

During the early part of this year there was a marked increase in the number of new claims recorded, due no doubt to the financial stringency. I am glad to be able to announce that there has been, during the past two months, an almost equally marked falling-off.

The increase due to every widening of the scope of the Act, and the natural increase which, without any advance in the percentage, is based upon a greater eligible population each year, necessitates considerable caution in dealing with demands for further concessions.

The question of the full exemption of pensioners' *bona fide* homes has been raised, and it has received considerable attention at my hands. It will further increase the expenditure. In these circumstances it is only fair that where pensioners have relatives who were able to maintain them, but allow the burden to fall on the State, the pensioner's property should not be alienated, but that should go to the State. This will enable a contribution towards this humane fund to be made, instead of the money going into the coffers of comparatively well-to-do people who have been relieved from the monetary obligation that would have been entailed upon them but for the existence of the old-age pensions. I will submit proposals this session which, while assisting pensioners, will at the same time check any abuses against which the State should rightly be protected.

FERRY SERVICE.

The development of the railways in both Islands, and the consequent necessity for having a complete State-owned link for the conveyance of mails and passengers between the two Islands, has been from time to time receiving the consideration of the Government, and the time is approaching when this important matter should be dealt with on practical lines. Up to the present the service has been carried on by the Union Company in a satisfactory manner, but the Government are considering whether the time has not arrived when something definite should be given effect to in order to own and control the steamers carrying the mails and passengers, a large number of the latter being travellers over the Government railways in both the North and South Islands.

The matter has been the subject of negotiations with the Union Steamship Company, and, should it assume a definite shape, the House will be duly advised. I am of the opinion that two steamers of the "Maori" type are necessary so as to give a close connection on every night of the week except Sunday, thus enabling the transport of mails and passengers to be carried out under State administration at both ends.

NAVAL DEFENCE.

Honourable members are aware that the Imperial Defence Conference, which was attended by me as the representative of this Dominion, arrived at decisions in connection with the strengthening of the British navy which call for action on the part of New Zealand. The offer of a "Dreadnought" made by this country was accepted by the British Government, and the necessary steps require to be taken to enable the vessel to be built and handed over to the Admiralty.

For this purpose I propose to ask the House for authority to raise a loan of up to two millions, at a rate of interest not exceeding $3\frac{1}{2}$ per cent. Until the vessel is actually completed it is not possible to say what the exact amount of the expenditure will be, but it will be within the amount I have named.

Having regard to the nature of the expenditure, you will I hope agree with me that it should not be treated as part of our permanent public debt, and I propose that we make provision for paying it off within eighteen years. For this purpose a sinking fund of 4 per cent. will require to be provided, and proposals in this direction will be submitted to you.

It is scarcely necessary to say anything at this time in support of our offer of the "Dreadnought." The Government made it, subject, of course, to ratification by Parliament. Parliament ratified it, and, in doing so, acted, I am convinced, with the hearty approval of the great majority of the people. The motive