

In total the expenditure is approximately £510,000 less than the previous year. The requirements for railways showed a comparative decrease of £477,000, and telegraphs and telephones a decrease of £374,000, while the expenditure on electric supply increased by £184,000, and on main highways and roads by £175,000. The last-mentioned increase was largely due to additional works undertaken to give relief to unemployed.

Details of the works carried out during the year, and the Government's proposals concerning the prosecution of public works generally, will be given by my colleague the Hon. the Minister of Public Works in his annual Statement.

More than half the expenditure was on account of railways and hydro-electric supply, in which the work is proceeding largely in accordance with definite programmes. Large sums of money have already been sunk in these works, and, as I have stated previously, it is desirable that the construction should be completed as soon as possible in order that the works may become revenue-earning. The current financial year, and the next one or two years, are the peak years of expenditure, after which it should be possible to effect reductions.

Railways and
hydro-electric
works.

Although authority for the purpose was contained in the Appropriation Act, 1926, it was found impracticable to transfer any amount from the Consolidated Fund to the Public Works Fund last year.

PUBLIC DEBT.

The gross public debt on the 31st March, 1927, amounted to £245,850,889, as compared with £238,855,478 twelve months previously—an increase for the year of £6,995,411.

Public debt.

The net increase for 1925–26 amounted to approximately £11,000,000, so that the borrowing for last year represented a decrease of £4,000,000 in comparison with the previous year.

New loans borrowed during the year 1926–27 totalled £9,627,381, of which £6,227,176 was raised in London, while the balance represents the proceeds of local issues taken up by the public and the Post Office.

New loans raised.

A total of £6,878,270 was allocated to the Public Works Fund, the Railways Improvement Authorization Act 1914 Account, the Electric Supply Account, and certain other accounts, which together financed the capital expenditure on public works previously referred to in this Statement.

In addition, £2,400,935 was raised to augment the capital of the State Advances Department, £21,000 was lent to Samoa, a further £100,000 was made available for purchasing land for settlement, while the remaining £227,176 went in charges and expenses of raising loans.

As a set-off against the new loans raised, debt to the amount of £2,631,970 was redeemed during the year. It is sometimes asked what is the use of redeeming debt while we are borrowing more, but the reply is that in so far as reduction of war debt is concerned the result is the substitution of productive for dead-weight debt, which is a very real gain. A large public debt can only be repaid by steady effort over a long period, in which our national Revenue Account and taxation is gradually adjusted to carry the charges. There is no immediate prospect of a cessation of borrowing, and it would be imprudent finance, damaging to our credit in London, and therefore prejudicial to future borrowing, if debt-repayment were not a constant feature of our financial policy.

Debt-reductions.

The reduction of debt during the year was effected as follows:—

	£
Under Repayment of Public Debt Act, 1925 ..	939,231
Under Funded Debt Agreement with Imperial Govern- ment	350,074
Surplus moneys from Ordinary Revenue Account ..	515,158
German reparation-moneys	592,733
Miscellaneous war credits	143,027
From Nauru and Ocean Island Sinking Fund ..	8,300
From Discharged Soldiers Settlement Account ..	50,500
From Discharged Soldiers Settlement Loans Act 1920 Depreciation Fund Account	1,950
From Land for Settlements Account	19,500