In spite of the huge sums that have been advanced, the pressure on the Office still continues, and in many cases applicants have to wait some time before their applications can be dealt with. Though the Department pays its way and the borrowed capital is no burden on the taxpayer, we cannot go on adding unlimited millions to the public debt without damaging our national credit. Further, in my opinion, it is certainly not in the interests of the country that the State should become the only money-lender in the Dominion.

Rural Advances bonds.

Rural Advances bonds for long-term mortgages to the amount of £543,300 were sold last financial year. Loans paid over to farmer borrowers amounted to £751,900, the additional funds having been provided by means of temporary transfers from the other branches of the State Advances Office, which had been provided with additional funds specially for this purpose.

DISCHARGED SOLDIERS SETTLEMENT.

Discharged soldiers settlement.

As honourable members are aware, large numbers of revaluations and writings-off of accumulated revenue debts to the Crown have been made in the last few years in connection with the discharged soldiers settlement scheme. The writing-down of capital to its economic price-level and the wiping-off of arrears of interest has established the settlers on a sounder footing, and in most cases they are now in a position to make some headway. Last year most of the settlers were able to meet their obligations, and from the financial point of view the year was the best one to date.

Capital reductions and remissions to settlers.

The extensive capital reductions and the remission of arrears of interest, &c., granted to settlers had of necessity to be written off in the various public accounts concerned. Power to make the necessary adjustment of accounts was contained in section 22 of the Finance Act, 1927 (No. 2). Revaluation Board reductions amounted in the aggregate to £3,424,584, while accumulated revenue losses and other items to be written off brought the total up to £5,164,636. These losses have been written off as far as possible against revenue items.

Writing-off of losses.

In particular, liabilities to the Consolidated Fund for interest, &c., to the amount of £1,886,756 were cancelled, £1,600,000 was written off the £13,500,000 advance from the Consolidated Fund now forming part of the Public Debt Redemption Fund. In addition, the Land for Settlements Discharged Soldiers Settlement Account was relieved from payment of interest on £1,011,000 of loan capital, while the balance of £666,880 was written off against reserves. With the exception of the last-mentioned item the losses have thus been borne by the Consolidated Fund.

RAILWAYS.

Railways.

The railway revenue was £8,034,970, and the working-expenses £6,685,123, leaving a net revenue of £1,349,847. Assistance to developmental lines (paid and accrued) amounted to £489,568, making £1,839,415 available to meet interest charges of £2,130,867. The result of the year's operations was, therefore, a loss of £291,452.

In comparison with the previous year the revenue showed a net increase of £45,537, a decrease in passenger traffic receipts of £158,884, being more than offset by increased revenue from carriage of goods and other items.

Working-expenses showed a comparative increase of £194,243, the principal contributing factors being the greater mileage of line worked, the increase in goods traffic, and the improvements and additions to passenger services by rail and road.

The net earnings of the railways, apart from the assistance to certain lines, thus decreased by £148,706, while interest charges increased by £87,434. Unless these opposite tendencies can be checked it is evident that the taxpayer will have to bear increased burdens in the future. The assistance to branch lines and isolated sections has increased from £359,540 in 1925–26 to £489,568 for 1927–28.