PUBLIC DEBT.

Public debt.

The gross public debt as at the 31st March, 1928, amounted to £251,396,252, a net increase of £5,545,363 during the last financial year.

In round figures, the net increase in the debt for each of the last three financial years was as follows: £11,000,000 in 1925–26, £7,000,000 in 1926–27, and £5,500,000 in 1927–28. These figures clearly demonstrate that the Government is proceeding resolutely with its declared policy of steadily reducing the annual net increase in the debt, without, however, in any way hindering the progress of the large capital works at present under construction.

New loans raised.

The new loans raised during the year totalled £8,022,499, of which £6,166,749 was raised in London, while the balance represents the proceeds of the usual local sales.

A total of £6,996,749 was allocated to the Public Works Fund (General Purposes Account), Electric Supply Account, Railways Improvement Authorization Act 1914 Account, and other accounts from which the capital works previously referred to were financed.

A sum of £890,000 was made available for the State Advances Office, part of the amount being used to start the new Rural Advances Branch.

The balance of the new loan-money was raised for afforestation and other purposes.

Debt redeemed.

As a set-off against the new loans raised, debt to the amount of £2,477,136 was redeemed during the year.

This debt was domiciled as follows:—

	£
New Zealand	1,960,620
Australia	48,600
London	467,916
Total	£2,477,136

London redemptions.

The London redemptions include £100,211 in addition to the funded-debt payment to the British Government. These additional redemptions are a new departure carried out in accordance with an undertaking contained in the prospectus of the 1927 loan. A more definite undertaking to apply not less than 50 per cent. of the annual amount available under the public-debt-repayment system to London redemptions, provided the same can be effected to advantage and New Zealand maturities do not make it inadvisable to do so, was contained in the prospectus of the last London loan.

It was considered advisable to take these steps in view of the increased attention being given by London investors to the matter of debt-repayment generally. Incidentally their concern on this point serves to emphasize the importance of a comprehensive scheme of debt-repayment in maintaining the credit of the State.

Local redemptions.

Concerning local public debt, I would like to draw attention to the fact that the redemptions exceeded new loans raised in the Dominion by approximately £100,000. This means that, instead of absorbing any portion of the local capital supplies, the debt-repayment policy had the effect of augmenting the resources of the local market.

The reductions of debt during the year were effected as follows:—

	£
Under Repayment of Public Debt Act, 1925	999,811
Under funded-debt agreement with British Government	367,705
Accumulated surplus moneys from Ordinary Revenue Account	94,500
German reparation-moneys	366,370
From Discharged Soldiers Settlement Account	533,620
From Lands for Settlement Account — Discharged Soldiers Settlement Account	100,000
From other accounts	15,130
	£2,477,136