

officers at present in the Service, which contributions should be accumulating against their own pensions. Through the loss of interest thus entailed, the failure to pay the subsidies required in the past has been cumulative in effect, with the result that a large and permanent increase in the subsidies, with a corresponding additional charge on taxation, is now required to rehabilitate and maintain the funds on their present basis. The position has been further accentuated by a mistaken policy of early retirements and other concessions granted, apparently without due consideration as to their effect on the Superannuation Funds. It is certain that a change must be made in the policy of automatic early retirement now operating.

Inquiry to be made.

As a matter of fact, the position of these funds is such that it is a question whether a radical change in the whole basis will not be necessary. The whole matter is so complicated and so far-reaching in effect that, with the short time at my disposal and the general pressure of work, it will be quite impossible for me to deal with it in time for amending legislation to be brought down this session. Moreover, the matter is of such outstanding importance not only to the Public Service but to the taxpayer, that I propose to set up an inquiry as soon as possible to investigate the position thoroughly and report to the Government on the state of the funds, and generally as to what should be done to place superannuation for public servants on a satisfactory footing.

Salary-adjustments.

In addition to these matters affecting Government employees, I have also under consideration requests regarding salary-adjustments involving heavy liabilities. The superannuation question, however, is in my opinion first in importance, and until the Government can see a clearing-up of the requirements in this connection I find myself unable, in view of the financial position generally, to take any action in the direction of adjusting salaries, other than is brought about by promotion and regrading under the law.

BANKING AND CURRENCY.

Banking and currency.

To meet possible war emergencies some of the most important provisions of our permanent banking legislation were suspended by regulations made under section 44 of the Finance Act, 1916, and the banks were given greater scope in the matter of note-issue, limit of debts, engagements and liabilities, &c. It was originally intended that these regulations should operate only for the war period, but in terms of section 66 of the Finance Act, 1917, they remain in force until a day to be fixed by the Governor-General in Council. No date has yet been fixed for the termination of the regulations.

Following the economic upheaval of the war, nearly every country in the world has found it necessary or desirable to amend its currency laws to meet the altered conditions. It is certain that some amendments to the permanent banking legislation will be necessary in New Zealand, as a complete return to pre-war practice is inadvisable, if not impossible. For instance, a return to an internal gold circulation would be a luxury for which there is no need and no demand. Great Britain found she could dispense with it. The only authority for the ten-shilling note is the War Regulations.

Since the outbreak of the war successive Proclamations have maintained bank-notes as legal tender in New Zealand. The period fixed by the last Proclamation expired on 10th January last, and though I am desirous of repealing all war regulations as soon as possible I considered it advisable in this case to maintain the existing position until such time as the permanent legislation governing banking can be overhauled. Accordingly a further Proclamation was issued making bank-notes legal tender until 10th January, 1932.

POST AND TELEGRAPH DEPARTMENT.

Post and Telegraph Department.

The first year of the Department on the new accounting basis which I referred to earlier in this Statement proved a successful one. Receipts for the year amounted to £3,445,545, and the expenditure, including £428,000 interest paid to the Consolidated Fund, to £2,921,736. The balance of receipts over payments was thus £523,809, and after providing for depreciation and other reserves the net profit for the year was approximately £39,000.