

The four outstanding features of the year's operations have been—

- (i) The accelerated activities of electric supply authorities.
- (ii) Following the exchange-rate alteration last August, the conversion into New Zealand securities of some £941,500 of Australian-domiciled debt.
- (iii) The sustained progress of hospital-construction works, the cost of which continues to rise.
- (iv) The increased activities of local authorities in the housing field, almost all in permanent housing, and a substantial majority to provide for employees rather than citizens generally.

The demand for electricity continues unabated, and this fact, together with an improvement in the availability of materials, has led to a vigorous programme of extensions on a nation-wide basis. A substantial proportion of the loans sanctioned has been to provide reticulation to rural areas, while the greatest single factor has been the decision of the Dunedin City Council to increase its generating capacity at Waipori at an estimated cost of £723,000. The past five years show how loans for electrical extensions are forming a substantial portion of each year's loan approvals, particularly for the year just concluded :—

Year.			Total Approvals.	Electric Works.	Percentage for Electric Works.
			£	£	%
1937-38	..	..	3,098,445	689,100	22·2
1944-45	..	..	1,737,897	216,000	12·4
1945-46	..	..	2,643,935	731,000	27·6
1946-47	..	..	7,289,436	1,471,900	20·2
1947-48	..	..	6,022,034	1,344,200	22·2
1948-49	..	..	6,977,289	2,269,600	32·5

Electricity.—Although sanction has been granted in every case where the expenditure appears reasonably necessary for the current needs of the various electric-power districts and appears likely to prove economic, it is granted with the full knowledge that at present the availability of supply is generally not sufficient to provide an unrestricted service to consumers. This factor is not a direct concern of the Board, but it is considered that Power Boards before applying for sanction to borrow for extensions should consider the over-all power position and particularly whether it is desirable to distribute power to new areas which in the interim may have an alternative power-supply.

The conversion operations referred to have resulted in a substantial reduction in overseas debt and in every case annual loan charges now cost the local authority less than was payable immediately prior to the alteration in the exchange-rate, while all of the loans have been placed on bases which will ensure that the total liability is extinguished at maturity date. This condition did not necessarily obtain previously, as the steady fall in interest-rates has meant a reduction in sinking fund income and consequently a lesser amount being available to redeem maturing loans. Apart from this factor, redemption in full at maturity date had not always been provided for and renewal loans seemed inevitable in some cases. The interest payable on the debentures issued locally does not exceed $3\frac{1}{4}$ per cent., as against rates of up to $5\frac{1}{2}$ per cent. payable in Australia, although this saving has been partly offset by the premium to cover loss of interest paid to the existing holders on conversion.

While recognizing the need for improved hospital facilities in various districts, the Board views with some concern the growing burden upon the community for the cost of hospitals. Since the limitation of hospital rating the restraining effect of annual cost to the ratepayers has been largely removed, and it is significant that little objection is now raised by contributory local authorities to Hospital Board construction programmes.