plantations. It has accordingly been determined to meet part of the increased cost by additional subsidy and take the remainder into account in fixing retail prices.

Coal is such a basic commodity that it has been decided to continue production subsidies on the present basis, but to adjust prices where that is necessary to meet any further increases in costs. A suitable opportunity will be taken to bring coal prices into proper relationship and grade with one another. At present some good coals are sold more cheaply than inferior grades.

During last financial year subsidy to the amount of £264,000 was paid to meet the operating loss incurred by the Railways. For this year it was estimated that if no other action had been taken the subsidy would have risen to £1,800,000. If £3,000,000 for interest is added the cost to the taxpayer for the Railways would have amounted to £4,800,000. Railway fares and freights have not been altered since 1938 and since then operating costs have increased by 45 per cent. A new schedule of fares and freights will shortly be issued, increasing fares (other than for suburban tickets) by 15 per cent. and freight rates generally by 20 per cent. Over a full year's operations these changes will, it is estimated, raise Railway revenue sufficiently to cover operating costs, but will provide little towards interest on capital.

Shipping freights have been subsidized at the rate of 25 per cent. Concurrently with the increases mentioned in Railway freights, this subsidy will be withdrawn and shipping freight rates adjusted accordingly.

With one or two exceptions where special factors are involved, it is also intended to eliminate subsidies on materials and commodities associated with primary production. If present arrangements had continued it is estimated that expenditure on this class of subsidy, apart from any further increase in wage costs, would have amounted to £6,450,000, of which about £4,400,000 would have been recoverable during this and next financial years from the Dairy and Meat Industry Stabilization Accounts. To the extent that subsidies are recoverable from these accounts, the cancellation of the subsidies and a compensatory increase in payments to the farmer will not involve altering the aggregate charges against these accounts, nor adversely affect the dairy or sheep farmer. Subsidies on fertilizers is by far the