

Repayment of the Public Debt Act of that year was enacted, the accumulated sinking funds being “frozen” at their then totals.

By applying the Fund as has been done, the net result is to cancel an asset mainly in Government securities and reduce the total of the public debt by a similar amount. The effect on the Budget is practically nil as we lose the interest, £358,000, on this investment and save a corresponding payment of interest on debt cancelled.

The transaction does not affect in any way the planned liquidation of the Public Debt which was commenced under the Repayment of the Public Debt Act of 1925, and is continued under the New Zealand Loans Amendment Act of last session.

The domicile of our Public Debt as at 31st March last, ignoring the funded debt of the 1914–18 war on which payments have been suspended since 1931, was as follows:—

				£
In London	..	..	..	103,984,457
In Australia	..	..	..	779,000
In New Zealand	..	..	..	494,111,972
				£598,875,429

The floating debt in the form of Treasury Bills, included in the above figures, remains at £55,000,000 as it was at 31st March, 1947.

Only 17½ per cent. of the debt was held overseas, and this will be further reduced by the current year's transaction.

1948–49 Debt Transactions

Already this financial year two loans falling due have been dealt with. These were an internal loan of £3,761,485, which was repaid at maturity on 15th May, 1948, and a London loan of £24,031,831, where the option to repay earlier than the maturity date, 1st March, 1958, was exercised in July by giving notice to repay on the 1st October, 1948, and by offering conversion into a new 3 per cent. 1966–68 stock, £16,000,000 sterling—i.e., £(N.Z.)20,000,000—of the loan, the balance being repayable in cash in London. Stock will have to be issued in New Zealand to meet the cash repayment. The offer was made at a time when the international situation depressed the London financial market, with the result that approximately only 50 per cent. of the conversion offer was accepted, leaving a balance of £8,166,300 sterling which was taken up by the Reserve Bank. Since the closing date of the loan a considerable amount of this stock has been sold at a premium. The amount being transferred to New Zealand domicile is £(N.Z.)4,031,831, and this will have the effect of reducing