

are definitely contrary to law, as the Act authorizes the application of the sinking fund to the redemption of loans. The weakness lies in the failure of the Act to provide, as should be done in all such cases, that the interest saved by the redemption of securities from the sinking fund should be credited to the sinking fund until the fund is sufficient to repay all the loans covered thereby. This weakness has resulted, in the present case, in the statutory provision for sinking fund being practically ineffective, and it would appear to be advisable to make the position clear by legislation.

It may reasonably be argued that, as the Act provides that the sinking fund shall be invested in the same manner as other moneys held by the State Advances Office, it might be advisable to repeal the provisions relating to the sinking fund altogether. If, however, it is considered advisable to continue the principle of providing a sinking fund, I would suggest for consideration that it should be modelled on the lines of the scheme adopted for the redemption of the public debt.

REPAYMENT OF THE PUBLIC DEBT.

Under the operation of the Repayment of the Public Debt Act, 1925, public-debt securities of a nominal value of £3,877,563 13s. 3d. had at the 31st March, 1929, been redeemed and cancelled at a cost of £3,849,927 2s. 4d. These transactions have effected an annual saving of interest to the Consolidated Fund equal to the difference between $3\frac{1}{2}$ per cent. (fixed by the Act) and the rate which was previously payable on the securities redeemed. The following statement shows the rate of interest that was payable on the redeemed securities, and indicates that an annual saving of interest to the Consolidated Fund amounting to £46,782 0s. 4d. will be effected as a result of the redemptions to the 31st March, 1929 :—

Rate of Interest.	Nominal Value of Securities redeemed.						Total Cost of Redemptions.	Annual Saving in Interest.							
	Total to 31st March, 1928.		Year 1928-29.		Total to 31st March, 1929.										
Per Cent.	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.			
4	404,053	13	3	850,000	0	0	1,254,053	13	3	1,242,366	2	4	6,270	5	4
4½	880,850	0	0	..	..	..	880,850	0	0	865,472	5	0	8,808	10	0
5	758,000	0	0	196,000	0	0	954,000	0	0	953,446	5	0	14,310	0	0
5¼	300,500	0	0	..	..	..	300,500	0	0	300,482	10	0	5,258	15	0
5½	13,900	0	0	..	..	..	13,900	0	0	13,900	0	0	278	0	0
6	474,260	0	0	..	..	..	474,260	0	0	474,260	0	0	11,856	10	0
	2,831,563	13	3	1,046,000	0	0	3,877,563	13	3	3,849,927	2	4	46,782	0	4

The following statement shows the amount of the debt (including State Advances Debt) excluded from the provisions of the Repayment of the Public Debt Act, 1925, as at the 31st March, 1929 :—

Accounts.	Amounts outstanding, 31st March, 1929.			
	£	s. d.	£	s. d.
Debt for which special sinking funds are provided—				
Electric Supply Account	9,159,262	15 11		
Nauru and Ocean Islands Account	522,120	0 0		
Samoan Loan Suspense Account	124,000	0 0		
State Coal-mines Account	162,601	0 7		
Westport Harbour Account.. .. .	700,000	0 0		
State Advances Account—				
Treasury debt	21,563,205	9 3		
State Advances debt.. .. .	11,971,801	5 9		
	33,535,006	15 0		
Total debt with separate sinking funds			44,202,990	11 6
Debt funded with Imperial Government—				
Land for Settlements Account	34,847	6 0		
Naval Defence Act Account	644,981	14 9		
Public Works Fund—General Purposes Account	176,193	3 4		
War Expenses Account	24,296,995	16 0		
			25,153,018	0 1
Total funded debt				
Total debt not subject to the Repayment of the Public Debt Act, 1925			£69,356,008	11 7

Summary of Total Debt as at 31st March, 1929.

	£	s. d.
Debt not subject to the Repayment of the Public Debt Act, 1925 (as above)	69,356,008	11 7
Public debt subject to the Repayment of the Public Debt Act,		
1925	194,835,974	5 6
Rural Advances loans	1,591,850	0 0
	196,427,824	5 6
Total debt as at 31st March, 1929	£265,783,832	17 1