrants into the industry concerned in accordance with economic considerations and by preventing the establishment of redundant units. The aim of the Government in this connection is to ensure a maximum measure of goods and of services to the consumer.

**Bureau of Industry.**

Although the Bureau has considered a number of applications from industries and individuals desiring the protection which licensing affords, there have been only two of these granted during the year ended 30th April, 1938, bringing the total number of industries licensed to sixteen. In each case a full examination of the particular industry is made, and the Bureau has recommended that an industry be brought within the licensing provisions of the Act only where it was convinced that licensing would be in the best interests of the industry and of the consuming public.

Two industrial plans prepared in accordance with Part II of the Industrial Efficiency Act have recently been put into operation, and Industrial Committees to administer those plans have been appointed. The industries concerned are flax and pharmacy. Pending a recovery in overseas prices, flax growers and millers have been assisted by subsidies and other means, while good progress has been made in regard to research and planting. The advantages of this latter type of assistance cannot, of course, be enjoyed immediately. In regard to the pharmacy industry, the plan of reorganization drafted by the Bureau was unanimously



accepted by the industry and has been adopted by the Government. Under the direction of the industry's own committee, pharmacists may look forward to considerable benefits, with a degree of stability and security which has been lacking in the past.

The retail sale and distribution of motor-spirit is subject to license and a large number of operators are engaged. During the year over 1,800 applications connected with this industry were considered either for new re-selling sites, installation of additional pumps, transfer of ownership or premises, or variation in the method of distribution. The preparation of a plan for this industry is at present under consideration.

The Department of Industries and Commerce has made extensive investigations into possible new industries. A number of these proposed industries have been found uneconomic of operation, but it is hoped that as a result of the Department's efforts several new activities may be commenced locally. Among these may be mentioned the preparation of unfermented fruit-juices, the manufacture of cream-separators, linen-fibre, linseed-oil, Leicester goods, beet-sugar, power alcohol, wallboards, and rubber tires. Reference was made last year to licenses issued to two companies to manufacture asbestos-cement products in the Dominion. One factory has commenced production, and the other is still actively engaged in developing a mine for the production of raw asbestos.

**New industries.**

During the year it was ascertained that a number of the local manufacturing industries, particularly footwear, were experiencing difficulties in continuing to compete with the products of overseas countries. Exhaustive inquiries and investigations were conducted and the fullest consideration given to the claims of these industries for some form of protection.

In consultation with the Governments of Australia, the United Kingdom, and Canada, adjustments were made in the rates of duty levied on importations of a number of commodities. Reports received since the adjustments were made indicate that manufacturing industries received great benefit from the added protection afforded them. Many have taken steps to expand their productive activities by engaging more workers, installing additional plant and machinery, and erecting new premises. In addition, a number of overseas manufacturers have taken steps for the manufacture of their products in New Zealand. The added protection granted has been a material factor in the encouragement of manufacturing activity in the Dominion to the advantage of both manufacturers and their employees.

A further important matter to which reference should be made is the activity resulting from the passing of the Petroleum Act last session. Consequent upon this legislation large sums have already been expended by private firms in prospecting for oil in the Dominion, and if these tests are successful—and there is every indication that the possibilities will be thoroughly investigated—the resulting industries will be of great economic importance to New Zealand.

**Prospecting for oil.**

### EMPLOYMENT PROMOTION.

The fact that modern States require to take special measures to promote employment is no new phenomenon, although it is only since the last depression that the problem has assumed such an important place in practical politics. In the depths of the depression the number of registered unemployed rose to as high as 79,500. To-day that number has been reduced to a total of 8,300. In addition, there are approximately 8,000 men who on account of their physical inability to work should not qualify for relief on account of unemployment, but until such time as the social security legislation is passed and the necessary administrative machinery established assistance is being provided for them from the Employment Promotion Fund. A number are suffering from temporary illness and after a time will be fit for work again. The majority are not totally and permanently incapacitated, and thus do not qualify for an invalidity pension, but at the same time there is very little prospect of their reabsorption into normal industry. These men will be more satisfactorily dealt with under the social security proposals.

The absorption of the unemployed into industry is essentially a slow process, and until this can be fully achieved it is the policy of the Government to find useful work for all fit able-bodied men on public works, land development, and local body works. Liberal subsidies have been granted out of the Employment Promotion Fund to local authorities to enable additional men, over and above their normal staff, to be engaged on the construction of playing-areas, drainage, sewerage, and other types of work which provide desirable public amenities which, but for such assistance, would be beyond the financial capacity of the ratepayers at the present time.

Past experience has shown that the payment of sustenance for lengthy periods not only destroys a man's ability to work, but in a number of cases the desire for work has also been lost. By providing worth-while work for the unemployed their industrial ability is maintained, and the possibilities of their absorption into permanent employment is thus enhanced.

**Employment  
Promotion  
Fund.**

The balance in the Fund at the beginning of last financial year was £253,000 which, together with revenue from taxation amounting to £5,105,000, interest and other miscellaneous receipts of £40,000, provided the sum of £5,398,000 for the promotion of employment during the year. Of the taxation revenue of £5,105,000 the sum of £448,850 was received from the registration levy, £3,027,480 from wages-tax, and £1,628,670 from the special charge on other income.

In last year's Budget it was estimated that the total revenue would amount to £5,180,000. The actual revenue was £5,145,000, which is £35,000 less than the estimate, and represents a variation of less than 1 per cent. of the total collections. Compared with the previous year, the revenue from taxation shows an increase of £880,000, equivalent to 20·83 per cent. The increase in the revenue from wages-tax was £436,650, or 16·85 per cent., and represents an increase during the year ended 31st March, 1938, in the amount of salaries and wages paid to persons liable for the tax of no less than £13,100,000. The increase in the revenue from the special charge on "other income" is £435,100 in excess of the receipts for the year ended 31st March, 1937. In the latter year, however, credit-notes to the extent of £36,866 (issued in the previous year to persons who had paid the whole year's tax at the rate of 10d. in the £1) were used towards payment of tax, and if this sum is added to the actual collections for the financial year 1936-37, the true increase in the revenue from the special charge on "other income" will be £398,267, equivalent to an increase of 32·36 per cent. This sum represents an increase during the year ended 31st March, 1937, in the incomes of persons liable for this charge, of £12,000,000.

Disbursements from the Fund for last year totalled £4,239,456, made up as follows:—

	£
Wages and other payments under various schemes ..	2,519,523
Food, clothing, and other necessities .. ..	7,564
Sustenance payments .. .. .	1,349,162
Sundry loans and grants .. .. .	72,919
Christmas bonus and other miscellaneous payments	55,288
Administration expenses .. .. .	235,000
	<hr/>
	£4,239,456
	<hr/> <hr/>

Revenue for the current year is estimated at £5,377,000, being an increase of £231,900 over last year's receipts. The balance in hand at the 1st April last was £1,158,890, so that the sum of £6,535,890 will be available for expenditure out of the Fund during the year.

The increased resources available has enabled the Government to offer work to practically all physically fit men who were unemployed. The results that have been achieved in this direction are most satisfactory, and before long all the fit men registered should be in full-time work.

## OVERSEAS COMMUNICATIONS.

The Empire Air Mail Scheme, to which New Zealand has been a contributing party from the inception, has now become an established fact, and from the 26th July letters for the Empire, with few exceptions, will be carried by air. For the present mail will be despatched from New Zealand by steamer to connect with the Australia-England service. Empire  
air mail.

The great benefit to New Zealand is that the new postage rate is 1½d. per half-ounce instead of the present 1s. 6d. The first despatch will leave Great Britain on the 28th July and is expected in New Zealand on the 17th August.

New Zealand's contribution towards the cost will be a fixed subsidy of £15,000 sterling per annum, together with a fixed mail payment of £28,000.

The air-mail postage rate for foreign countries is not altered so that the advantage of the service is restricted to Empire countries.

The letter postage rates from the inception of the service will be: British Empire (except Australia meanwhile), 1½d. per half-ounce; and foreign, 2½d. for the first ounce and 1½d. for each succeeding ounce.

Now that the Empire Air Mail Scheme between Great Britain and Australia is an accomplished fact, the Government is proceeding with the extension of the service to New Zealand. At present a discussion to finalize details is being held in London, and the Government hopes to be able to announce at a very early date that a contract has been let to cross the Tasman by air. At the beginning it is intended that the Tasman will be crossed twice-weekly each way with a possible extension to thrice-weekly. Trans-Tasman  
Air Service.

New Zealand's proportion of the capital in the operating company in respect of the Tasman service will be 39 per cent., the other proportions being held in the ratio of 38 per cent. by the United Kingdom and 23 per cent. by the Commonwealth of Australia. Of the 39 per cent. of shares allotted to New Zealand, the majority will be held by the Government.

Negotiations have been proceeding between the Governments of the United Kingdom, Australia, Canada, and New Zealand for the construction of two modern ships to replace the "Aorangi" and the "Niagara," now running between Sydney, Auckland, and Vancouver. It is hoped that at an early date these negotiations will be brought to a successful conclusion and that tenders will be called for the building of the two ships to maintain British trade in the Pacific. Trans-Pacific  
shipping.

## DEFENCE.

It is a striking commentary on modern civilization that, in spite of the development which has taken place in science and learning, the manufacture of armaments and preparation for war still absorbs a large proportion of every country's revenue.

In view, however, of the failure of the policy of disarmament adopted by the British Commonwealth of Nations, it is obvious that if our democratic institutions are to be maintained, rearmament is an urgent necessity, and the Government would be failing in its duty both to the citizens of New Zealand and to the British Commonwealth if it did not take its share of the expenditure necessary for defence.

It would, however, be both unwise and unnecessary to publish full details of the measures which the Government have taken to provide adequate defence for the Dominion, but in view of the increasing importance which such expenditure is assuming in our budgetary position a brief review would be appropriate at this stage.

In last year's Budget reference was made to the inauguration of an Air Defence scheme. This scheme provides for the establishment of two Operational Stations, a Flying Training School and a Stores and Repair Base, in addition to the formation of Territorial Squadrons and an Air Force Reserve. Air Defence.

With a view to organizing the scheme and in order to co-ordinate efficiently the administration of military and civil aviation, an Air Department was established by legislation last year. Much work has already been done at Wigram to convert the station into a Flying Training School. Additional buildings have been erected and others are now nearing completion. At Ohakea considerable progress has been made in the erection of the two hangars and contracts have been called for many other buildings. At Hobsonville additional buildings for the accommodation of personnel have been completed and contracts have been called for the buildings required for the custody of aircraft and stores and for the training of technical personnel. The site for the second Operational Station has been selected at Whenuapai, near Auckland, and surveys are now being proceeded with. It is anticipated that building work on this station will commence before the end of this year.

Much work was carried out during last financial year on matters relating to aviation, and during this financial year provision is being made in the estimates for an expenditure of £1,573,900. Of this sum £493,900 is from the Air Department's vote, £730,000 for capital expenditure from the Public Works Fund, and £350,000 from the Consolidated Fund for the development of aerodromes, emergency landing-grounds, and the provision of aeradio equipment.

**Military  
defence.**

On the military side particular attention has been paid to the question of strengthening the coastal defences, while certain new Territorial artillery units have been established. Orders were placed last year for various weapons, mechanized vehicles, and other military equipment to enable the most modern methods of training to be adopted by the Forces, and certain of the material is due to come to hand during the year. Work is in progress at the permanent camps at Narrow Neck, Ngaruawahia, Trentham, and Burnham to provide better facilities for territorial training and to fit these centres to carry out efficiently their functions as ordnance store depots.

The system under which single men are enabled to receive from three to six months' continuous military training is being continued and expanded. Such trainees benefit both mentally and physically and they will give added strength to the Territorial Force. The introduction of motorized transport and mechanized artillery equipment has made more interesting the methods of training of Territorials, and instruction is being given them by means of screen-training films. Provision is being made for the issue of a blue uniform to the Territorial Force, for an increase of regimental fund grants, and for the provision of recreational equipment. Further to encourage recruiting it is proposed to increase the pay and allowances of the Territorial Force, to grant pay for days occupied in travelling to and from camps and courses, as well as rail and tram fares to and from parades.

**Navy.**

In regard to the Navy, good progress has been made in reorganizing this service. Deliveries of material and machinery are now coming to hand, and the reconstruction of the storage and repair services at Devonport will be completed by the end of the year. The administration has been overhauled, and steps have been taken to give effect to the policy of maintaining an efficient unit consisting of two modern cruisers and ancillary services self-supporting as far as possible and working in close co-operation with Royal Navy and Royal Australian Navy units in these and neighbouring waters.

Details of the steps actually taken are reflected in the Naval Service estimates. The more important items include provision for completing the reconstruction works at the Naval Base and Kauri Point Armament Depot; for the entry of seamen under a short-service scheme of six years' active service followed by six years on the reserve; purchase of land for a naval barracks to replace "Philomel" as a naval depot; increase of oil fuel, ammunition, and stores reserves; and certain miscellaneous works involving a total of approximately £192,000 expenditure on reconstruction and development works and services.

## BUDGETARY POSITION FOR 1938-39.

I now come to the budgetary position for the current year:—

## EXPENDITURE.

The expenditure chargeable against the Ordinary Revenue Account of the Consolidated Fund for the current financial year is estimated at a total of £35,587,000. Full details are shown in the estimates, copies of which will be supplied to honourable members presently. Provision has also been made for £200,000 to cover supplementary estimates and contingencies.

After eliminating the amounts totalling £3,181,000, which are transferable to Main Highways Account and to local authorities—which amounts are offset by an equivalent amount of revenue—and allowing for the sum of £853,897 which was transferred to the general reserve last year, it will be noted that, on a comparative basis, the estimated expenditure exceeds last year's actual results by a total of £846,626. **Main highways.**

Debt services constitute the largest single item of expenditure, although one of the smallest items of increase. The debt charges for the current financial year are estimated at £9,544,000, an increase of £103,000 compared with last year's expenditure. The success of the Government's management of the public debt is shown by the fact that during the past three years debt charges have increased by an average of only £66,000 per annum in spite of the substantial capital works which have been carried out in the Dominion. **Debt services.**

The major portion of the comparative increase in expenditure arises in respect of annual votes. **Annual votes.**

As regards social services, comparative increases are provided for under practically all headings, and I propose to deal with these separately.

Under vote "Health" the comparative increase of £117,000 is accounted for principally by additional expenditure arising in connection with the milk-in-schools scheme (£67,000), and £16,000 for extending the scope of dental services throughout the Dominion. **Health.**

The milk-in-schools scheme reflects great credit on all concerned. The object of this service, under which milk is supplied to school-children free of charge to the parents concerned, is to improve the standard of health of the rising generation. Details regarding the results which have been achieved to date in this connection will be found in the Health Department's annual report.

The dental service now serves 1,600 schools, and 90,000 children receive regular dental attention. With the objective of making the service available to all primary schools, the Government is erecting a modern training centre in Wellington. One hundred and forty nurses are now in training and seventy-five are being appointed for training each year as against the previous maximum of forty. Provision has been made for the opening of dental clinics in twenty-three new centres during the year and fourteen existing centres are being strengthened by the appointment of additional staff. It is confidently expected that the service will be available to all primary schools within the next three years.

Vote "Education" is responsible for a comparative increase of £312,000, a large proportion being due to an increase in the number of teachers consequent upon the increased number of pupils attending the State schools, together with a reduction in the size of classes. **Education.**

The conveyance of primary and post-primary pupils to schools is being extended still further, and this with additional provision for boarding-allowances involves an estimated increase of £37,000 per annum.

Grants to University colleges have been substantially increased, and the cost of a new Chair in Public Administration at Wellington is being borne by the State.

Owing to the increase in the number of students at training colleges provision has been made for additional expenditure under this heading, while provision has also been made for the appointment of a Chief Physical Instructor and of several additional Instructors, in pursuance of the Government's policy of improving the physique of the rising generation.

Good progress has been made in the preparation of suitable text-books for schools, and additional provision has been made this year.

The country library service which was mentioned in last year's Budget is now in operation, and motor-vans with supplies of literature are being used to visit the more remote centres in both North and South Islands.

**Mental hospitals.**

The cost of maintaining the mental hospitals throughout the Dominion shows a comparative increase for the year of £22,000.

**Pensions.**

In regard to pensions, an additional £445,000 has been provided. The principal increases are invalidity pensions (£102,000) and old-age pensions (£355,000), while a reduction of £36,000 has been allowed for in respect of family allowances. The present invalidity pensions were introduced in 1936, and based on past experience a new form of pension usually increases rapidly for the first eighteen months or two years, after which the number of claims becomes more normal. In regard to old-age pensions, honourable members will recollect that last year the period of residential qualification was reduced, and in addition applications are still coming to hand as a result of an easing which was made in 1936 of the private-income qualification.

**Development of primary and secondary industries.**

Under the heading of "Development of Primary and Secondary Industries" an increase of £139,000 has been provided for, vote "Agriculture" being responsible for £104,000 and vote "Industries and Commerce, Tourist and Publicity" for £63,000. These increases are offset by savings in other votes under this heading.

**Defence.**

Defence expenditure accounts for a comparative increase of £396,000, for which the Navy is responsible for £41,000, the Army for £174,000, and the Air Service for the balance of £181,000. I have already dealt with these services, and further details will be found in the estimates.

### REVENUE.

The total revenue receivable during the current financial year is estimated at £35,845,000, which is £214,000 less than last year's actual receipts of £36,059,000.

Although there is thus comparatively little variation as regards total revenue, it will be noted from the Budget tables that larger variations are anticipated in the individual items.

**Customs.**

Customs duties for the current financial year are estimated to bring in £759,000 less than was received last year. It is common knowledge that there has been over-importation in the case of many classes of goods, and this has been allowed for in the current year's estimates. Taking the various factors into consideration, I am of the opinion that a reasonable estimate of Customs' revenue for the present financial year is £10,000,000.

**Sales tax.**

While the anticipated reduction in imports will have an effect on the revenue from sales-tax, it is considered that counteracting influences will show a quicker improvement than in the case of Customs revenue, and accordingly a reduction of only £99,000 has been allowed for, reducing the estimate for the year to a total of £3,400,000.

**Highways revenue.**

Highways revenue has been estimated at £3,200,000, compared with last year's receipts of £2,839,000 under this heading. At the 31st March last a total of 280,327 motor-vehicles were licensed, compared with 255,748 at the previous 31st March, and owing to the increased spending-power in the community it follows that the consumption of motor-spirits should show an increase over that of last year. I have accordingly allowed for an increase in highways revenue of £361,000.

Highways revenue, in addition to petrol-tax, includes tire-tax, fees and fines arising in respect of motor-vehicles, and mileage-tax and penalties imposed on electrically propelled and other types of motor-vehicles. In accordance

with the relative legislation, 92 per cent. of the net petrol and mileage taxes, together with penalties, is transferred to the Main Highways Account, while the remaining 8 per cent. is paid to boroughs. Thus the heading "Highways" is for all practical purposes "self-balancing," and on reference to the estimates it will be noted that the revenue under this heading is offset by a corresponding amount of expenditure.

The only other important variation under the heading of taxation is income-tax. Last financial year, as published statements have already indicated, the revenue exceeded the estimates by the substantial total of £1,579,000. This total was accounted for in part by payment of some £640,000 arrears owing in respect of previous years. Collection of these arrears had hitherto not been possible because of the financial difficulties encountered by many taxpayers whose prosperity has since been restored by the introduction of more stabilized conditions and the gradual improvement in manufacture and other industry since 1935. The total was also augmented as a result of active measures by the collecting authorities with a view to preventing evasions by those not disposed to meet their obligations voluntarily.

With no increase in the rates of taxation, I feel justified in estimating the taxation receivable during this financial year at £9,500,000. I would add that in arriving at this estimate due allowance has been made for the fact that more liberal provisions for the granting of relief to those to whom payment would cause hardship were placed on the statute-book at the beginning of the present year.

The remaining headings of revenue consist of "Interest" and "Other Receipts," estimated at £1,955,000 and £2,175,000 respectively.

"Interest" in this connection consists of recoveries from the Government Railways, representing the net surplus of revenue over expenditure for the year, interest on the capital liability of the Post and Telegraph Department, interest on Public Debt Redemption Fund moneys, together with dividends on the Government's holding of Bank of New Zealand shares, and miscellaneous items of which full details are published in the accounts.

The revenue which has been received during the first quarter of the present financial year indicates that to date the estimates are being very closely adhered to, and I am satisfied that they have not been computed on too optimistic a basis.

A summary of the position is as follows:—

				<i>Revenue.</i>			
Taxation—				£		Revenue, 1938-39.	
Customs	..	..	..	..	10,000,000		
Beer duty	..	..	..	..	1,000,000		
Sales-tax	..	..	..	..	3,400,000		
Film-hire tax	..	..	..	..	100,000		
Gold-export duty	..	..	..	..	100,000		
Highways	..	..	..	..	3,200,000		
Stamp and death duties	..	..	..	..	3,300,000		
Land-tax	..	..	..	..	1,075,000		
Income-tax	..	..	..	..	9,500,000		
Miscellaneous	..	..	..	..	40,000		
				£			
Total taxation				..	..	..	31,715,000
Interest recoveries				..	..	..	1,955,000
Other receipts				..	..	..	2,175,000
							35,845,000

Expenditure,  
1938-39.

		£	
		Total revenue ..	
		35,845,000	
		<i>Expenditure.</i>	
Permanent Appropriations—		£	£
Debt services .. ..	9,544,000		
Exchange .. ..	1,800,000		
Transfer of highways revenue	3,200,000		
Other permanent appropriations .. ..	521,000		
			15,065,000
Annual votes—			
Social services .. ..	12,774,000		
Other services .. ..	7,748,000		
			20,522,000
Supplementary estimates and contingencies..			200,000
			35,787,000
Estimated surplus .. ..			£58,000

### REVIEW OF GOVERNMENT'S ACHIEVEMENTS.

It is fitting that at this stage the opportunity should be taken of reviewing, very briefly, the Government's achievements to date.

The present Government came into office in December, 1935, with a definite policy "to organize an internal economy that would distribute the production and services of the Dominion in a way that would 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." At that time there was no less than 57,000 registered unemployed men in the Dominion. Taking into account their immediate family responsibilities, probably over 150,000 persons were directly affected through the breadwinner's inability to provide sufficient to maintain them at a reasonable standard of living. Those concerned need no reminder of the sufferings and hardships which were involved.

#### Public works.

This then was the problem to which the Government gave its immediate attention. An investigation was made without delay into possible public works throughout the Dominion with a view to making a commencement with those which could be justified economically and thus not only provide much-needed employment, but also create an asset which would be of lasting benefit. By such means and by the encouragement given to local industries, to which reference has already been made, the number of unemployed has now been reduced to what may reasonably be regarded as a normal pre-depression level, those who are physically incapable constituting a large proportion of the involuntarily unemployed.

#### Employment promotion.

Having thus taken steps to assist the unemployed in obtaining remunerative employment, and having increased the allowances to those who were still awaiting work, the Government turned its attention to those already in regular employment. Increased rates of pay were granted to public works employees, the powers of the Arbitration Court were restored, the forty-hour week in industry was instituted, the "cuts" in salaries and wages were restored in full, while pensions were increased and their scope enlarged.

#### Reserve Bank.

Attention was then given to the monetary system operating in the Dominion. The Reserve Bank was made a purely State Bank, the existing shareholders being bought out on the basis of the quoted price of the shares on the day of the election. The Government has now full control of banking and currency within the Dominion.

#### State Advances Corporation.

As in the case of the Reserve Bank, the Government bought out the shareholders of the Mortgage Corporation and reconstituted the organization as the State Advances Corporation. Provision was made for capital to be made available, on very advantageous terms, to borrowers for financing the purchase or erection of houses, farms, &c., and more recently funds have been provided for advancing to local authorities when moneys for capital purposes cannot be obtained from other sources at the standard interest rate of  $3\frac{1}{2}$  per cent. per annum.



An ambitious programme of construction of State rental houses was initiated by the Government and, as has already been shown, this has proved a most beneficial and successful policy.

The Government, having assumed control over the external marketing of butter and cheese, and stabilized the market, provided increased outlets for New Zealand produce, widened the spread of consignments over the various ports of the United Kingdom, and by improving the regulation of shipments from New Zealand has been able to effect substantial economies in interest, insurance, commission, and other charges. These benefits and savings must inevitably return to the producer.

**Primary products marketing.**

Within the Dominion the Government has taken over the wholesale marketing of dairy-produce with substantial benefit to both the wholesaler and the retailer as well as to the consumer and producer. Steps have been taken also to improve the marketing of honey, eggs, and fruit.

The legislation affecting mortgage adjustment was amended and consolidated with a view to hastening the conclusion of the protracted negotiations for adjusting over-mortgaged properties and rehabilitating mortgagors. Thirty-eight Adjustment Commissions, in addition to the Court of Review, were constituted to administer the Mortgagors and Lessees Rehabilitation legislation passed in 1936. Several of the Commissions have actually completed their work, but in some districts progress has necessarily been slower than in others owing to varying local conditions. Excellent progress is now being made, and it is expected that the work will be substantially completed by the end of the present year.

**Rehabilitation of mortgagors and lessees.**

The objective of the Government in its legislation and instructions to Adjustment Commissions was to so adjust the mortgages and other charges that the occupiers would be freed from a load of debt that they could never discharge whilst at the same time assuring mortgagees that the advances they have made were secured up to the value of each particular property. This procedure in the large majority of cases enabled the occupier to extend his production and the mortgagee to commence receiving, in so far as the security was productive, something in return for the money which had been loaned.

In addition to these manifold activities, the Government has paid particular attention to improving educational facilities, involving a substantial increase in expenditure. Additional and increased bursaries have been provided, facilities for the conveyance of children by road and rail have been extended, the allocation for school libraries has been increased, and additional scholarships have been provided for Maori children.

**Education.**

The health of the community has been the special care of the Government and, beginning with the school-children, a free milk-in-schools scheme was inaugurated. The results have been most gratifying. The school dental service has also been very materially extended, and a new training centre established. Additional School Medical Officers, Inspectors of Health, and District Nurses have also been appointed.

**Health services.**

May I emphasize three major policy decisions that have brought some joy into the lives of our people. The alteration of the pensions residential qualification from twenty-five years to ten years enabled 1,429 of our people to have some small sum to maintain themselves with an element of independence. The introduction of the pension for invalids removed fears and worries from the homes of over 10,000 of our people who were most in need of help, and the decision, under adequate safeguards, to pay widows' pensions to deserted wives removed difficulties that could not be removed in any other way.

**Pensions.**

One other significant item from the "Pensions" vote is the reduction in the number of mothers qualifying for family allowances. In May, 1937, a total of 8,995 were in receipt of such allowances, whereas in May of this year the total stood at 6,636. This reduction is all the more significant when one appreciates that the qualifying income has been raised.

**Family allowances.**

The defence of the Dominion has been considerably strengthened, particular attention being paid to the development of a strong Air Force.

**Defence.**

In the realms of transport the Government has pursued a vigorous and progressive policy of unification of control over main highways and co-ordination and rationalization of competing services. To-day over 4,000 miles of main

**Transport.**

highways are classified as State highways, for the maintenance of which the Main Highways Fund is responsible. Since the present Government has been in office local bodies have been afforded considerable relief, in this manner, from the burden of highways construction and maintenance.

**Railways.**

Improvements have in addition been carried out in regard to the Railways Service. In particular the Government had to face the legacy of delayed maintenance from depression years necessitating heavy expenditure on permanent ways, rolling-stock and railway equipment, in the interests of efficiency and the public safety.

**Overseas trade.**

In pursuance of its policy of safeguarding and, where possible, opening up new markets overseas for the Dominion's exports, the Government has entered into negotiations with a number of Empire and foreign countries. To date agreements have been successfully concluded with Germany, Holland, and Switzerland. The agreement with Canada has been extended and revised with immediately beneficial results so far as imports into Canada of New Zealand butter and meat are concerned; that with Australia has also been revised in New Zealand's favour. It is anticipated that discussions relative to trade matters which have recently taken place with the Governments of other countries—notably the United States of America and France—may result later in further agreements, while, as a result of lengthy negotiations with the United Kingdom Government, New Zealand's primary industries are now assured of scope for future expansion and development.

**Balanced Budget.**

These and the various other activities of the Government have naturally involved considerable additional expenditure, but it is satisfactory to note that they have all been carried out within the limits of a "balanced" Budget; in fact, in each of the years under review a surplus has resulted from the year's operations. The additional expenditure has been made possible almost entirely as the result of the expansion of the public revenues arising from the increased prosperity of the Dominion.

I will not burden you with a detailed statistical review of the improvement in economic conditions during the present Government's term of office. I would, however, draw your attention to merely a few of the more outstanding latest results compared with those quoted in the 1935 Budget. Thus the value of total production shows an increase from £98,800,000 to £136,100,000, farm production from £63,300,000 to £88,600,000, salaries and wages payments from £65,700,000 to £98,600,000. Land transfers have increased from £12,200,000 to £23,300,000, and net ton-miles run on the railways from 420,000,000 to 561,000,000. Further comparative details will be found in the statistical summary included in the Appendix.

May I, in conclusion, emphasize that the progressive development of the Dominion is dependent upon the extension of secondary industries—that, in anticipation of the completion of the major public works now in progress and those still to be commenced, we must have in being manufacturing establishments to make commodities that are exchangeable within the Dominion both for other forms of secondary production and for our primary products. This extension of secondary industries must synchronize with an increase in population and the gradual diversion of employment from the construction of means of communication to our land and our factories.

Housing facilities must be made available on or near our farms so that comfortable accommodation will be available to our farm workers as land-development and production are extended.

There are innumerable avenues for the extension of production which must be explored and utilized to the full.

**Reserve Bank.**

The Reserve Bank of New Zealand has made and can make major contributions to the development of the Dominion—the financing of the Dairy Industry Account and the provision of funds for housing are cases in point. The knowledge that, inside sound economic financing procedure, whatever funds are required for development and production of goods, if not otherwise available, can be provided by this means gives a stability to the finances of the Dominion that could not be obtained from any other source. The cost of financing Government operations in the Dominion has never been lower than it is to-day.

The Government has organized an excellent marketing system: It has brought an unparalleled stability to all major primary industries; and it has replaced with feelings of joy and security the fear and worry that was present in many hearts. The major task ahead of the Government is to extend the security of the primary producer while at the same time determining the steps necessary to bring a like security to our manufacturers and to their employees.

And now, Mr. Chairman and honourable members, my task for this evening is almost at an end. The Government has reached an important stage in its policy of raising the average level of well-being of the whole community and of providing an adequate measure of social security against the avoidable misfortunes which have in the past been experienced in many homes. Much has been done, as I have attempted to explain, but more still remains to be done. The Government looks forward to being able to complete its policy of bringing happiness and prosperity to all and, as stated in concluding the 1936 Budget, takes inspiration from the words of a great religious leader:—

“Hard indeed is the task set before you 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 for you to overcome, but do not for all that lose heart nor allow yourselves to be turned from your resolutions.”



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Table No. 3.

REVENUE FOR THE YEAR ENDED 31ST MARCH, 1938, COMPARED WITH THE YEAR ENDED 31ST MARCH, 1937.

				Year ended 31st March, 1938.	Year ended 31st March, 1937.	Increase.	Decrease.
				£	£	£	£
<b>Taxation—</b>							
Customs	..	..	..	10,758,733	9,499,254	1,259,479	..
Beer duty	..	..	..	978,437	841,585	136,852	..
Sales tax	..	..	..	3,499,131	3,044,613	454,518	..
Film-hire tax	..	..	..	82,377	72,209	10,168	..
Gold-export duty	..	..	..	105,412	108,793	..	3,381
Highways	..	..	..	2,838,711	2,503,111	335,600	..
Stamp and death duties	..	..	..	3,240,139	3,162,502	77,637	..
Land-tax	..	..	..	1,038,034	1,047,877	..	9,843
Income-tax	..	..	..	9,078,763	6,618,716	2,460,047	..
Miscellaneous	..	..	..	44,693	42,185	2,508	..
Total—Taxation	..	..	..	31,661,430	26,940,845	4,736,809	13,224
<b>Interest—</b>							
On capital liability—							
Working railways	..	..	..	632,797	903,858	..	271,061
Postal and telegraph	..	..	..	590,000	566,000	24,000	..
On Public Debt Redemption Fund	..	..	..	463,866	385,855	78,011	..
On other public moneys	..	..	..	454,702	531,405	..	76,703
Total—Interest	..	..	..	2,141,365	2,387,118	102,011	347,764
<b>Other receipts—</b>							
Registration and other fees	..	..	..	271,941	251,390	20,551	..
National-endowment revenue	..	..	..	154,319	152,632	1,687	..
Territorial revenue	..	..	..	290,964	298,812	..	7,848
External affairs	..	..	..	238,575	154,127	84,448	..
Justice	..	..	..	167,921	141,729	26,192	..
Marine	..	..	..	163,578	147,480	16,098	..
Native	..	..	..	5,839	6,237	..	398
Printing and Stationery	..	..	..	278,719	231,331	47,388	..
Profits of Trading Institutions	..	..	..	378,372	..	378,372	..
Stamp duties	..	..	..	68,700	64,253	4,447	..
Tourist and Health Resorts	..	..	..	117,945	101,809	16,136	..
Miscellaneous	..	..	..	98,511	259,170	..	160,659
Recoveries on account of expenditure of previous years				18,151	10,001	8,150	..
Recoveries on account of unauthorized expenditure of previous years				113	254	..	141
Total—Other receipts	..	..	..	2,253,648	1,819,225	603,469	169,046
						5,442,289	530,034
						530,034	..
Totals	..	..	..	36,059,443	31,147,188	4,912,255	..

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, 1938.

	Estimate for 1937-38.	Actual for 1937-38.	Difference.	
			More.	Less.
<b>Taxation—</b>	£	£	£	£
Customs .. .. .	10,500,000	10,758,733	258,733	..
Beer duty .. .. .	950,000	978,437	28,437	..
Sales tax .. .. .	3,650,000	3,499,131	..	150,869
Film-hire tax .. .. .	80,000	82,377	2,377	..
Gold-export duty .. .. .	105,000	105,412	412	..
Highways .. .. .	3,058,000	2,838,711	..	219,289
Stamp and death duties .. .. .	3,450,000	3,240,139	..	209,861
Land-tax .. .. .	1,000,000	1,038,034	38,034	..
Income-tax .. .. .	7,500,000	9,078,763	1,578,763	..
Miscellaneous .. .. .	45,000	44,693	..	307
<b>Total—Taxation .. .. .</b>	<b>30,338,000</b>	<b>31,664,430</b>	<b>1,906,756</b>	<b>580,326</b>
<b>Interest—</b>				
On capital liability—				
Working railways .. .. .	700,000	632,797	..	67,203
Postal and telegraph .. .. .	590,000	590,000	..	..
On Public Debt Redemption Fund .. .. .	500,000	463,866	..	36,134
On other public moneys .. .. .	495,000	454,702	..	40,298
<b>Total—Interest .. .. .</b>	<b>2,285,000</b>	<b>2,141,365</b>	<b>..</b>	<b>143,635</b>
<b>Other receipts—</b>				
Registration and other fees .. .. .	255,000	271,941	16,941	..
National-endowment revenue .. .. .	155,000	154,319	..	681
Territorial revenue .. .. .	305,000	290,964	..	14,036
External Affairs .. .. .	220,000	238,575	18,575	..
Justice .. .. .	170,000	167,921	..	2,079
Marine .. .. .	150,000	163,578	13,578	..
Native .. .. .	10,000	5,839	..	4,161
Printing and Stationery .. .. .	245,000	278,719	33,719	..
Profits of Trading Institutions .. .. .	360,000	378,372	18,372	..
Stamp duties .. .. .	65,000	68,700	3,700	..
Tourist and Health Resorts .. .. .	110,000	117,945	7,945	..
Miscellaneous .. .. .	100,000	98,511	..	1,489
Recoveries on account of expenditure of previous years	10,000	18,151	8,151	..
Recoveries on account of unauthorized expendi- ture of previous years	..	113	113	..
<b>Total—Other receipts .. .. .</b>	<b>2,155,000</b>	<b>2,253,648</b>	<b>121,094</b>	<b>22,446</b>
			<b>2,027,850</b>	<b>746,407</b>
			<b>746,407</b>	<b>..</b>
<b>Total revenue .. .. .</b>	<b>34,778,000</b>	<b>36,059,443</b>	<b>1,281,443</b>	<b>..</b>

Table No. 5.

ESTIMATED REVENUE OF THE CONSOLIDATED FUND (ORDINARY REVENUE ACCOUNT) FOR THE YEAR ENDING 31ST MARCH, 1939, COMPARED WITH THE ACTUAL REVENUE RECEIVED FOR THE YEAR ENDED 31ST MARCH, 1938.

	Estimate for 1938-39.	Actual for 1937-38.	Differences.	
			Increase.	Decrease.
<b>Taxation—</b>				
Customs .. .. .	£ 10,000,000	£ 10,758,733	..	758,733
Beer duty .. .. .	1,000,000	978,437	21,563	..
Sales tax .. .. .	3,400,000	3,499,131	..	99,131
Film-hire tax .. .. .	100,000	82,377	17,623	..
Gold-export duty .. .. .	100,000	105,412	..	5,412
Highways .. .. .	3,200,000	2,833,711	361,289	..
Stamp and death duties .. .. .	3,300,000	3,240,139	59,861	..
Land-tax .. .. .	1,075,000	1,038,034	36,966	..
Income-tax .. .. .	9,500,000	9,078,763	421,237	..
Miscellaneous .. .. .	40,000	44,693	..	4,693
<b>Total—Taxation</b> .. .. .	<b>31,715,000</b>	<b>31,664,430</b>	<b>918,539</b>	<b>867,969</b>
<b>Interest—</b>				
On capital liability—				
Working Railways .. .. .	500,000	632,797	..	132,797
Postal and Telegraph .. .. .	590,000	590,000	..	..
On the Public Debt Redemption Fund .. .. .	398,000	463,866	..	65,866
On other public moneys .. .. .	467,000	454,702	12,298	..
<b>Total—Interest</b> .. .. .	<b>1,955,000</b>	<b>2,141,365</b>	<b>12,298</b>	<b>198,663</b>
<b>Other receipts—</b>				
Registration and other fees .. .. .	291,000	271,941	19,059	..
National-endowment revenue .. .. .	140,000	154,319	..	14,319
Territorial revenue .. .. .	290,000	290,964	..	964
External Affairs .. .. .	235,000	238,575	..	3,575
Justice .. .. .	170,000	167,921	2,079	..
Marine .. .. .	155,000	163,578	..	8,578
Native .. .. .	5,000	5,839	..	839
Printing and Stationery .. .. .	310,000	278,719	31,281	..
Stamp duties .. .. .	65,000	68,700	..	3,700
Tourist and Health Resorts .. .. .	125,000	117,945	7,055	..
Profits of Trading Institutions .. .. .	259,000	378,372	..	119,372
Miscellaneous .. .. .	120,000	98,511	21,489	..
Recoveries on account of expenditure of previous years .. .. .	10,000	18,151	..	8,151
Recoveries on account of unauthorized expenditure .. .. .	..	113	..	113
<b>Total—Other receipts</b> .. .. .	<b>2,175,000</b>	<b>2,253,648</b>	<b>80,963</b>	<b>159,611</b>
			<b>1,011,800</b>	<b>1,226,243</b>
				<b>1,011,800</b>
<b>Totals</b> .. .. .	<b>35,845,000</b>	<b>36,059,443</b>	<b>..</b>	<b>214,443</b>

Table No. 6.

STAMP AND DEATH DUTY REVENUE FOR THE YEAR ENDED 31ST MARCH, 1938, COMPARED WITH THE YEAR ENDED 31ST MARCH, 1937.

Item.	Year Ended 31st March,		Increase.	Decrease.
	1938.	1937.		
	£	£	£	£
Adhesive stamps .. .. .	139,947	154,527	..	14,580
Duty on instruments .. .. .	392,829	347,738	45,091	..
Estate and succession duty .. .. .	1,576,483	1,616,247	..	39,764
Gift duty .. .. .	103,116	108,887	..	5,771
Impressed stamps, and duty on cheques .. .. .	227,326	211,150	16,176	..
Company licenses .. .. .	89,404	87,771	1,633	..
Sharebrokers' licenses .. .. .	2,092	2,068	24	..
Bank-note duty .. .. .	..	14,288	..	14,288
Totalizator revenue .. .. .	558,874	503,655	55,219	..
Amusements-tax .. .. .	98,646	70,564	28,082	..
Lottery duty .. .. .	20,883	20,153	730	..
Overseas-passenger duty .. .. .	26,673	22,148	4,525	..
Rates, fines, and miscellaneous .. .. .	3,866	3,306	560	..
			<b>152,040</b>	<b>74,403</b>
			<b>74,403</b>	<b>..</b>
<b>Totals</b> .. .. .	<b>3,240,139</b>	<b>3,162,502</b>	<b>77,637</b>	<b>..</b>



Table No. 7.

STATEMENT SHOWING CUSTOMS DUTIES COLLECTED FOR YEAR ENDED 31ST MARCH, 1938, COMPARED WITH THE YEAR ENDED 31ST MARCH, 1937.

	1937-38.	1936-37.	Increase.	Decrease.
	£	£	£	£
Tobacco, cigars, and cigarettes .. .. .	2,076,893	1,899,798	177,095	..
Spirits, wine, and beer .. .. .	902,188	846,907	55,281	..
Motor-vehicles and parts* .. .. .	972,574	979,490	..	6,916
Motor-spirit* .. .. .	1,531,706	1,355,075	176,631	..
Tea .. .. .	137,479	134,811	2,668	..
Sugar .. .. .	649,409	678,165	..	28,756
Other goods .. .. .	3,462,626	2,686,786	775,840	..
Primage duty .. .. .	298,986	319,614	..	20,628
Surtax .. .. .	726,872	598,608	128,264	..
			1,315,779	56,300
			56,300	..
Totals.. .. .	10,758,733	9,499,254	1,259,479	..

\* 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, 1938, COMPARED WITH THE FINANCIAL YEAR ENDED 31ST MARCH, 1937.

	Year ended 31st March, 1938.	Year ended 31st March, 1937.	Increase.	Decrease.
	£	£	£	£
Permanent Appropriations:—				
Under special Acts of Legislature,—				
Civil List .. .. .	28,802	28,472	330	..
Debt Services—				
Interest .. .. .	7,673,071	7,604,469	68,602	..
Amortization of debt—				
Sinking fund .. .. .	10,859	10,859	..	..
Repayment of Public Debt Act, 1925 .. .. .	1,679,774	1,624,508	55,266	..
Transfers to Loans Redemption Account .. .. .	51,620	66,115	..	14,495
Payments on guaranteed loans .. .. .	<i>Cr.</i> 24,633	<i>Cr.</i> 7,190	..	17,443
Securities redeemed .. .. .	205	5	200	..
Administration and management .. .. .	49,888	81,543	..	31,655
Total—Debt Services .. .. .	9,440,784	9,380,309	124,068	63,593
Other Services—				
Education .. .. .	99,540	95,526	4,014	..
Other grants and subsidies .. .. .	259,427	253,319	6,108	..
Salaries and honoraria .. .. .	72,212	71,135	1,077	..
Pensions .. .. .	44,771	43,692	1,079	..
Highways—				
Transfers to Main Highways Account .. .. .	2,646,532	2,333,753	312,779	..
Paid to boroughs .. .. .	163,827	154,265	9,562	..
Expenses of collecting, &c. .. .. .	24,818	21,425	3,393	..
Advances .. .. .	14,255	11,817	2,438	..
Other special Acts—				
Exchange on remittances of public moneys to or from countries overseas .. .. .	1,827,678	1,581,351	246,327	..
Miscellaneous .. .. .	143,934	113,435	30,499	..
Transfer to Reserve Fund Account .. .. .	853,897	..	853,897	..
Total—Other Services .. .. .	6,150,891	4,679,718	1,471,173	..
Total—Permanent Appropriations .. .. .	15,620,477	14,088,499	1,595,571	63,593

Table No. 8—continued.

STATEMENT OF THE ACTUAL NET EXPENDITURE OF THE CONSOLIDATED FUND (ORDINARY REVENUE ACCOUNT) FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 1938, COMPARED WITH THE FINANCIAL YEAR ENDED 31ST MARCH, 1937—continued.

	Year ended 31st March, 1938.	Year ended 31st March, 1937.	Increase.	Decrease.
	£	£	£	£
<b>Annual Appropriations :—</b>				
Vote,—				
Legislative .. .. .	102,268	106,840	..	4,572
Prime Minister's Department .. .. .	23,167	27,502	..	4,335
<b>Finance—</b>				
Treasury .. .. .	41,020	40,854	166	..
Customs .. .. .	126,624	112,098	14,526	..
Land and Income Tax .. .. .	165,998	140,180	25,818	..
Stamp Duties .. .. .	100,042	91,354	8,688	..
Audit .. .. .	39,960	36,121	3,839	..
<b>Total—Finance .. .. .</b>	<b>473,644</b>	<b>420,607</b>	<b>53,037</b>	<b>..</b>
<b>General Administration—</b>				
Public Service Commissioners' Office .. .. .	9,913	6,982	2,931	..
Internal Affairs .. .. .	509,582	368,003	141,579	..
External Affairs .. .. .	241,640	158,255	83,385	..
Printing and Stationery .. .. .	275,852	227,422	48,430	..
Marine .. .. .	157,803	123,423	34,380	..
Labour .. .. .	142,876	206,358	..	63,482
Native .. .. .	155,326	286,956	..	131,630
Valuation .. .. .	52,492	58,509	..	6,017
Electoral .. .. .	6,513	11,806	..	5,293
Census and Statistics .. .. .	32,260	63,809	..	31,549
<b>Total—General Administration .. .. .</b>	<b>1,584,257</b>	<b>1,511,523</b>	<b>310,705</b>	<b>237,971</b>
<b>Law and Order—</b>				
Justice and Prisons .. .. .	336,958	273,486	63,472	..
Crown Law Office .. .. .	7,583	7,419	164	..
Police .. .. .	601,482	496,978	104,504	..
<b>Total—Law and Order .. .. .</b>	<b>946,023</b>	<b>777,883</b>	<b>168,140</b>	<b>..</b>
<b>Defence—</b>				
Navy .. .. .	760,529	632,062	128,467	..
Army .. .. .	529,632	427,635	101,997	..
Air .. .. .	313,652	132,382	181,270	..
<b>Total—Defence .. .. .</b>	<b>1,603,813</b>	<b>1,192,079</b>	<b>411,734</b>	<b>..</b>
Maintenance of Public Works and Services .. .. .	1,093,782	1,174,991	..	81,209
<b>Development of Primary and Secondary Industries—</b>				
Lands and Survey .. .. .	384,974	401,900	..	16,926
Agriculture .. .. .	845,419	692,267	153,152	..
Industries and Commerce, Tourist, and Publicity .. .. .	385,546	176,808	208,738	..
Scientific and Industrial Research .. .. .	130,056	97,517	32,539	..
Mines .. .. .	31,062	28,923	2,139	..
Transport .. .. .	63,163	28,038	35,125	..
<b>Total — Development of Primary and Secondary Industries .. .. .</b>	<b>1,840,220</b>	<b>1,425,453</b>	<b>431,693</b>	<b>16,926</b>
<b>Social Services—</b>				
Health .. .. .	1,209,741	996,840	212,901	..
Mental Hospitals .. .. .	394,454	334,636	59,818	..
Education .. .. .	3,677,749	3,396,234	281,515	..
Pensions .. .. .	6,466,656	5,072,735	1,393,921	..
National Provident and Friendly Societies .. .. .	123,718	112,545	11,173	..
<b>Total—Social Services.. .. .</b>	<b>11,872,318</b>	<b>9,912,990</b>	<b>1,959,328</b>	<b>..</b>
Unauthorized Expenditure,—				
Services not provided for .. .. .	88,652	36,791	51,861	..
<b>Total—Annual Appropriations .. .. .</b>	<b>19,628,144</b>	<b>16,586,659</b>	<b>3,386,498</b>	<b>345,013</b>
			4,982,069	408,606
			408,606	..
<b>Total Expenditure .. .. .</b>	<b>35,248,621</b>	<b>30,675,158</b>	<b>4,573,463</b>	<b>..</b>

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, 1938.

	Net Appropriations, 1937-38.	Actual Net Expenditure, 1937-38.	Difference.	
			More.	Less.
	£	£	£	£
<b>PERMANENT APPROPRIATIONS :—</b>				
Under Special Acts of the Legislature,—				
Civil List .. .. .	30,600	28,802	..	1,798
<b>Debt services—</b>				
Interest .. .. .	7,629,525	7,673,071	43,546	..
Amortization of Debt—				
Sinking Fund .. .. .	10,859	10,859	..	..
Repayment of Public Debt Act, 1925 .. .. .	1,704,700	1,679,774	..	24,926
Transfers to Loans Redemption Account .. .. .	100	51,620	51,520	..
Securities redeemed .. .. .	1,000	205	..	795
Administration and Management .. .. .	50,970	49,888	..	1,082
Payments on Guaranteed Loans .. .. .	Cr. 1,385	Cr. 24,633	..	23,248
<b>Total—Debt services</b> .. .. .	<b>9,395,769</b>	<b>9,440,784</b>	<b>95,066</b>	<b>50,051</b>
<b>Other services—</b>				
Education .. .. .	99,540	99,540	..	..
Other Grants and Subsidies .. .. .	252,200	259,427	7,227	..
Salaries and Honoraria .. .. .	72,035	72,212	177	..
Pensions .. .. .	45,160	44,771	..	389
Highways .. .. .	3,658,500	2,835,177	..	223,323
Exchange .. .. .	1,790,000	1,827,678	127,678	..
Transfer to Reserve Fund Account .. .. .	..	853,897	853,897	..
Other Special Acts .. .. .	100,906	158,189	57,283	..
<b>Total—Other services</b> .. .. .	<b>5,328,341</b>	<b>6,159,891</b>	<b>1,046,262</b>	<b>223,712</b>
<b>TOTAL —PERMANENT APPROPRIATIONS..</b>	<b>14,754,710</b>	<b>15,620,477</b>	<b>1,141,328</b>	<b>275,561</b>
<b>ANNUAL APPROPRIATIONS :—</b>				
Vote,—				
Legislative .. .. .	114,161	102,268	..	11,893
Prime Minister's Department .. .. .	26,053	23,167	..	2,886
<b>Finance—</b>				
Treasury .. .. .	42,949	41,020	..	1,929
Customs .. .. .	132,637	126,624	..	6,013
Land and Income Tax .. .. .	169,330	165,998	..	3,332
Stamp Duties .. .. .	100,262	100,042	..	220
Audit .. .. .	46,104	39,960	..	6,144
<b>Total—Finance</b> .. .. .	<b>491,282</b>	<b>473,644</b>	<b>..</b>	<b>17,638</b>
<b>General Administration—</b>				
Public Service Commissioner's Office .. .. .	10,251	9,913	..	338
Internal Affairs .. .. .	472,534	509,582	37,048	..
External Affairs .. .. .	250,766	241,640	..	9,126
Printing and Stationery .. .. .	264,539	275,852	11,313	..
Marine .. .. .	173,424	157,803	..	15,621
Labour .. .. .	137,005	142,876	5,871	..
Native .. .. .	154,597	155,326	729	..
Valuation .. .. .	62,770	52,492	..	10,278
Electoral .. .. .	10,042	6,513	..	3,529
Census and Statistics .. .. .	34,909	32,260	..	2,649
<b>Total—General Administration</b> .. .. .	<b>1,570,837</b>	<b>1,584,257</b>	<b>54,961</b>	<b>41,541</b>
<b>Law and Order—</b>				
Justice and Prisons .. .. .	353,726	336,958	3,232	..
Crown Law Office .. .. .	7,989	7,583	..	406
Police .. .. .	610,916	601,482	..	9,434
<b>Total—Law and Order</b> .. .. .	<b>952,631</b>	<b>946,023</b>	<b>3,232</b>	<b>9,840</b>
<b>Defence—</b>				
Navy .. .. .	739,851	760,529	20,678	..
Army .. .. .	550,000	529,632	..	20,368
Air .. .. .	315,000	313,652	..	1,348
<b>Total—Defence</b> .. .. .	<b>1,604,851</b>	<b>1,603,813</b>	<b>20,678</b>	<b>21,716</b>
Maintenance of Public Works and Services .. .. .	1,178,300	1,093,782	..	84,518

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, 1938—*ctd.*

	Net Appropriations, 1937-38.	Actual Net Expenditure, 1937-38.	Difference.	
			More.	Less.
	₹	₹	₹	₹
ANNUAL APPROPRIATIONS— <i>continued.</i>				
Vote— <i>continued.</i>				
Development of Primary and Secondary Industries—				
Lands and Survey .. .. .	402,277	384,974	..	17,303
Agriculture .. .. .	876,765	845,419	..	31,346
Industries and Commerce, Tourist and Publicity	394,620	385,546	..	9,074
Scientific and Industrial Research .. .. .	136,544	130,056	..	6,488
Mines .. .. .	46,381	31,062	..	15,319
Transport .. .. .	68,051	63,163	..	4,888
Total—Development of Primary and Secondary Industries	1,924,638	1,840,220	..	84,418
Social Services—				
Health .. .. .	1,150,230	1,209,741	59,511	..
Mental Hospitals .. .. .	404,173	394,454	..	9,719
Education .. .. .	3,816,970	3,677,749	..	139,221
Pensions .. .. .	6,612,919	6,466,656	..	146,263
National Provident and Friendly Societies ..	123,803	123,718	..	85
Total—Social Services .. .. .	12,108,095	11,872,318	59,511	295,288
Unauthorized Expenditure,—				
Services not provided for .. .. .	..	88,652	88,652	..
TOTAL—ANNUAL APPROPRIATIONS .. .. .	19,970,848	19,628,144	227,034	569,738
			1,368,362	845,299
TOTAL EXPENDITURE .. .. .	34,725,558	35,248,621	523,063	..

Table No. 10.

ESTIMATED NET EXPENDITURE OF THE ORDINARY REVENUE ACCOUNT FOR THE YEAR ENDING 31ST MARCH, 1939, COMPARED WITH ACTUAL NET EXPENDITURE FOR THE YEAR ENDED 31ST MARCH, 1938.

	Estimate for 1938-39.	Actual for 1937-38.	Difference.	
			Increase.	Decrease.
	£	£	£	£
<b>Permanent Appropriations,—</b>				
Civil List .. .. .	30,400	28,802	1,598	..
<b>Debt services—</b>				
Interest .. .. .	7,700,063	7,673,071	26,992	..
Sinking Fund .. .. .	10,859	10,859	..	..
Repayment of Public Debt .. .. .	1,782,014	1,679,774	102,240	..
Administration and Management .. .. .	50,450	49,888	562	..
Payments of Guaranteed Loans, Redemptions, and Transfers .. .. .	850	27,192	..	26,342
<b>Total—Debt services .. .. .</b>	<b>9,544,236</b>	<b>9,440,784</b>	<b>129,794</b>	<b>26,342</b>
<b>Under Special Acts of the Legislature—</b>				
Education .. .. .	101,721	99,540	2,181	..
Salaries and Honoraria .. .. .	75,665	72,212	3,453	..
Pensions .. .. .	45,428	44,771	657	..
Highways .. .. .	3,181,000	2,835,177	345,823	..
Exchange .. .. .	1,800,000	1,827,678	..	27,678
Transfer to Reserve Fund Account .. .. .	..	853,897	..	853,897
Other Special Acts .. .. .	286,900	417,616	..	130,716
<b>Total—Permanent appropriations .. .. .</b>	<b>5,490,714</b>	<b>6,150,891</b>	<b>352,114</b>	<b>1,012,291</b>
<b>Annual Appropriations,—</b>				
Legislative .. .. .	102,350	102,268	82	..
Prime Minister's Department .. .. .	24,395	23,167	1,228	..
<b>Finance—</b>				
Treasury .. .. .	46,099	41,020	5,079	..
Customs .. .. .	130,253	126,624	3,629	..
Land and Income Tax .. .. .	120,252	165,998	..	45,746
Stamp Duties .. .. .	100,125	100,042	83	..
Audit .. .. .	44,950	39,960	4,990	..
<b>Total—Finance .. .. .</b>	<b>441,679</b>	<b>473,644</b>	<b>13,781</b>	<b>45,746</b>
<b>General Administration—</b>				
Public Service Commissioners' Office .. .. .	14,070	9,913	4,157	..
Internal Affairs .. .. .	481,456	509,582	..	28,126
External Affairs .. .. .	201,329	241,640	..	40,311
Printing and Stationery .. .. .	279,655	275,852	3,803	..
Marine .. .. .	177,497	157,803	19,694	..
Labour .. .. .	103,330	142,876	..	39,546
Native .. .. .	108,800	155,326	..	46,526
Valuation .. .. .	55,260	52,492	2,768	..
Electoral .. .. .	105,769	6,513	99,256	..
Census and Statistics .. .. .	35,300	32,260	3,040	..
<b>Total—General Administration .. .. .</b>	<b>1,562,466</b>	<b>1,584,257</b>	<b>132,718</b>	<b>154,509</b>
<b>Law and Order—</b>				
Justice and Prisons .. .. .	339,000	336,958	2,042	..
Crown Law .. .. .	8,282	7,583	699	..
Police .. .. .	621,000	601,482	19,518	..
<b>Total—Law and Order .. .. .</b>	<b>968,282</b>	<b>946,023</b>	<b>22,259</b>	<b>..</b>
<b>Defence—</b>				
Navy .. .. .	802,196	760,529	41,667	..
Army .. .. .	703,904	529,632	174,272	..
Air .. .. .	493,900	313,652	180,248	..
<b>Total—Defence .. .. .</b>	<b>2,000,000</b>	<b>1,603,813</b>	<b>396,187</b>	<b>..</b>
<b>Maintenance of Public Works and Services .. .. .</b>	<b>668,972</b>	<b>1,093,782</b>	<b>..</b>	<b>424,810</b>
<b>Development of Primary and Secondary Industries—</b>				
Lands and Survey .. .. .	312,913	384,974	..	72,061
Agriculture .. .. .	949,900	845,419	104,481	..
Industries and Commerce, Tourist, and Publicity .. .. .	448,948	385,546	63,402	..
Scientific and Industrial Research .. .. .	149,900	130,056	19,844	..
Mines .. .. .	38,000	31,062	6,938	..
Transport .. .. .	79,600	63,163	16,437	..
<b>Total—Development of Primary and Secondary Industries .. .. .</b>	<b>1,979,261</b>	<b>1,840,220</b>	<b>211,102</b>	<b>72,061</b>
<b>Social Services—</b>				
Health .. .. .	1,327,398	1,209,741	117,657	..
Mental Hospitals .. .. .	416,800	394,454	22,346	..
Education .. .. .	3,989,900	3,677,749	312,151	..
Pensions .. .. .	6,911,200	6,466,656	444,544	..
National Provident and Friendly Societies .. .. .	129,120	123,718	5,402	..
<b>Total—Social Services .. .. .</b>	<b>12,774,418</b>	<b>11,872,318</b>	<b>902,100</b>	<b>..</b>
<b>Services not provided for .. .. .</b>	<b>..</b>	<b>88,652</b>	<b>..</b>	<b>88,652</b>
<b>Total—Annual appropriations .. .. .</b>	<b>20,521,823</b>	<b>19,628,144</b>	<b>1,679,457</b>	<b>785,778</b>
<b>Total—Permanent appropriations .. .. .</b>	<b>..</b>	<b>..</b>	<b>2,162,963</b>	<b>1,824,411</b>
<b>Total .. .. .</b>	<b>35,587,173</b>	<b>35,248,621</b>	<b>338,552</b>	<b>..</b>

**Table No. 11.**  
**PUBLIC WORKS FUND.**

STATEMENT SHOWING THE NET EXPENDITURE UNDER APPROPRIATIONS FOR THE YEAR ENDED  
31ST MARCH, 1938, COMPARED WITH THE YEAR ENDED 31ST MARCH, 1937.

Vote	Year ended 31st March, 1938.	Year ended 31st March, 1937.	Increase.	Decrease.
	£	£	£	£
Public Works, Departmental .. ..	186,955	137,748	49,207	..
Railway-construction .. ..	1,120,218	586,982	533,236	..
Railways Improvement and Additions to Open Lines	1,292,772	432,112	860,660	..
Public Buildings—				
General .. ..	261,017	58,565	202,452	..
Courthouses .. ..	16,403	2,655	13,748	..
Education Buildings .. ..	546,846	268,884	277,962	..
Prison Buildings and Works .. ..	9,476	4,621	4,855	..
Police-stations .. ..	11,086	7,149	3,937	..
Postal and Telegraph .. ..	248,145	158,005	90,140	..
Mental Hospital Buildings .. ..	125,829	142,109	..	16,280
Health and Hospital Institutions .. ..	15,747	12,921	2,826	..
Lighthouses .. ..	8,260	630	7,630	..
Harbour-works .. ..	3,417	669	2,748	..
Development of Tourist Resorts .. ..	23,159	16,789	6,370	..
Roads, &c. .. ..	1,126,757	913,720	213,037	..
Telegraph Extension .. ..	312,261	232,512	79,749	..
Lands, Miscellaneous .. ..	147,436	62,673	84,763	..
Irrigation, Water-supply, and Drainage .. ..	71,659	11,062	60,597	..
Swamp Land Drainage .. ..	19,402	24,965	..	5,563
Settlement of Unemployed Workers .. ..	310,665	92,016	218,649	..
Native Land Settlement .. ..	254,827	112,319	142,508	..
Dairy Industry Loans .. ..	4,565	30,510	..	25,945
<b>Totals, annual appropriations</b>	<b>6,116,902</b>	<b>3,309,616</b>	<b>2,855,074</b>	<b>47,788</b>
Unauthorized—				
Services not provided for .. ..	1,128	21	1,107	..
<b>Totals .. ..</b>	<b>6,118,030</b>	<b>3,309,637</b>	<b>2,856,181</b> <b>47,788</b>	<b>..</b>
			<b>2,808,393</b>	

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, 1938.

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	..	5,061,533	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	..	2,126,013	12	6			
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	..	3,000,000	0	0			
Finance Act (No. 3), 1934, Section 2	..	4,000,000	0	0			
Finance Act (No. 2), 1936, Section 2	..	3,419,644	13	11			
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	5,518	10	10				
Account							
Education Loans Account	..	12,867	3	9			
Railways Improvement Authorization Act 1914	420,783	17	4				
Account							
Native Land Settlement Account	..	3,445	4	10			
	£	s.	d.				
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
Carried forward	..				118,614,732	0	2

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, 1938—continued.

WAYS AND MEANS—continued.		£	s. d.	£	s. d.
Brought forward .. .. .				118,614,732	0 2
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		
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 .. .. .		70,838	6 11		
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 .. .. .		32,548	8 7		
Settlement of Unemployed Workers .. .. .		176,240	14 9		
Receipts under Section 12 of Native Land Amendment Act, 1932 .. .. .		40,092	12 2		
Agriculture (Emergency Powers) Act, 1934, Section 26 .. .. .		1,785	10 4		
Finance Act, 1932 (No. 2), Section 6—					
Transfer from Land for Settlements Account .. .. .		2,008	11 5		
Finance Act, 1932 (No. 2), Section 16—					
Transfer from Land for Settlements Account .. .. .		43	6 8		
Transfer from State Forests Account .. .. .		14	17 1		
Receipts under the Native Housing Act, 1935 .. .. .		533	17 7		
				15,930,824	18 4
NET EXPENDITURE.				£134,545,556	18 6
Expenditure on—					
Immigration .. .. .		3,312,768	17 6		
Public Works, Departmental .. .. .		3,380,542	2 10		
Railways, including Surveys of New Lines and Payment to Midland Railway Bondholders .. .. .		60,013,255	10 3		
Roads .. .. .		25,026,359	4 0		
Land-purchases .. .. .		2,054,023	13 8		
Settlement of Unemployed Workers .. .. .		1,067,166	11 1		
Development of Mining .. .. .		879,714	10 11		
Telegraph Extension .. .. .		12,300,690	8 8		
Public Buildings .. .. .		13,978,530	0 6		
Lighthouses, Harbour-works, and Harbour-defences .. .. .		1,334,821	19 7		
Contingent Defence .. .. .		1,401,040	1 8		
Rates on Native Lands .. .. .		68,671	16 10		
Thermal Springs .. .. .		14,599	13 2		
Development of Tourist Resorts .. .. .		757,084	12 10		
Lands Improvement .. .. .		1,117,080	4 9		
Swamp Land Drainage .. .. .		100,283	3 4		
Plant, Material, and Services .. .. .		139,344	4 11		
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 .. .. .		1,385,899	17 0		
Motor Transport Service .. .. .		33,635	5 3		
Transfer to Main Highways Account, Construction Fund .. .. .		1,226,000	0 0		
Native Land Settlement .. .. .		696,717	2 9		
Dairy Industry Loans .. .. .		45,824	13 0		
				134,391,696	6 1
Balance on 31st March, 1938,—					
Cash in the Public Account .. .. .		137,015	12 5		
Investments .. .. .		16,845	0 0		
				153,860	12 5
				£134,545,556	18 6

Table No. 13.

STATEMENT SHOWING THE AMOUNT CHARGED TO "UNAUTHORIZED" IN EACH FINANCIAL YEAR FROM 1ST APRIL, 1928, TO 31ST MARCH, 1938.

FINANCIAL YEAR.	CONSOLIDATED FUND.—REVENUE ACCOUNT.			OTHER ACCOUNTS.	PUBLIC WORKS FUND.		TOTAL.	
	Services not provided for.	Excess of Votes.	Total.		£	s. d.	£	s. d.
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 ..	17,313 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		
1936-1937 ..	36,790 15 3	113,473 1 4	150,263 16 7	81,170 9 10	2,002 19 6	233,437 5 11		
1937-1938 ..	88,651 10 2	41,823 6 0	130,474 16 2	5,600 2 8	14,120 10 9	150,195 9 7		



Table No. 14.

STATEMENT SHOWING THE AVAILABLE FINANCIAL RESOURCES OF THE VARIOUS ACCOUNTS ON THE 31ST MARCH, 1938, AS COMPARED WITH THE 31ST MARCH, 1937.

Account.	1938.			1937.		
	Balance on 31st March, 1938.	Liabilities on 31st March, 1938.	Unexhausted Authority for raising Loan on 1st April, 1938.	Balance on 31st March, 1937.	Liabilities on 31st March, 1937.	Unexhausted Authority for raising Loan on 1st April, 1937.
	£	£	£	£	£	£
Consolidated Fund—						
Ordinary Revenue .. .. .	1,769,487	469,016	500,000	958,665	437,859	500,000
Public Works Fund—						
General Purposes .. .. .	153,861	565,011	8,580,355	2,118,026	812,778	6,555,081
Electric Supply .. .. .	63,055	133,788	1,517,590	143,634	95,131	1,517,590
Electric Supply Sinking Fund .. .. .	11,680	..	..	13,430	..	..
Bank of New Zealand Shares .. .. .	1,859,375	..	..	1,859,375	..	..
Discharged Soldiers Settlement .. .. .	..	..	..	334,007	1,457	..
Employment Fund Promotion .. .. .	1,158,890	139,075	..	253,245	189,621	..
Iron and Steel Industry Account .. .. .	..	..	5,000,000	..	..	..
Land for Settlements .. .. .	668,714	1,564	6,278,000	484,603	2,601	6,278,000
Loans Redemption .. .. .	859,624	..	..	74,519	..	..
Main Highways Account .. .. .	62,265	316,135	2,375,600	74,327	275,378	2,052,400
Public Debt Repayment .. .. .	5,757	..	..	39,795	..	..
Reserve Fund .. .. .	1,241,075	..	..	363,524	..	..
Samoan Loan Suspense .. .. .	..	..	4,800	..	..	4,800
Silver and Bronze Coinage Account .. .. .	..	..	..	696,635	..	..
State Coal-mines .. .. .	11,956	21,421	105,000	70,403	23,070	55,000
State Coal-mines Sinking Fund .. .. .	9,526	..	..	9,182	..	..
State Forests .. .. .	92,891	11,390	210,225	45,352	8,842	410,225
Working Railways .. .. .	1,057,235	435,014	..	1,301,739	390,122	..
State Advances Loan .. .. .	..	..	..	..	..	8,714,250
Housing Account .. .. .	..	..	4,550,000	..	..	6,150,000
<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
<b>Totals .. .. .</b>	<b>9,025,391</b>	<b>2,092,414</b>	<b>29,242,570</b>	<b>8,840,461</b>	<b>2,236,859</b>	<b>32,358,346</b>

Table No. 15.

## PENSIONS.

STATEMENT OF AMOUNTS PAID ON ACCOUNT OF PENSIONS FOR THE FINANCIAL YEARS ENDED 31ST MARCH FROM 1934 TO 1938.

	Year ended 31st March,				
	1934.	1935.	1936.	1937.	1938.
	£	£	£	£	£
War .. .. .	1,246,441	1,264,110	1,349,447	1,483,345	1,597,524
Old-age .. .. .	1,350,982	1,519,889	1,718,601	2,413,103	3,235,057
Widows' .. .. .	302,020	296,565	311,864	412,280	471,287
Miners' .. .. .	56,810	58,740	67,834	83,253	88,167
Maori War .. .. .	4,522	3,607	2,577	1,972	1,806
Epidemic .. .. .	3,290	1,983	907	253	14
Civil Service Act, 1908 .. .. .	5,917	5,211	4,676	4,106	3,632
Defence Act, 1909 .. .. .	2,163	2,084	2,127	2,067	1,991
Judicature Act, 1908 .. .. .	2,272	2,682	3,222	2,753	2,111
Police .. .. .	1,384	1,449	1,575	1,849	1,820
Blind .. .. .	19,306	21,227	22,991	6,181	..
Family Allowance .. .. .	146,766	152,818	149,043	130,730	106,402
War Veterans' Allowances .. .. .	..	..	16,544	110,667	161,267
Sundry .. .. .	8,022	7,989	8,256	9,290	8,623
Invalidity .. .. .	..	..	..	278,579	632,829
<b>Totals .. .. .</b>	<b>3,149,895</b>	<b>3,338,354</b>	<b>3,659,664</b>	<b>4,940,428</b>	<b>6,312,530</b>

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 1937-38.

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.				
	£	£	£	£	£	£	£	£	£	s.	d.
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	4½
1936-37 ..	..	95,526	3,348,449†	88,713	169,362	268,884	..	3,970,984	2	10	3
1937-38 ..	..	99,540	3,629,906‡	159,955	177,178	546,434	..	4,613,013	2	17	1

\* Net revenue after deducting expenses and cost of collection.

† Includes £80 charged to "Unauthorized."

‡ On census results.

§ Includes £11 charged to "Unauthorized."

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

	£
Post-primary schools .. .. .	40,290
University colleges .. .. .	19,744
	<hr/>
	£60,034

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
1936-37 .. .. .	6,831
1937-38 .. .. .	7,952

Table No. 17.  
STATE BALANCE-SHEET AS AT 31ST MARCH, 1937.

<i>Liabilities.</i>			<i>Assets.</i>		
	£	s. d.		£	s. d.
Capital—			Land and buildings, including Crown, settlement, and endowment land, departmental land and buildings	41,297,285	12 3
Public debt*	290,370,199	11 10	State forests, nurseries, and plantations	39,440,629	13 8
Rural Advances bonds	4,213,050	0 0	Railways, including permanent-way and works, rolling-stock, and unopened lines	60,562,282	2 8
Employment Promotion Fund	566,170	4 2	Telegraphs, telephones, and wireless systems	11,485,960	16 4
Public Debt Redemption Fund	17,225,644	10 6	Electrical schemes	15,370,810	11 2
Dairy Industry Account overdraft—			Drainage and irrigation schemes	4,644,117	8 11
Primary Products Marketing	6,171,503	6 6	Collieries, sawmills, quarries, &c.	447,672	12 4
Internal Marketing	54,405	2 1	Armament and military stores, aviation equipment	2,779,025	1 4
	6,225,908	8 7	Oyster-beds, fish-hatcheries, equipment, &c.	123,091	6 7
Creditors—			Wharves, bridges, harbour-works, lighthouses, &c.	709,658	19 4
Sundry	3,081,797	17 4	Plant, material, and furniture	3,900,029	0 4
Interest on public debt accrued but not due*	2,270,510	18 1	Libraries, books, museum exhibits, stationery, stamps, &c.	182,760	10 2
Wages and other payments accrued	15,359	18 10	Live and dead stock, farm crops, &c.	436,717	6 10
Payments in advance, &c.	323,462	11 0	Government steamers, launches, motor-cars, &c.	521,895	14 10
Reserves—			Advances on loan or mortgage	4,380,109	12 2
General	4,258,449	12 7	Dairy-produce on hand, &c.†	6,171,503	6 6
Sinking fund and reserves for loan-redemption	2,715,371	17 10	Debtors—		
Depreciation	6,575,695	0 6	Sundry	3,179,070	16 4
Fire, accident, and marine insurance, bad debts, &c.	973,059	11 4	Unpaid purchase-price of land and buildings, and interest thereon	1,370,211	13 4
Amount held on deposit	756,435	1 3	Postponed rents, &c.	101,506	16 10
Suspense Account	222,141	7 2	Interest and rent, due and unpaid, and due and accrued	1,329,542	1 2
Post Office investment and war-loan certificates	790,696	3 8	Special investments—		
Miscellaneous liabilities	91	4 5	Nauru phosphate rights	565,040	0 0
Excess of assets over liabilities	66,469,757	2 1	Bank of New Zealand shares	2,109,375	0 0
			Reserve Bank of New Zealand	1,626,081	5 0
			Public Trust Office (Public Debt Redemption Fund, &c.)	7,966,688	11 2
			Crown interest in State Advances Corporation	54,217,881	0 2
			Special assets of various accounts—		
			Native land schemes, &c.	1,083,677	3 8
			Unallocated loan charges	552,140	8 6
			Payments in advance	417,466	11 8
			Properties acquired by Crown and properties in course of realization	618,968	17 1
			Investments—		
			Reserve Fund	357,897	0 10
			Sinking funds	640,015	3 0
			Miscellaneous, including investment of Treasury accounts	7,518,693	7 0
			National Development Account—		
			Expenditure on—		
			Main highways, roads, &c.	32,002,001	3 9
			Development of mining	867,467	15 11
			Education, &c.	8,752,949	14 3
			Immigration	3,318,866	6 5
			Harbour-works	1,047,448	9 1
			Land-development	924,947	18 11
			Other loan expenditure—		
			War expenditure	67,475,747	9 5
			Naval defence	1,389,656	1 5
			Local bodies	3,037,229	19 2
			Maori-land settlement	247,145	0 0
			Miscellaneous	4,833,957	0 3
			Cash—		
			Public Account	5,935,261	9 2
			Receiver-General	105,974	19 7
			State Advances Office Account	38,504	15 5
			Broadcasting Account	100,339	10 6
			Housing Account	43,133	4 6
			Post Office or Post Office Savings-bank	477,877	15 4
			Deposit accounts	48,689	9 5
			In hand and in transit	35,451	1 9
			Deposit with Bank of International Settlements	36,023	0 0
			Public Trust Office	195,989	12 0
				7,017,244	17 8
			Miscellaneous assets	32,233	13 9
				£407,053,801	1 2
				£407,053,801	1 2

\* See Note (2) below. † See Note (3) 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, £810,879 6s. 1d. is held by investment accounts within the Public Account. Interest accrued in respect of this sum is also shown in both sides of the Balance-sheet.

(3) As the accounts of the Primary Products Marketing Department close on 31st July, the accounts of the Primary Products Branch of the Dairy Industry Account are reflected herein by showing an asset for "Dairy-produce on hand, &c." against the liability for overdraft as at 31st March, 1937.

(4) Contingent liabilities:—

	£	s. d.
Subsidies (not including accumulated interest) short paid to—		
Teachers' Superannuation Fund	1,673,284	0 0
Public Service Superannuation Fund	2,951,007	0 0
	4,624,291	0 0
Excess of subsidies recommended by Actuary over subsidies paid: Railway Superannuation Fund	1,755,275	0 0
	£	s. d.
Local authorities, loans guaranteed by the Government	639,575	0 0
Less accumulated sinking funds	360,931	15 5
	278,643	4 7
State Advances Corporation, stock guaranteed by the Government	39,774,500	0 0
	£46,432,709	4 7

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 1936-37.

Table No. 19.  
PUBLIC DEBT.  
MATURITY AND DOMICILE OF DEBT OUTSTANDING, 31ST MARCH, 1938.

Date of Maturity.		Due in				Total Debt.
From 1st April,	To 31st March,	London.	Australia.	New Zealand.		
				Public.	Departmental.	
		£	£	£	£	£
Overdue ..	..	..	..	2,265	..	2,265
Treasury bills ..	..	..	..	800,000	1,775,000	2,575,000
1925† ..	1946 ..	2,090,909*	..	..	..	2,090,909
1938 ..	1939 ..	4,000	3,000	275,030	..	282,030
1938‡ ..	1942 ..	..	..	2,813,380	470,250	3,283,630
1939 ..	1940 ..	17,173,191	..	16,241	8,900	17,198,332
1939‡ ..	1942 ..	..	..	4,613,505	..	4,613,505
1939‡ ..	1943 ..	..	..	13,678,170	..	13,678,170
1940 ..	1941 ..	..	..	500,010	..	500,010
1941 ..	1942 ..	..	17,300	37,000	..	54,300
1942‡ ..	1946 ..	..	..	9,211,315	631,155	9,842,470
1942‡ ..	1963 ..	10,505,989	..	378,639	..	10,884,628
1943 ..	1944 ..	7,339,656	..	..	..	7,339,656
1944 ..	1945 ..	7,780,408	..	..	..	7,780,408
1945 ..	1946 ..	22,543,590	..	2,500	..	22,546,090
1946 ..	1947 ..	..	..	503,233	1,157,743	1,660,976
1946‡ ..	1950 ..	..	..	8,324,110	642,885	8,966,995
1947 ..	1948 ..	11,341,609	83,300	1,676,650	2,323,100	15,424,659
1947† ..	1958 ..	19,225,465	..	..	..	19,225,465
1948 ..	1949 ..	..	..	..	10,500	10,500
1948† ..	1954 ..	5,000,000	..	..	..	5,000,000
1949 ..	1950 ..	7,500,000	..	..	..	7,500,000
1949‡ ..	1953 ..	..	..	12,489,935	..	12,489,935
1950 ..	1951 ..	1,250,000	779,000	250,000	..	2,279,000
1952 ..	1956 ..	12,000,000†	..	7,980,995‡	1,424,265‡	21,405,260
1952‡ ..	1957 ..	..	..	6,712,750	1,634,160	8,346,910
1955 ..	1956 ..	..	..	3,956	461,700	465,656
1955† ..	1961 ..	3,989,100	..	..	..	3,989,100
1956 ..	1957 ..	12,900	..	2,710	2,913,755	2,929,365
1956† ..	1972 ..	5,000,000	..	..	..	5,000,000
1957 ..	1958 ..	..	..	10,550	23,446,670	23,457,220
1958 ..	1959 ..	..	..	..	15,492,485	15,492,485
1959 ..	1960 ..	..	..	..	9,786,214	9,786,214
§ ..	1946 ..	577,446§	..	..	..	577,446
§ ..	1958 ..	23,522,753§	..	..	..	23,522,753
Totals ..	..	156,857,016	882,600	70,282,944	62,178,782	290,201,342

\* Advances by Imperial Government for State Advances purposes. † Government has option to redeem at par on or after the earlier date on giving notice in the *London Gazette*. ‡ Government has option to redeem on or after the earlier date on giving three months' notice in the *New Zealand Gazette*. § Imperial Government advances funded in terms of section 8, Finance Act, 1922. Payments at present suspended.

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 1931 TO 1938 (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)
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
1937 ..	60,234	48,381	47,621	38,250	12,613	10,131
1938 ..	65,008	52,215	58,065	46,638	6,943	5,577

\* Excess of imports.

Table No. 21.

## IMPROVEMENT IN ECONOMIC CONDITIONS.

TABLE OF MISCELLANEOUS STATISTICAL INFORMATION (ON A MARCH YEAR BASIS) SHOWING THE MOST RECENT FIGURES COMPARED WITH 1934-35, 1935-36, AND THE LOWEST POINT IN THE DEPRESSION.

	Unit.	Lowest Figure.		1934-35.		1935-36.		Latest Figure.	
		Year ended 31st March,	Amount.	Year ended 31st March,	Amount.	Year ended 31st March,	Amount.	Year ended 31st March,	Amount.
Value of total production .. ..	£(m.)	1932*	83·6	1935*	97·0	1936*	114·2	1937*	136·1
Value of farm production .. ..	"	1932*	49·2	1935*	59·2	1936*	72·5	1937*	88·6
Value of factory production† ..	"	1933*	17·7	1935*	20·7	1936*	23·2	1937*	26·7
Aggregate private income .. ..	"	1933	90·0	1935	103·1	1936	120·0	1937	150·0
Salaries and wages payments ..	"	1933	58·9	1935	65·7	1936	72·5	1938	98·6
Gross farming income .. ..	"	1933*	38·1	1935*	46·4	1936*	58·2	1937*	71·9
Exports (excluding specie) .. ..	"	1932	33·9	1935	44·9	1936	49·7	1938	65·0
Imports (excluding specie) .. ..	"	1932	24·8	1935	32·6	1936	37·4	1938	58·1
Bank deposits (excluding Government)	"	1932	51·0	1935	62·3	1936	62·1	1938	66·0
Bank debits (excluding Government)	"	1933	539·7	1935	660·3	1936	732·8	1938	957·2
Net bank-note circulation .. ..	"	1932	5·8	1935	6·3	1936	6·6	1938	9·1
Building permits issued in larger centres—									
Total value .. ..	"	1933	2·1	1935	3·1	1936	5·0	1938	8·2
Dwellings .. ..	Number	1933	997	1935	2,173	1936	3,181	1938	4,872
Mortgages registered .. ..	£(m.)	1934	7·8	1935	11·8	1936	16·2	1938	18·1
Mortgages discharged .. ..	"	1933	8·1	1935	13·7	1936	17·6	1938	19·4
Land transfers .. ..	"	1934	9·6	1935	12·2	1936	15·6	1938	23·3
Totalisator investments .. ..	"	1933	3·3	1935	3·9	1936	4·5	1938	6·5
Radio-receiving licenses .. ..	(000)	..	..	1935	152·8	1936	192·3	1938	285·0
Post Office Savings-bank—									
New deposits .. ..	£(m.)	1933	16·9	1935	24·2	1936	25·6	1938	33·0
Amount to credit of depositors ..	"	1933	42·0	1935	49·4	1936	52·9	1938	63·1
Sales-tax collected .. ..	"	1934	1·8	1935	2·2	1936	2·5	1938	3·5
Electric-power units supplied ..	Million	1932	361·6	1935	591·3	1936	642·1	1938	842·5
Railways: Net ton-miles run .. ..	"	1933	363·4	1935	419·7	1936	443·6	1938	561·1
Shipping: Manifest tonnage .. ..	"	1934	5·7	1935	6·3	1936	6·7	1938	8·2
Motor-vehicles licensed .. ..	Number	1933‡	195,019	1935‡	209,462	1936‡	228,247	1938‡	280,327
Consumption of motor-spirit (gallons)	Million	1932§	55·4	1934§	62·1	1935§	68·3	1937§	89·5
Total factory employees .. ..	(000)	1934	86·0	1935	93·6	1936	102·3	1938	123·6
Index-numbers of—									
Export prices (1909-13 = 1000) ..	Number	1932§	892	1934§	1109	1935§	1102	1937§	1440
Wholesale prices (1909-13 = 1000)	"	1932§	1297	1934§	1330	1935§	1385	1937§	1500
Retail prices—									
Food groups (1926-30 = 1000) ..	"	1933§	732	1934§	774	1935§	835	1937§	956
All groups (1926-30 = 1000) ..	"	1933§	795	1934§	808	1935§	837	1937§	923
Wage-rates—									
Nominal (1926-30 = 1000) ..	"	1933§	833	1934§	839	1935§	858	1937§	1036
Effective (1926-30 = 1000) ..	"	1932§	1031	1934§	1038	1935§	1025	1937§	1122
Share prices (1926 = 1000) ..	"	1932§	703	1934§	960	1935§	1026	1937§	989

r ended 30th June.

† Does not include factory processing of primary products.

‡ As at end of March.

§ Calendar Year.

*Copy of Prospectus of 1936 Local Conversion Loan.*

Dominion of New Zealand.

NEW ZEALAND GOVERNMENT LOANS.

ISSUE OF £13,930,000 IN THE FORM OF EITHER 3½ PER CENT. STOCK OR DEBENTURES, REPAYABLE 1953/1957; 3 PER CENT. STOCK OR DEBENTURES, REPAYABLE 1939/1941.

For Payment in Cash or in exchange for Holdings of 4 per Cent. Stock and Debentures, 1937-40.  
*Authorized to be raised in accordance with the provisions of the New Zealand Loans Act, 1932.*

Interest payable half-yearly at the Reserve Bank of New Zealand on the 15th January and the 15th July.

A first payment, being a full half-year's interest on each loan, will be made on the 15th July, 1937.

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

The RESERVE BANK OF NEW ZEALAND gives notice that, on behalf of the Minister of Finance, it is authorized to receive applications for the above-mentioned New Zealand Government Stock or Debentures.

If not previously redeemed, the Stock and Debentures of the above-mentioned issues will be repaid at par at the Reserve Bank of New Zealand on the 15th January, 1957, as regards the 3½ per cent. 1953-1957 Loan and on the 15th July, 1941, as regards the 3 per cent. 1939-1941 Loan; but the Minister of Finance reserves the right to repay, at par, the 3½ per cent. Loan at any time on or after the 15th January, 1953, and the 3 per cent. Loan at any time on or after the 15th July, 1939, subject in each case to three months' notice of his intention to repay having been given in the *New Zealand Gazette*.

The proceeds of the new issues are to be utilized for the redemption of the 4 per cent. New Zealand Government Loan, 1937-1940, totalling £12,426,675 6s. 11d., of which public notice of redemption on the 15th January, 1937, has been given by the Minister of Finance in terms of section 15 (1) of the New Zealand Debt Conversion Act, 1932-33, and also for the redemption of securities amounting to £1,530,000 issued in respect of the repayment in London on the 15th September, 1936, of the Southland Electric-power Board 5 per cent. and 6 per cent. Guaranteed Debentures, 1936-1954.

The Stock and Debentures will be issued pursuant to the provisions of the New Zealand Loans Act, 1932, whereby the interest and principal are a direct charge upon the public revenues of the Dominion.

The ultimate repayment of the Public Debt of the Dominion is, in the main, provided for under the Repayment of the Public Debt Act, 1925, under which New Zealand's debt reduction resources are 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 ½ per cent. of the debt affected, and to this is added a sum equal to interest at 3½ per cent. per annum of the debt paid off under this scheme. The Repayment of the Public Debt Act applies to the major portion of the Dominion's debt, certain loans for which adequate sinking fund provisions are specifically provided and the portion of New Zealand's War Debt funded with the Imperial Government having been excluded from the Debt Repayment Scheme.

Stock and Debentures of the new loans are offered for *payment in cash or in exchange for holdings of 4 per cent. New Zealand Government Stock and Debentures, 1937-1940*, according to the terms set forth in this prospectus.

CASH APPLICATIONS.

*Price of Issue for both Loans £100 per Cent.*

Payable as follows:—	£
On application .. .. .	4 per cent.
On Monday, 18th January, 1937.. .. .	96 „
	£100 per cent.

Cash applications on the prescribed forms will be received at the Reserve Bank of New Zealand, Wellington; at any branch of the Bank of New Zealand in the Dominion, or at any Postal Money Order Office in New Zealand, and must be accompanied by a deposit of £4 per cent. of the nominal amount applied for. *Applications for either Stock or Debentures must be for sums of not less than £50 or for a multiple of £50.*

Bearer Debentures will be issued in denominations of £50, £100, £500, and £1,000.

In the case of partial allotment, the surplus from the amount paid as deposit will be refunded to the applicant. Payment in full of the balance due may be made at any time prior to the 18th January, 1937, but no discount or interest will be allowed in respect of any such pre-payments. Failure to complete payment by that date will render the amount previously paid liable to forfeiture and the allotment to cancellation.

## OFFER OF CONVERSION.

Holders of 4 per cent. New Zealand Government Stock and Debentures, 1937-1940, are offered conversion in whole or in part into an equal nominal amount of either—

- (a) 3½ per cent. New Zealand Government Stock or Debentures, 1953-1957; or
- (b) 3 per cent. New Zealand Government Stock or Debentures, 1939-1941,

issued in accordance with the terms set forth in this prospectus.

Holders who convert will receive the usual six months' interest on the 4 per cent. Stock or Debentures on the 15th January, 1937, and in respect of the new securities will receive a first half-year's interest on the 15th July, 1937.

Death Duty Stock converted in terms of this offer will be replaced by Stock having the same condition of availability for the payment of death duties attaching thereto.

Holders accepting the offer of conversion must transmit their applications on the prescribed forms to the Reserve Bank of New Zealand, Wellington, or lodge them with any branch of the Bank of New Zealand or at any Postal Money Order Office in the Dominion for transmission to the Bank.

Applications for conversion must be accompanied by any relative documents of title, such as Debentures (with interest coupons intact in respect of the period subsequent to the 15th January, 1937), or Certificates of Title to Stock in cases where such Certificates have been issued.

From the date of the closing of the list for conversion applications until the 15th January, 1937, such converted holdings will be regarded as "assented" Stock or Debentures respectively.

*Any 4 per cent. Stock or Debentures subject to this offer and not converted will be repaid at par on or after the 15th January, 1937, on presentation to the Reserve Bank of New Zealand, Wellington, in the case of Stock, of a request for redemption in the prescribed form, accompanied by the relative documents of title (if any), or on surrender to the Reserve Bank or to any branch of the Bank of New Zealand in the Dominion of Debentures with interest coupons intact in respect of the period subsequent to the 15th January, 1937. No interest will accrue on Stock or Debentures of the 4 per cent. 1937-1940 issue after the 15th January, 1937, and coupons for any period subsequent to that date in respect of such Debentures will not be payable on presentation.*

Stock surrendered for conversion will be replaced by an equivalent nominal amount of the new Stock in accordance with the application submitted.

Debentures tendered will, unless Stock is requested in exchange therefor, be replaced as far as practicable by Debentures in denominations corresponding to those surrendered for conversion, with the proviso, however, that Stock will be issued in respect of the conversion of amounts of less than £50 or fractional portions of £50:

## GENERAL PROVISIONS.

*Exchange on Remittances.*—Cheques forwarded in respect of the deposit or by way of final payment will be accepted free of inland exchange.

*Interest.*—Interest on Stock will be paid free of inland exchange by means of interest warrants which will be transmitted by post at the risk of the stockholder. In the case of Stock registered in the names of two or more holders, interest warrants will be forwarded to the Stockholder whose name appears first in the Register, unless directions for payment to an agent are given.

The Reserve Bank will accept directions from stockholders for payment of interest to any agent in the Dominion: existing instructions for the payment of interest in the Dominion on New Zealand Government Stock will obtain in respect of the new issues.

Interest on Debentures will be paid free of inland exchange on presentation of the appropriate interest coupons annexed thereto to the Reserve Bank of New Zealand, Wellington, to any branch of the Bank of New Zealand in the Dominion, or to any Postal Money Order Office in New Zealand.

*Transfers.*—The Register of Stock will be kept at the Reserve Bank of New Zealand, Wellington, where all transfers will be registered. Stock will be transferable in amounts of £5 or multiples thereof.

*Stamp Duty.*—Stock and Debentures of the new issues will be exempt from Stamp Duty on the transfer thereof otherwise than by way of gift.

*Minors.*—Any person of the age of *ten years* or upwards may be registered as the holder of Stock and may execute transfers thereof.

*Closing of Registers.*—The Register relating to the 4 per cent. 1937-1940 Stock will be closed for transfers on the evening of the 15th December, 1936, and the final payment of interest and the repayment of principal will be made to the registered owners of the Stock on that date.

Commission at the rate of 5s. per £100 Stock or Debentures will be allowed to bankers and registered sharebrokers on allotments made in respect of conversion acceptances and cash applications bearing their stamp.

Copies of this Prospectus and forms of application may be obtained at the Reserve Bank of New Zealand, Wellington; at any branch of any Bank in the Dominion, or at any Postal Money Order Office in New Zealand.

The lists for both Cash and Conversion Applications will be opened forthwith, and will be closed on Thursday, the 5th November, 1936.

The Reserve Bank is, however, authorized to accept applications for conversion after the closing date specified in any case where, in the opinion of the Bank, application prior to such date was impracticable.

Preferential allotment will be given to applications for conversion.

Reserve Bank of New Zealand, Wellington.

Date: 15th October, 1936.