

past considerable profits. The dividend on the new shares is limited to 4 per cent., and the investment will return only some £130 annually. It appears to the Audit Office that the Department should not relinquish its claim to a share of the profits on the lucrative, though intangible, asset of goodwill without some clear authority, and the matter is at present the subject of correspondence between Treasury and Audit.

*Milk Marketing Division.*—The Milk Act, 1944, was enacted for the purpose of providing “for the regulation and control of the supply and distribution of milk in metropolitan and other areas with a view to the provision at a reasonable price of an adequate supply of milk of the best quality having regard to the health of the inhabitants of the areas.”

Section 107 of the Act establishes the Milk Marketing Division, which exercises the functions of the Marketing Department as far as these relate to milk. Although the section makes provision for a Milk Marketing Account for the purposes of the Division, such account has not yet been opened, and at present subsidies are paid from War Expenses Account and administration expenses from vote, “Agriculture.” The receipts and payments have been audited by the Audit Office.

### **Air Transport**

The Royal New Zealand Air Force operates a service under a commercial aircraft service license issued under the Transport Licensing (Commercial Aircraft Services) Act, 1934, and section 93 of the Statutes Amendment Act, 1945, and also a South Pacific Regional Service. The Audit Office was not satisfied that there was sufficient statutory authority for either of these Services, and drew the attention of Treasury and the Air Department to the position. The matter has not yet been finally dealt with. The Air Department has not prepared accounts relating to these activities, and the Department's instructions to its stations regarding fares, freights, &c., have not yet been approved by Treasury.

### **Moutoa Estate**

The Moutoa Estate, which is the largest *Phormium tenax* area in the Manawatu, was purchased by the Crown in 1939 with a view to the encouragement of the flax industry. The produce from the estate was to help in maintaining in full production New Zealand Woolpack and Textiles, Ltd., Foxton, in which company the Government is the principal shareholder.

The condition of the estate at purchase date was such that considerable development work has been necessary to bring the land into a state of continuous production. According to the records of the Department of Industries and Commerce, the expenditure brought to charge from the Public Works Account from purchase date to 31st March, 1946, on land, plant, buildings, and wages approximated £260,000, and an additional £52,000, not regarded as capital expenditure, was charged against vote, “Labour” (Employment Promotion Scheme 13). Against this expenditure royalties to an amount of £10,935 have been received.