

The new loans raised during the year led to an increase in the gross amount of interest paid, but this was more than met by increased recoveries from interest-earning accounts, with the result that the net expenditure on this item showed a comparative decrease of £53,720. This satisfactory result demonstrates the soundness of the Government's policy of restricting the use of borrowed capital as far as possible to expenditure on productive assets.

The expenditure on debt-repayment showed an increase of £65,390. I would like to emphasize the fact that though the statutory repayment system provides for a steadily increasing annual repayment of debt, the increases are not an additional burden on taxation, but represent part of the saving of interest on the debt redeemed. The same remark applies to the funded-debt agreement with the British Government. Thus the steadily increasing amount for debt-repayment is provided without increasing the annual burden on the taxpayer.

Moreover, the greater part of the original annual charge under the Repayment of the Public Debt Act, 1925, does not come from taxation, but from interest on the Public Debt Redemption Fund. That Fund consists of the old Sinking Fund accumulations and the amount of the accumulated surpluses invested in the Discharged Soldiers Settlement Account.

This debt-repayment system, and also the funded-debt agreement with the British Government, operate on the same principle as a table mortgage; and it is interesting to note that the Chancellor of the Exchequer in Great Britain proposed in his last Budget to introduce a somewhat similar scheme in connection with the repayment of the British public debt.

The balance of the expenditure under permanent appropriations, amounting to £5,121,776, consists of payments, mostly recurring, made in terms of various Acts of Parliament, the chief items being pensions, subsidies to local bodies and hospital boards, and losses on isolated sections and branch lines of the railways. In total this is an increase of £602,763 in comparison with the expenditure for 1926-27, but it includes the £357,773 petrol-tax, tire-tax, &c., mentioned above, and also another new item of £125,000 for the first instalment of the Dominion's contribution to the Singapore Base.

Apart from these two new items, the comparative net increase is £119,990. Principal increases are :—

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Subsidies to Hospital Boards	72,651
Pensions	90,526
Railways (losses on isolated sections and branch lines) ..	55,591

Against these increases there are sundry decreases, among which might be mentioned fruit guarantee claims, £82,642. There was no expenditure under this item last year.

Concerning pensions, a steady increase each year is to be expected in the case of old-age and other pensions governed largely by population. Of the increase for last year, however, £24,214 was on account of war pensions, which up till then had been steadily declining at the rate of over £50,000 a year. The main reason for the change is that many of the ex-soldiers are only now feeling the full effect of their war injuries, and this liability is likely to increase. Other countries have had a similar experience.

ANNUAL APPROPRIATIONS.

The net expenditure under annual appropriations amounted to £10,065,526, a decrease of £25,494 in comparison with the previous year.

An examination of the comparative tables attached to this Statement will show that there was relatively little variation in the expenditure under the various votes. An increase of £41,776 is shown for "Scientific and Industrial Research," but the bulk of this is nominal, being the cost of activities previously charged to other votes. An increase of £43,540 for vote "Agriculture" is mainly due to the increased amount of the subsidy on the carriage of fertilizers for farmers. The expenses of the Lands and Survey Department increased by £17,159, chiefly on account of activities in connection with deteriorated lands.