

INDEX.

	PAGE
Allowances for war veterans	21
Annual Appropriations, 1935-36	21
Assembly of British motor-vehicles in New Zealand	4
Assistance to engineering trades, &c.	17
Assistance to new industries	16
Banking	5
Borrowing-policy for Public Works	12
Budgetary position, 1935-36	19
Budget surplus	22
Building subsidy	17
Business recovery	21
Capital expenditure	11
Capital programme, summary of	13
Co-operation among manufacturers	4
Customs	6, 19
Dairy industry	1
Debt domicile	9
Debt redemption	9
Debt services	20
Debt summary	9
Discussions in London: Meat Agreement	2
Disparity between costs and income bridged	3
Domicile of Public Debt	9
Engineering trades, &c., assistance to	17
Estimated expenditure, 1935-36	20
Exchange	5, 7, 20
Executive Commission of Agriculture	3
Expenditure, 1934-35	7
Expenditure, 1935-36	20
Export prices	1
Forecast for 1935-36	19
Further debt conversion foreshadowed	10
Gold-mining, revival of	16
Health insurance	6
Highways expenditure	20
Highways revenue	19
Housing proposals	5
Hydro-electric works	13
Improving economic conditions.. .. .	4
Income-tax	19
Increases in salaries and wages.. .. .	21
Indices of recovery	5
Interest and other receipts, 1934-35	6, 7, 20
Interest concession to ex State mortgagors	3
Irrigation	12
Land improvement and development	12, 14
Land-tax	20
Loan conversion, Public Debt	10
Loan programme	13
Local-body loan conversion	10, 11
London loan conversion	10
Long-term debt redemption	9
Main highways	12
Meat Agreement	2
Meat market	1
Milk for children	6
Motor-vehicles: Assembly in New Zealand	4
Mortgage Corporation	3
Mortgagors relief	3

	PAGE
National superannuation	6
Native-land development	14
New industries, assistance to	16
New overseas markets.. .. .	4
New works	13
New Zealand conversions	10
Old-age pensions, increase	21
Other receipts	7, 20
Pensions, restoration	21
Permanent appropriations	21
Post and Telegraph concessions	18, 19
Primary production	2
Public Accounts, 1934-35	6
Public buildings	12
Public Debt	8
Public Service regrading	21
Public Works	11, 13
Recovery in Great Britain	1
Recovery of Budget stability	7
Reduced borrowing	9
Reduction in costs	2
Regrading Public Service	21
Reserve Bank	8
Restoration of cuts in salaries and wages, partial	21
Restoration of old-age pensions, &c.	21
Revenue, 1934-35	6
Revenue, 1935-36	20
Revenue, unemployment	17
Revival of gold-mining	16
Roading	12
Salaries and wages, partial restoration of cuts	21
Sales tax	19
Savings, debt services.. .. .	10
Share-milkers' cottage scheme	15
Small Farms Board	15
Small Farms Scheme	15
Social services	21
Soldiers' widows pensions	21
Stamp and death duties	6, 20
Standard rates of pay	16
Sterling, disposal of	8
Summary of budgetary position	19
Summary of expenditure, 1935-36	22
Summary of revenue, 1935-36	22
Summary of year's operations	7
Superannuation funds	20
Surplus	22
Taxation	6, 19
Taxation, unemployment reductions	17, 18
Telegraph charges	18
Toll charges	18
Treasury bills	8
Unemployment	5, 16
Unemployment expenditure	18
Unemployment finance	17
Unemployment revenue, 1934-35	17
Unemployment revenue, 1935-36	18
Unemployment, taxation reductions	18
War veterans' allowances	21

1935.
NEW ZEALAND.

FINANCIAL STATEMENT.

(In Committee of Supply, 17th September, 1935.)

BY THE RIGHT HON. J. G. COATES, MINISTER OF FINANCE.

MR. CHAIRMAN,—

At this time last year we were able to note with satisfaction a decided movement towards better times. This movement continued, and it is now clear that there has been a further substantial improvement in the economic position of the Dominion during the past twelve months. Conditions are better and the trend is definitely upward. Since we are dependent to an exceptional degree upon our export trade, the continued progress towards recovery in Great Britain provides a hopeful augury for the future. No one visiting the Mother-country in recent months could fail to notice the great improvement in economic conditions and the spirit of optimism that now prevails. Recovery in Great Britain.

Unless the horizon becomes unduly clouded with the danger of international complications, the prospects of continued recovery in our main market seem most heartening.

Exports for the year ended 30th June last were valued at £42,954,000, or approximately £6,000,000 less than for the previous year. The decrease is more than accounted for by a fall of £7,000,000 in the value of wool exported, this being due to a sharp fall in wool prices from the levels of 1933–34 and to a substantial carry-over. The wool situation is generally favourable to producers and it is expected that better prices will be obtained at the sales this year. Export Prices.
Wool.

As a result of the exceptionally dry summer, production and exports of dairy-produce showed a decrease last season of about 5 per cent. On the other hand, the average price on the London market was 4s. to 5s. higher than during the previous season. Factory pay-outs to farmers were about 9½d. per pound, this being approximately ½d. per pound better than for the previous season. Recent prices have shown an upward tendency, and there seems a reasonable prospect that returns will be better during the coming season. Dairy-produce.

Exports of meat showed an increase in both quantity and total value. Of special interest is the substantial increase in the export of pork. During the past four years the quantity of pork exports has increased fivefold, and their value has now reached a total of £1,313,000. Meat market.

Although meat prices during the past season continued to be relatively stable at a fairly satisfactory level, the outlook was uncertain on account of the proposals suggested by the United Kingdom to place a levy on all meat imported into the United Kingdom. While the Ottawa Agreement and the Treaty with the Argentine remained in force a levy could not be imposed without consent, but, failing such consent, the British Government considered it would have no option but to impose drastic restrictions on imports in order to restore live-stock prices in the Home market to a remunerative level.

Discussions in
London and meat
agreement.

Since nearly a third of our export values consists of meat, it will be realized that the levy in the form proposed would have been a heavy burden for our producers to carry. After protracted negotiations in London we have reached an agreement covering the period up to the end of 1936 under which our principal meat exports, mutton and lamb, are to be entirely exempt from the imposition of any tax or levy. The quantities agreed upon will be ample to meet our export requirements, and it is believed that by careful regulation of supplies from the supplying countries to the market reasonable prices can be ensured to the producers concerned. Provided the Dominions supplying mutton and lamb can agree with the United Kingdom as to the quantities to be sent to the British market, the present arrangement will continue after 1936 and be the means of avoiding any question of a levy.

It is a relief to know that as matters now stand any meat levy will be confined to beef, and that chilled beef, if foreign suppliers agree, will carry the main cost. Though an agreement has been reached concerning chilled beef as between the Dominions and the United Kingdom, there can be no finality until foreign meat-supplying countries have also agreed. The matter is complicated by the fact that existing agreements outside the Empire do not expire until 1936. There is room for increased development and opportunities in the United Kingdom market under the arrangements made.

Arrangements have also been made for a continued development of our exports of pig-meat to the United Kingdom market. Here I would again stress the necessity for producing as many pigs of the baconer type as possible, the reason being that New Zealand already holds a large share of the imported porker trade, and this trade is mainly reserved for the United Kingdom producer. While New Zealand will receive fair consideration for future requirements, the market for pork is definitely limited. On the other hand, our share in the baconer trade is relatively insignificant, although the volume of baconers imported into the United Kingdom is eleven times that of porkers. It is to the baconer type that our producers should look for future developments.

Primary production.

At the lowest point in the depression export prices were about half those in 1928-29, but costs did not fall in anything like the same proportion. It is now generally realized that this disparity between farming-costs and selling-prices was at the root of our troubles and threatened the economic and social structure of New Zealand. It was evident that recovery was impossible until the disparity was substantially removed. Far-reaching measures were urgently required, and the Government did not hesitate to act. On the one side the exchange-rate on London was raised as the quickest and most effective means of augmenting the return from exports. On the other hand everything possible was done to bring down farmers' production costs. Land-tax was reduced, rates and fertilizers were subsidized, labour was made available by the Unemployment Board, and a series of operations was undertaken to bring down interest-rates, and finally to reduce excessive liabilities. These measures were necessary not only to rehabilitate the farming industries, but also to restore the foundations of prosperity for New Zealand as a whole.

Reduction in costs.

The success which has attended efforts to bridge the gap between costs and income is illustrated by the following indices compiled by the Government Statistician :—

						Farm Ex- penditure.	Farm Production.		Gross Farm Income.
							Volume.	Prices.	
1928-29	..	..	..	..	..	100	100	100	100
1929-30	..	..	..	..	..	100	103	83	86
1930-31	..	..	..	..	..	91	108	61	66
1931-32	..	..	..	..	..	76	112	53	59
1932-33	..	..	..	..	..	70	126	47	59
1933-34	..	..	..	..	..	70	126	60	76

NOTE—The farm expenditure index is for the calendar years 1929 to 1934.

These figures are a composite index covering all farm-production—agricultural, pastoral, and dairying. The position of each industry varies somewhat from the average, but even in the case of the dairy industry, which received very little benefit from increased prices for the 1933–34 season, the gross farm income index figure for the year was 70. The index of farm expenditure is not a complete measure of farm working-expenses, and therefore is not strictly comparable with that for gross farm income. Nevertheless the trend of the figures is unmistakable. For 1930–31 the index number of farm expenditure was 9 per cent. below the figure for 1928–29, but export prices were 39 per cent. lower. During the next year the effect of the Government's policy of cost-reduction is apparent in a fall in the farm-expenditure index to a level 24 per cent. below the 1929 figure, though the benefit was partially offset by a further fall in export prices. By 1933–34 the combined effects of the increase in exchange, the reduction in costs, and the increase in the volume of production had brought about a substantial improvement in the position of the farming industries.

Disparity between costs and income bridged.

While evidences of improvement are clear and unmistakable it is far from being maintained that the farming industries have been restored to the relative prosperity of the years immediately prior to the crisis. In particular, the problem of excessive capital liabilities remains serious. As honourable members know, a great many farmers are still battling along amidst financial difficulties, and we have still to clean up the aftermath of the past four years. The Rural Mortgages Final Adjustment Act and the Mortgage Corporation Act passed last session were designed to do this. The former Act provides the machinery for adjusting a farmer's liabilities on as fair and equitable a basis as is possible, so as to bring them within his capacity to pay. It is hoped and anticipated that most cases will be settled by voluntary arrangement between the farmer and his creditors. If necessary, the Mortgage Corporation can assist by making loans to repay existing mortgages at its recently announced rate of $4\frac{1}{8}$ per cent. Furthermore, for this purpose the Act empowers the Mortgage Corporation to lend up to 80 per cent. of the valuation on a productive basis, the State guaranteeing the Corporation against loss on the difference between its normal maximum of 66 $\frac{2}{3}$ per cent. and the higher percentage. Apart from this special provision, it is anticipated that the operations of the Mortgage Corporation will stabilize mortgage-rates of interest at a lower level and be the means of placing mortgage finance generally on a sounder and more liquid basis from the point of view of both the borrower and the lender.

Mortgagors relief and Mortgage Corporation.

The State Advances Office has already been merged in the Corporation, and under the legislation all mortgagors concerned in the transfer have the right, on certain specified conditions, to claim a reduction in interest to the Corporation's current lending rate of $4\frac{1}{8}$ per cent. It is generally intended that the Lands Department's mortgages shall also be transferred as soon as the necessary administrative arrangements for the purpose can be made, and when the transfer is made these mortgagors will also receive the concession in interest. For the £50,000,000 of mortgages the concession will cost the Consolidated Fund about £600,000 per annum, but lower mortgage-rates are an essential element in the economic rehabilitation of the Dominion, and the State must lead the way. Further, lower interest-rates will mean less capital losses, and, to the extent that the reduction improves business generally, it will also mean more revenue to the State.

Interest concession to ex State mortgagors.

The other aspect of what is hoped is the final phase of the rehabilitation of the primary industries is the effort being made to obtain a better return through an improvement in the quality of our products and greater efficiency in production and in marketing. To promote and co-ordinate efforts in these directions, the Agriculture (Emergency Powers) Act was passed, setting up an Executive Commission of Agriculture.

Executive Commission of Agriculture.

The Commission is charged with the duty of co-ordinating the work of the different Produce Boards, and serves as a connecting-link between those Boards and the different Departments of State. For the present, it is largely concerned with the problems of the dairying industry. In conjunction with the Treasury, the Unemployment Board, and the Court of Review, it has formulated a scheme whereby dairy-factory companies and dairy-farmers are enabled, at a low rate of interest and on easy terms, to finance improvements to

buildings and equipment. In association with the New Zealand Dairy Board, the Commission has been engaged in investigating, and, where possible, arranging for amalgamation of dairy-factory companies and the rationalization of cream and milk collection, with a view to saving costs and improving quality. Discussions have been initiated in regard to local marketing of dairy-produce, as well as the revision of the overseas marketing regulations. The reorganization of the group herd-testing movement and the initiation of a system of universal farm-dairy instruction, as well as the development of the export trade in baconer pigs, and problems relative to breeding, feeding, grading, trim, and methods of handling, are receiving attention.

Efforts are being made by the Commission to place the marketing of honey abroad on a sound basis, while the question of effecting a better co-ordination between local and export marketing of fruit is the subject of discussion with the New Zealand Fruit-export Control Board and the New Zealand Fruitgrowers' Federation. Proposals for the development of the citrus-growing industry and institution of a system of grading to assist the marketing of New Zealand lemons are also under consideration.

New overseas
markets.

The whole question of additional markets is under review, and a number of preliminary inquiries have already been made as to the possibilities of other overseas markets for New Zealand primary products. At the present time the possibilities of extending trade to Eastern markets are limited by the lack of direct shipping facilities and other difficulties, but inquiries have been set on foot by the Department of Industries and Commerce with a view to improving the position.

Finally, it may be mentioned that the Commission, with the Departments of Agriculture, Industries and Commerce, Scientific and Industrial Research, and the Unemployment Board, is taking part in the investigation of the possibilities of a wider and more varied utilization of flax. Efforts are also being made to bring about a closer relationship between scientific research and agriculture.

Co-operation among
manufacturers.

I may mention here that local manufacturers generally are taking action in the direction of co-ordinating their efforts towards increasing efficiency and generally paving the way for an expansion of their activities. Certain proposals designed to improve their organization for these purposes have recently been submitted to the Government, and, if it is found practicable to give effect to them, the result should be a further stimulus to our manufacturing industries.

Assembly of British
vehicles in New
Zealand.

During my recent visit to England I took the opportunity of discussing with the Society of Motor Manufacturers and Traders the question of assembling motor-vehicles in New Zealand. As a result of these discussions British manufacturers have agreed to export their vehicles to the Dominion in a "completely knocked down" condition. The assembly of these vehicles in New Zealand will give employment to a large number of people. Furthermore, the Government is assured of the co-operation of the manufacturers in the utilization of as much New Zealand material as is economically possible.

Improving economic
conditions.

In trade and commerce generally there is ample evidence that the position is steadily improving. For the year ended 30th June last imports increased by £7,600,000 over the previous year, and are now more in keeping with the value of exports, having regard to the amount of debt charges payable overseas. The latest complete figures available for factory production in New Zealand, 1933-34, show an increase of £5,660,000, or 8·6 per cent., over the previous year. From a wide and representative sample taken from the incomplete returns for 1934-35 it would appear that factory production for last year showed a further increase of from 10 to 15 per cent. In consequence, it is estimated that the number of factory employees increased by 9,000 during the past twelve months. An improvement in the turnover of business is also indicated by the following increases for last financial year in comparison with the previous year:—

						Per Cent.
Bank debits	..	..	..	..	..	10·8
Sales tax	..	..	..	..	..	17·5
Railway revenue	..	..	..	..	..	6·4
Post Office revenue	..	..	..	..	..	4·5
Land transfers registered	..	..	..	..	..	27·7
Motor-vehicles licensed	..	..	..	..	..	6·2

The unemployment tax on salaries and wages was reduced from 1s. to 10d. **Unemployment.** in the pound as from 1st October, 1934. Had this reduction not taken place the yield from the tax would have shown an increase of approximately £190,000, or 6·6 per cent. Another pleasing feature is that the number of unemployed at present a charge on the Unemployment Fund is 4,880 less than it was a year ago.

The progressive improvement taking place is also reflected in the banking **Banking.** figures. While the total deposits of the trading banks (apart from Government deposits) for the June quarter of this year were approximately £2,460,000 less than for the same period of last year, free deposits used for current business increased by £1,557,000, or 6·8 per cent.

The general welfare of the people shows more directly in the savings-bank figures. During the three financial years ended 31st March, 1933, withdrawals from savings-banks exceeded deposits by no less than £12,226,000. In the two years and a quarter to 30th June last deposits exceeded withdrawals by £5,698,000, a significant indication that conditions are on the mend.

The substantial progress made towards recovery since the lowest point in the **Indices of recovery.** depression is strikingly illustrated by the statistics to be found in Table No. 21 appended to this Statement.

It is sometimes argued that the increase in exchange has been offset by an **Exchange and prices.** increase in prices in New Zealand. The following statistics comparing prices in New Zealand in 1932 with the latest figures available show that prices in New Zealand have not risen to the same extent as the improvement in export prices due to the rise in exchange.

Wholesale—	1932.	1935.	Per Cent. of Change.
Export prices	892	(June) 1038	(+16)
Locally produced items	1298	„ 1427	(+10)
Imported items	1296	„ 1331	(+ 3)
All groups	1297	„ 1383	(+ 7)
Retail prices	838	(May) 833	(— 1)
Nominal wages	1418	(June) 1408	(— 1)
Effective wages	1063	(June 1062* quarter)	..

* Provisional.

It may be added that the increases shown for “locally produced items” and “all groups” are due mainly to a rise in the prices of export items.

There are two important problems affecting the welfare of the people to **Housing proposals.** which the Government has given special consideration. The first is in respect of housing, which is a vital factor in the health and happiness of the community. In last year’s Budget I indicated that the Government was willing to co-operate as far as possible with local bodies in any projects designed to improve housing conditions in what are usually termed slum areas, although I am thankful to say we have nothing in New Zealand to compare with what is understood by that term in Europe. During my absence I have had a departmental committee at work on the matter, and our recent visit to England has enabled the Prime Minister and myself to gain an insight into the manner in which a similar problem, but of much greater magnitude, has been tackled in London and other great cities. Experience there has shown that the only satisfactory way of destroying slums is to demolish the dwellings that fall below a given standard and concurrently build other places sufficient to accommodate the people displaced. An important factor is that the weekly cost of the new places must be in keeping with the income of the lowest-paid class of the community. In England the work of demolition and construction is arranged by the local authorities, with financial and technical assistance from the State, and it is considered that the problem should be tackled along similar lines here. The first essential is to lay down a standard of fitness and have a detailed survey made in order to ascertain exactly what is required in each city or borough. Accordingly Parliament will be asked to pass legislation this session requiring local bodies to make such a survey and report to the Government. Next session a complete Housing Bill will be submitted designed to solve the slum problem by eliminating overcrowding and unhealthy dwellings, while making better provision to enable other classes of the community to obtain healthy homes for themselves on terms within their means. From the point of view of cost and as a means of extending useful employment the time is opportune for embarking on housing schemes.

**National
superannuation
and health
insurance.**

The second problem the Government has in mind is the desirability of a national superannuation and health-insurance scheme to provide against the risk of destitution in old age and the hazards of sickness, invalidity, orphanhood, and widowhood. A number of other countries have schemes of this nature in operation although the scope of the schemes varies considerably from country to country. A departmental committee has been at work for some time past collecting data and working out costs. The crux of the problem is how such a scheme can be financed. It is, of course, intended that persons covered by the scheme should pay in weekly contributions, but if anything like adequate benefits are to be provided it is evident that these contributions must be supplemented by subsidies from the State and the employers. The big hurdle is the initial cost in respect of those who join at the higher ages. This initial deficiency could, of course, be avoided by restricting entry to those under a certain age, say, twenty-five, but that would mean that the payment of superannuation under the scheme would not commence for about forty years. There are some who say that every person should have the right to obtain a superannuation allowance and protection from sickness, invalidity, &c., from the State without any contribution on his part, but to provide for a universal pension after the age of sixty-five of £2 a week, and other allied benefits, would cost the State not less than £12,000,000 per annum, equal to 60 per cent. of the present revenue from taxation. Such a proposition is impracticable, but it should be possible to devise a contributory scheme that will bring the cost to the State down to a reasonable amount per annum. As we are still faced with a serious unemployment problem, and the Dominion is just emerging from a prolonged depression, the present is hardly an appropriate time for launching such a far-reaching proposal. However, the Government intends as a matter of policy to pursue the subject with the idea of promoting a suitable scheme as soon as financial conditions permit of it being done without imposing any undue increase in the burden of taxation. In order that honourable members and the people generally may have some idea of the cost of a suitable scheme, I propose at a later date to table the preliminary report of the departmental committee on the matter.

Milk for children.

Another important proposal which is receiving the attention of the Government is the encouragement of increased consumption of milk amongst children. A scheme with this object in view has already been prepared, and it is proposed to make funds available for the purpose. It is anticipated that other interested organizations and institutions will co-operate in making effective a scheme that will be of great benefit to the health of the rising generation and, incidentally, increase the local consumption of milk and thereby benefit the dairy industry.

PUBLIC ACCOUNTS.

Public accounts.

Honourable members will recollect that last year's Budget was based upon an expectation that improving economic conditions would be reflected in a revenue increase of £2,460,000 compared with receipts (apart from reserves used) for 1933-34. This expectation, rather doubted in some quarters at the time, was more than realized, with the result that the year closed with a surplus of £1,626,000.

Revenue.

Taxation.

As will be seen from comparative tables attached to this Statement, the total revenue for the year amounted to £26,126,094 and exceeded the Budget estimate by £1,874,094. Taxation receipts amounted to £20,177,607 and exceeded the Budget estimate by £872,607. Stamp and death duties contributed £790,723 towards this excess, the cause being abnormal receipts from death duties. The latter is an item that from its nature cannot be estimated in advance apart from averages, and the extra amount received last year must be regarded as largely fortuitous. Apart from death duties, the taxation estimates proved fairly accurate, the net difference being an excess of £81,884 only.

Customs revenue fell short of the estimate by £176,403, but this is little more than 2 per cent. of the estimate and the shortage was more than offset by the fact that practically every other item exceeded the estimate, the principal amounts in excess being income-tax (£146,477), highways revenue (£50,452), beer duty (£46,008), and sales tax (£20,504).

Interest receipts.

Interest receipts in the aggregate showed a net excess of £45,245 over the estimate. The net receipts from the railways exceeded anticipations by £138,050, but this excess was partly offset by the fact that interest on Post Office capital

amounted to £19,000 less than the estimate, while interest on the Public Debt Redemption Fund fell short by £12,935, and on "other public moneys" by £60,870. The reason for the latter shortage was the low rate of interest received on temporary investments of cash.

All the miscellaneous items grouped under the heading of "other receipts" **Other receipts.** returned a net excess of £956,242 over the Budget estimate, but this large amount is due to a "windfall" item—profits on sale of gold by the Reserve Bank. These profits amounted to £1,364,000, but in the accounts they are offset to the extent of £300,000 by not drawing upon reserves as was allowed for in the Budget.

On the other side of the picture the net expenditure for the year amounted to **Expenditure.** £24,499,596, which is £260,739 in excess of the estimates for the year. It may be mentioned, however, that the item for the transfer of revenue to Highways Account was £225,465 above the estimate, due partly to the fact that highways revenue exceeded expectations and partly to the fact that the amount retained in the Consolidated Fund, approximately £322,000, was less than the amount of £500,000 which was allowed for in the Budget. Apart from this transfer item the net excess of expenditure over the estimate was £35,274, clearly indicating that the expenditure generally was kept closely in accord with the estimates.

Exchange-costs on remittances to meet requirements overseas proved to be **Exchange.** £154,159 above the estimate, but this was partly offset by a saving of £124,561 on the expenditure under departmental votes.

The year's transactions may be concisely summarized as follows:—

SUMMARY OF THE YEAR'S OPERATIONS.

Summary of
revenue and
expenditure.

<i>Revenue.</i>						
					£	£
Taxation	..	..	..	..	20,177,607	
Interest	..	..	..	..	2,930,245	
Other receipts	..	..	..	..	3,018,242	
						26,126,094
 <i>Expenditure.</i>						
Permanent appropriations—						
Debt services	..	..	..	..	9,780,628	
Exchange	..	..	..	..	1,459,159	
Highways	..	..	..	..	1,586,965	
Other services	..	..	..	..	615,010	
Annual appropriations—						
Social services	..	..	..	..	7,144,736	
Other services	..	..	..	..	3,913,098	
						24,499,596
Surplus	..	..	..	..	£1,626,498	

As previously indicated, the large surplus shown is due to the profits from the sale of gold and the abnormal amount received from death duties, both being items of a non-recurring nature. The surplus is thus fortuitous and cannot be used as a basis for taxation-reductions or increases in expenditure during the current year. It was, nevertheless, welcome, as it provided the means of substantially reducing the accumulated deficits from the years 1931–32 and 1933–34. **Recovery of Budget stability.**

Important aspects of last year's operations were the buoyancy of the revenue and the return to stable budgetary conditions. Contrast this position with that which existed two or three years ago, when the revenues were shrinking rapidly and everything was so uncertain that budgeting was almost impossible. In the 1930 Budget a decrease in revenue of £2,830,000 was allowed for, but the returns fell short of the estimate by £2,050,000, making a total shrinkage for the year of £4,880,000. The next year, 1931, provision was made for a further shrinkage of £4,810,000, but

before the year was out it was realized that this was insufficient, and measures were taken to cope with a total shrinkage of £6,060,000. Even so, the year ended with a deficit of £2,140,000, bringing the aggregate shortage for the year up to the huge amount of £8,200,000, equal to about one-third of a normal year's revenue.

The magnitude of the emergency was not generally realized at the time, but looking back now when the situation that existed can be viewed in a better perspective it will, I think, be generally agreed that the heavy reductions in expenditure and the additional burdens imposed upon taxpayers at a time when they could ill afford them were necessary to keep the financial position from getting out of hand. The experience of some other countries shows how far-reaching and disastrous are the effects of a national budget out of control.

As a result of the stern measures adopted we have regained budgetary stability without a legacy of accumulated debt, which is a point that will doubtless be noted with envy by some of our less fortunate neighbours. It is true that accumulated deficits to the extent of about £1,000,000 remain, but it may be mentioned that these deficits accrued after making provision for the statutory scheme of debt-repayment. As a result, the public debt as at 31st March last was £1,360,000 less than it was at 31st March, 1932.

TREASURY BILLS.

Treasury bills.

As will be seen from the public accounts, Treasury bill transactions during the year were large, but for the most part these transactions consisted of renewals of £19,404,872 of bills issued under the Banks Indemnity (Exchange) Act outstanding as at the 31st March, 1934. New issues of bills under this Act between that date and the 31st July, 1934, when the buying of surplus exchange from the trading banks ceased, amounted to £7,247,750. All of these bills, amounting in the aggregate to £26,652,622 per annum, were redeemed. Notwithstanding the explanations previously made, it would appear that many people do not understand how these redemptions were effected. The amount involved was large, but otherwise there was nothing extraordinary about the transactions. Prior to the establishment of the Reserve Bank the position was that the Treasury bills in New Zealand were covered by liquid assets in London purchased with those Treasury bills; that is to say, the Government took over the surplus sterling in London and for the most part gave Treasury bills to the banks in New Zealand in payment for the same. After the establishment of the Reserve Bank, £20,229,700 of the sterling funds were transferred to New Zealand at the current rate of exchange in exactly the same manner as a private individual owning, say, £1,000 in London, might remit the same to New Zealand and use the local credit of £1,000 plus exchange to pay off a debt. The New Zealand credit received from the £20,229,700 sterling transferred through the Reserve Bank was £25,084,828, and this amount, with other funds then held, was sufficient to pay off all the bills outstanding at the time.

Revenue bills to the amount of £3,452,109 were carried forward from 1933-34, and during last financial year further accommodation was received up to a maximum of £6,917,022, of which £245,000 was obtained from the banks and £6,672,022 from Government accounts and the public. The bills issued had a currency not exceeding three months, and were discounted at rates ranging from 1 per cent. to 3 per cent. in the case of bills taken up by Government accounts and the public, and 5 per cent. in the case of bills issued to the banks.

Bills redeemed.

All such bills were repaid before the year closed; thus no revenue bills were outstanding on the 31st March last.

As a result of all these operations the floating debt, which amounted to £22,856,981 at 31st March, 1934, was extinguished. There is, however, a sum of £3,850,000 outstanding under a deed of hypothecation entered into under an arrangement for liquidating reserves invested in discharged-soldiers-settlement securities. This is held departmentally and in any case is not part of the public debt in the ordinary sense of the term.

PUBLIC DEBT.

Public debt.

While effecting this huge reduction in floating debt, the net increase in the long-term debt during last financial year was kept down to the relatively small amount of £646,202.

In New Zealand additional debt to the amount of £3,299,560 was incurred for the following purposes :—

	£
Investment in Reserve Bank	1,000,000
Public works (including hydro-electric supply) ..	1,647,400
Land for settlements	160,635
Main highways	431,500
State forests	60,000
Premiums under conversion operations	25
	<u>£3,299,560</u>

Apart from the small amount involved in premium issues, £406,090 was obtained from the public at $3\frac{3}{4}$ per cent., while the balance of £2,893,445 was derived from departmental investments.

Redemptions of long-term debt amounted to £2,653,358, the funds for the purpose being derived from the following sources. Long-term-debt redemptions.

	£
Repayment of the Public Debt Act, 1925	93,161
Reparations and war credits	750
Ordinary Revenue Account—Surplus as at 31st March, 1935	1,600,212
Separate accounts	959,235
	<u>£2,653,358</u>

Of the redemptions effected, £724,500 was held in Australia, £37,000 in London, and the balance in New Zealand.

The debt operations for last financial year may be summarized as follows :— Debt summary.

	£
Debt as at 31st March, 1934	302,791,996
Less net decrease in floating debt	22,856,981
	<u>279,935,015</u>
Plus net increase in long-term debt—	£
(a) Due to loan-conversion	25
(b) Due to operations during year	646,177
	<u>646,202</u>
	<u>£280,581,217</u>

The domicile of the debt on 31st March, 1935, was :—

	£
London	160,972,230
Australia	2,183,550
New Zealand	117,425,437
	<u>£280,581,217</u>

Debt domicile.

The debt total is approximately £1,360,000 less than it was on 31st March, 1932, a fact that will be regarded with satisfaction by taxpayers generally. The disastrous fall in prices which occurred in 1931 automatically increased the burden of all fixed charges, and, as is well known, one of the cardinal points in the Government's policy of readjustment and reconstruction is to lighten that burden in every way possible. So far as the public debt was concerned, obviously the first thing to do was to avoid increasing it. On the other hand, it was realized that a complete cessation of public works and other loan expenditure would increase unemployment and generally accentuate our already serious economic difficulties. In these circumstances loan expenditure was continued, but on a reduced scale and in directions that would increase debt-charges payable out of taxation as little as possible. Fresh debt to the extent of £7,687,000 was incurred during the three years, but was more than offset by redemptions to the amount of £9,049,000. Reduced borrowing.

The additional loan expenditure on hydro-electric schemes and other public works, land-settlement, forestry, &c., increased the wealth and productive capacity of the Dominion, and thereby placed the people in a better position to carry a debt reduced by £1,360,000.

New Zealand conversions.

Another important factor in lightening the burden of debt-charges was the success of the Government's policy in bringing interest-rates down to a much lower level. The conversion of practically the whole of the internal public debt reduced the gross interest against the Consolidated Fund by approximately £1,000,000 per annum.

London conversions.

In regard to the external debt, the Government has taken advantage of every opportunity that presented itself, but it is possible to take action only in the case of loans in respect of which the right to repay has accrued. However, in 1933 we were able to convert £5,000,000 5-per-cent. bonds into 3½-per-cent. stock at an issue price of £97 per cent. The next year, 1934, £3,989,100 of 4-per-cent. stock was converted into 3½-per-cent. stock at par.

Lastly, there was the recent successful operation whereby £10,135,800 of 5-per-cent. stock was dealt with. The maturity date of this stock was 1st July, 1945, but the Government had the right to redeem it on or after 1st July, 1935, on giving three months' notice.

Prior to my departure for London negotiations with a view to early conversion of the loan were in train, and matters in regard thereto received my personal attention when I reached London. As a result of these negotiations, and having regard to the then-existing conditions of the London money-market, it was decided to utilize New Zealand resources to the extent of £2,135,800 in redemption of portion of the loan, leaving £8,000,000 subject to the final conversion offer, the object being to facilitate conversion and to ensure the most favourable terms.

The interest-rate on the new issue is 3 per cent., which, in conjunction with an issue price of 98½ per cent., gives a yield to the investor of £3 2s. 1d. per cent. over the full twenty-year currency of the loan. These terms compared favourably with the price and return on comparable stocks on the market.

The issue was an immediate success, and leading financial journals in London commented favourably upon the results achieved. Cash subscriptions for the purpose of repaying stock not converted amounted to £10,148,000. This, in conjunction with conversion applications from a majority of holders of the old loan, clearly indicated what a good reputation New Zealand has in London financial circles.

Allowing for redemption of the discount on issue and other expenses over the period of the loan, the cost of the £8,000,000 converted works out at about £3 4s. 8d. per cent. Of the remaining £2,135,800, plus cost of exchange in remitting the same to London (£523,270), approximately £1,250,000 will be provided out of the Public Debt Repayment Account and the balance will be borrowed internally, but no public issue for the purpose will be necessary.

As a result of all these external transactions the interest bill will be lightened by £300,000 sterling per annum, of which the 1935 conversion alone, after allowing for the exchange, saves £219,000.

Further conversion foreshadowed.

Next year we have the right to call £5,869,989 of 6-per-cent. debt, and the sound financial policy pursued by the Government should be reflected in satisfactory terms of conversion giving a further substantial saving in interest-charges.

LOCAL-BODY CONVERSIONS.

Local-body loan-conversion.

Honourable members will recall that in the financial statement presented in 1933 reference was made to the necessity for including in the general scheme of reconstruction some provision for a permanent lowering of the rate of interest on local-body securities. On that occasion I pointed out that, owing to the number and variety of the bodies concerned and the complications regarding differential rating over special areas, &c., immediate conversion on a comprehensive basis was not possible.

The problem was therefore tackled in two phases. First, an immediate reduction of 20 per cent. in interest was provided by statute, superseding the previous provisions for stamp duty to the extent of 10 per cent. under the National Expenditure Adjustment Act, 1932. The 20-per-cent. reduction as provided by

Part I of the Local Authorities Interest Reduction and Loans Conversion Act, 1932-33, operated from the 1st April, 1933, then by Part II of the same Act the necessary machinery was set up to enable local authorities to formulate conversion schemes applicable to their particular circumstances.

When discussing this matter in 1933 an appeal was made to all local bodies to give serious consideration to this important phase in the scheme of national reconstruction with a view to a permanent rearrangement of that portion of their debt which was subject to the conversion legislation—namely, the New-Zealand-domiciled debt on which the interest rate was in excess of $4\frac{1}{4}$ per cent. The response to that appeal has been extremely gratifying.

Of a total convertible debt of £48,340,586 as at the 1st April, 1933, conversion of £40,930,760 had been approved up to 30th June last by the Local Government Loans Board, while a further portion involving over £2,750,000 had been dealt with by way of renewal loans, leaving only £4,650,597 subject to the conversion legislation. The greater portion (approximately £2,500,000), of this latter amount represents loans raised by County Councils, and it is here that the major difficulties affecting local-body conversions have been encountered in that numerous loans had been raised on the security of rates over special areas. Legislation to overcome such difficulties was passed last session in the Local Authorities Interest Reduction and Loans Conversion Amendment Act, which opened the way for complete consolidation of special area loans. The essential features of that legislation dealt with the spreading of the charges on non-convertible loans over the whole county and the providing of an alternative method of opening up back country by means of loans secured over the whole county.

Honourable members will be interested to learn that, largely as a result of the amending legislation, county debt totalling £3,500,000, out of a convertible debt of £6,000,000, has already been dealt with.

The original legislation relating to conversion of local-body securities limited to the 31st March, 1935, the period within which the Governor-General's consent to conversion might be obtained, but, in view of the circumstances relating to special-area loans as mentioned above, it was deemed advisable to extend the period to the 31st December, 1935, such extension having been provided by the amending Act of last session. It is confidently anticipated that the bulk of the outstanding loans will have been dealt with before expiry of the legislation, and, having regard to the magnitude of the conversion scheme generally, it can be said that the results achieved have been of inestimable value to the country as a whole.

I would here stress the desirability of total conversion, and to the local authorities which have not yet moved in this direction would point out the duty devolving on them to obtain the benefit of the legislation enacted not only to afford a measure of relief to ratepayers, but also to obviate the recurring difficulties of refinancing loans, especially as, in many cases, adequate provision for repayment does not exist.

Until the conversion operations are completed it is not possible, however, to give accurate figures relating to the savings effected. The 20-per-cent. reduction in interest provided a saving to local bodies of approximately £400,000 per annum, and as a result of the conversion operations further reduction in annual charges to the extent of £117,000 has been effected, bringing the saving to local bodies to a total in excess of £500,000 per annum.

In addition, local-body finance has been placed upon a much sounder basis in that under the terms of conversion provision has been made, in one way or another, for the repayment of the whole debt over a period of years, thus obviating the necessity for further renewals.

CAPITAL EXPENDITURE.

For the reasons already indicated, both the volume and the character of the expenditure on public works have undergone considerable change in recent years. This will be clear to any honourable member who cares to compare the estimates for the current year with those for 1931-32 or financial years prior to then. When prices fell so disastrously the whole outlook was changed, and immediate steps were taken to bring the programme of public works into accord with the new conditions.

An important factor influencing the Government was the desire to refrain from hampering the policy of reducing interest-rates by entering into competition on the loan market.

**Borrowing-policy
for public works.**

Certain types of constructional operations have diminished or ceased, while in other directions there has been increased activity. Projects are segregated into those that are or will be fully reproductive — such as hydro - electric extensions, buildings for office purposes — and, secondly, those from which an immediate and even ultimate total return to the country is likely to be appreciably less than the total charges (including redemption) if financed from borrowed money. Defence works have been entirely eliminated as an object of loan expenditure.

Reproductive works are still being financed from loan; but proposals that cannot be placed in this category are analysed and finance arranged partly from current revenue (including Unemployment Fund subsidies) in proportions varying mainly with the merit of the proposition but based also upon the need for meeting urgent demands for relief of unemployment. If this policy is maintained its result must be the entirely desirable one of keeping any increase in fixed debt charges approximately in balance with the increased net value of productivity.

Public buildings.

A considerable amount is still being expended on buildings and accommodation for Post and Telegraph needs. This expenditure may be regarded as entirely reproductive, as also will be the proposed expenditure on centralized and modern buildings for office purposes in Auckland and Wellington. To a small extent there has been some replacement of buildings, and provision is made for a contribution from the Consolidated Fund so that loan expenditure will not be duplicated. Incidentally this conservative policy of financing renewals as far as possible from revenue is being pursued in regard to other public works such as bridge renewals and replacement of wharves.

Roading.

Roadwork—formation, widening, metalling, deviations, &c.—involving as it does a substantial proportion of outlay for labour, has been a principal means for providing work for unemployed; but unemployment taxation has been utilized in addition to loan-money for the type of work which otherwise could not be wholly justified if financed entirely from borrowed money. Although a greater proportion of roadwork now comprises the metalling and improvement of existing routes rather than the formation of new roads the importance of opening up any land capable of economic development has not been overlooked, and in most such cases the metalling is done at the same time as formation. Metalled roads, providing swifter and more continuous means of communication, tend to reduce the cost of marketing and, apart from the social aspect of establishing closer contact with the amenities of civilization, are in that respect alone a desirable form of public work.

Main highways.

Main-highways improvement, necessitating a higher standard of work and relating to a much greater length of roads, calls for considerably more expenditure, and the expenditure on construction and maintenance for last financial year, including £325,483 of loan-money for constructional work, reached £1,322,592, the highest level for some years. With main-highways work, however, which consists more of the maintenance and improvement of existing lines of communication than the creation of new ones, it is desired to attain as soon as practicable the basis of meeting the annual works programme wholly from current revenues.

**Lands
improvement.**

Land improvement and development has become a very important part of the programme for public works and settlement of unemployed workers. It is considered that swamp drainage, flood-prevention, clearing and breaking in new land, mangrove-flat reclamation, and similar undertakings are a very useful and desirable avenue for the combined expenditure of low-interest loan-money and unemployment taxation. The number of men employed on works of this nature is now approximately 3,000. Irrigation is another phase of land-development which has been carried on fairly steadily for a considerable number of years. So far as Government works are concerned they were until recently confined wholly to Central Otago, but a considerable area is now being developed in Canterbury. From the financial point of view, the history of irrigation has not been entirely satisfactory, but few will

Irrigation.

question the potential value of this development, and it is expected that by reducing the loan outlay to payable limits, and financing the balance of the construction cost from annual taxation including unemployment funds, future earnings will cover loan charges.

Last, but by no means least in the narration of public works activities, is the development of hydro-electricity. The capital outlay to the 31st March last amounts to about £13,000,000, but is now tapering off following the completion of the major schemes. The revenue last year was approximately £941,000. It is pleasing to record that after paying all expenses, including interest and depreciation, a small net profit was realized. This is a better result than was anticipated and it will enable the undertaking as a whole to reduce the accumulated losses from past years and pay some arrears of sinking fund. Although debt redemption has in the past had to be postponed, any loan expenditure on these works in the future may be regarded as wholly reproductive from the outset.

The programme of public works for the current financial year is embodied in the estimates to be tabled to-night. A perusal of the votes will show that £530,000 is to be provided toward the completion of Wellington railway terminal facilities—the Tawa Flat Deviation combined with the new station and yards and electrification of the line to Paekakariki. By the end of the financial year these works should be well on towards completion. Goods trains with steam engines are already using the deviation.

The most prominent feature in the programme is Public Buildings for which £561,000 is set down on the estimates. In addition to provision for a few large buildings such as Dunedin Post-office and the new departmental offices at Wellington and Auckland, and a further contribution of £30,000 for the National Art Gallery at Wellington, there is £180,000 for school-buildings and £90,000 for additional accommodation in mental hospitals. These buildings are all necessary, costs are down to a low level, capital is relatively cheap, and the Unemployment Board is anxious to stimulate building owing to its far-reaching effect on the employment of labour. Thus the time is opportune to undertake building projects, some of which have been held over for some years.

In the aggregate £595,000 is to be provided for roads and bridges, but as road works are being carried out to some extent to relieve unemployment, £150,000 of the estimated expenditure will be financed out of the Unemployment Fund. In addition, the estimates provide for the expenditure of £1,150,000 on maintenance and improvement of highways and £520,000 on construction work.

Under hydro-electric supply £402,000 additional capital will be required this year for extensions at Arapuni and further developments at Waikaremoana and other stations.

Other items in the programme are £300,000 for telephone and telegraph improvements and extensions and, including £120,000 to be recouped from the Unemployment Fund, a total of £330,000 for the irrigation, lands-improvement, and swamp-drainage works previously mentioned.

The complete capital programme provides for a net expenditure out of loan-moneys of £3,750,000 broadly made up as follows:—

	£
Public works	2,960,000
Small farms	350,000
Land settlement and development	150,000
Native-land settlement	160,000
Dairy industry loans	100,000
Forestry	30,000
	£3,750,000

This amount can be provided from Government Accounts, so no public issue will be necessary for the purpose.

It may be mentioned that the £2,960,000 shown for public works is the amount of loan capital involved in the programme for the year. This amount will be augmented from the Unemployment Fund for certain classes of work, and there is also the expenditure on highways out of revenue. In fact, the estimates provide for a gross expenditure of £5,630,000, an increase of £1,480,000 over the actual expenditure for last financial year.

This increase is desirable for several reasons. In the first place it will have direct and indirect effects in relieving unemployment and increasing the national income and taxable capacity. Further, many works, otherwise unremunerative, can be made profitable at the present low rate of interest if financed partly from unemployment funds.

The time has now arrived when it is desirable to formulate a long-range public-works programme covering a period of years. In order to provide the basis for such a programme it is proposed to undertake a survey of suitable developmental works. This will enable works to be selected well in advance in order of urgency, after estimates of capital costs and probable returns and of labour requirements have been prepared. An important advantage of such a programme is that the use of unemployment funds for the promotion of full-time work can be planned in advance. In this way we can be sure of getting the utmost value for the money expended.

LAND-DEVELOPMENT.

Land-development.

During last financial year the Land Development Board concentrated attention upon the prosecution of work on areas where operations had already been commenced and upon the granting of loans in approved cases to Crown tenants who had chosen to select undeveloped sections. The £150,000 set down in the capital programme for this year will enable these operations to be continued.

Progress recorded.

Summarizing the situation from a financial point of view, it may be stated that to 31st March last the Board had expended a sum of £317,400 in the surface development of twelve blocks of Crown land, the erection of fencing, buildings, &c., thereon, and in the survey and roading of thirty-four blocks, making provision for approximately 592 farms. The net expenditure on live-stock for farming-operations stands at £21,700. Sections permanently selected number 304, and the total arrears of rent and deferred-payment instalments outstanding at the end of last financial year were £1,492 against annual charges of £3,420.

In addition, loans totalling £210,000 have been granted to 488 Crown tenants to assist them in developing their own selections. In the North Auckland district particularly, settlers have taken advantage of the financial accommodation that has been made available for the conversion of waste areas held by them into productive pasture. The general financial success of the loan scheme may be gauged from the fact that, as at the 31st March last, arrears of interest outstanding amounted to only £7,830, despite comparatively adverse markets and the fact that loans have been made on lands not immediately productive. In the latter cases the return from the properties will rise as areas in pasture are increased and the grass becomes established.

The disturbed economic conditions that have existed have operated against settlement in some cases, and the four larger blocks of land which have been or are being developed, comprising the Galatea, Ngakuru, Kakariki, and Tapuwae estates, have not yet been permanently selected. In the meantime, the Board is farming these blocks or has arranged for share milkers to occupy portions of them. With the exception of one of the blocks where dairying is predominant, the farming-operations over the last two years taken together have resulted in surpluses after providing for interest on the capital invested. Thus practically without loss it has been possible to test and demonstrate the developmental possibilities in the districts concerned.

Native land development.

Good progress has also been made with the development of Native-owned lands for the settlement thereon of the owners or other selected Natives. The number of separate holdings in active production has increased from 1,050 at the 31st March, 1933, to 1,541 at the 31st March, 1935.

The total gross expenditure on the development schemes and unit farms at the Finance. 31st March last was approximately £905,623, while credits amounted to £315,350, leaving a net expenditure to that date of £590,273. The gross expenditure for the year ended on the 31st March last amounted to £191,726. Credits during the year reached the sum of £104,382, leaving a net increase of £87,344 in the expenditure on development.

The collections from the schemes for the first three months of the current financial year show an increase of 55 per cent. on the figures for the corresponding period of last year, leading to the justifiable expectation of further substantial progress over the full year.

SMALL-FARMS SETTLEMENT.

As a partial remedy for unemployment the original Small Farms Scheme Small Farm Scheme. was inaugurated. Areas ranging from 5 acres upwards were acquired under agreement to lease and suitable unemployed workers were chosen as occupiers. The intention underlying this scheme was to provide holdings where the tenants could have a garden, run a cow or two, fowls, &c., and also obtain two or three days' work each week from outside sources. The administration of this scheme was placed in the hands of the Department of Agriculture, and while it was in operation some 488 men were placed. It was soon realized, however, that this method of settling men could only be regarded as a temporary palliative, except in localities where plenty of seasonal work was available over a fairly long period, such as near freezing or other works.

The Small Farms Board was then constituted in April, 1933, and immediately Small Farms Board. commenced a programme of acquiring areas which would provide the occupier with a living without relying on outside work. Applicants for farms were advised to try to obtain options over properties which could be purchased, developed, and stocked at a total cost not exceeding £1,200. The Board also acquired several areas of undeveloped and partially improved land and properties which had been gradually deteriorating because the original owners lacked sufficient finance to farm the land successfully. These areas are being developed by the use of unemployed labour, and all improvements are being carried out prior to settlement. The method of selection of permanent occupiers for the subdivisions is by ballot among the most suitable of the married workers engaged on the development-work.

Since its inception the Board has established 359 individual settlers on an area of 24,035 acres, while the development of a further 38,711 acres now in hand will eventually provide another 491 holdings. While the total figure of 850 farms may not appear to be large in comparison with the total number of unemployed in New Zealand, it should be realized that the settlement of this number means the building of 850 cottages, cowsheds, and outbuildings, the erection of many miles of boundary and subdivisional fencing, the clearing and grassing of thousands of acres, and the construction of new roads and schools to cater for new settlements. It is interesting to note that up to the present on fifteen of the blocks under development over 120 miles of new fencing have been erected. Eight hundred and fifty new settlers, with their wives and families, means a total population of about 3,500 people. Established farms also provide indirect employment to other workers.

In connection with the development operations referred to previously, 1,257 unemployed men are at present employed on definitely reproductive work, and, of these, 491 may ultimately expect to get sections on completion of the work. These men have shown great keenness and, with the incentive of obtaining good farms to spur them on, excellent results are being obtained. All cottages on small-farms and development blocks are being erected by contract, hence the building and allied trades are also benefiting to some extent by the scheme.

Another scheme of which considerable advantage has been taken, and which Share Milkers' Cottage Scheme. still offers some scope, is known as the "Share Milkers' Cottage Scheme." The Small Farms Board is prepared to advance up to £300 for the erection of a cottage and/or a cow-shed on privately-owned farms on condition that the owner engages

an unemployed married man to milk additional cows either on a wage basis of £2 per week or on a guaranteed share basis of £104 per annum. The advance is repayable on an instalment plan over a period of ten years. Under this scheme advances have been made and unemployed men placed in 328 cases.

Summary of results.

To summarize the results to date, the following is the position :—

Placed on small holdings	..	..	..	..	488
Placed on full-time farms	..	..	..	..	359
Established as share milkers	..	..	..	..	328
Number on sections under development		..	..		491
Total					1,666

UNEMPLOYMENT.

Unemployment.

Although the recovery in industrial and economic conditions during the past twelve months has been reflected by an improvement in the position, unemployment still constitutes a major problem, and one requiring long-range consideration if anything approaching rehabilitation is to be obtained within the next few years. The latest figures reveal that the number who are a charge, in one way or another, on the Unemployment Fund, has fallen from 62,451 in August, 1934, to 57,571 for August, 1935—a drop of 4,880. The commencement of seasonal occupations will, in the ordinary course, result in the numbers being materially reduced during the summer months.

Standard rates of pay.

Increasing difficulties are being encountered in finding suitable work under Scheme No. 5. The policy of the Unemployment Board to co-operate with the State and generally encourage all employing authorities to put in hand works for the full-time employment of relief workers at standard rates of pay has been continued during the year, and over 8,000 workers are employed on this basis. At the present time a number of local bodies have under consideration major schemes for the employment of relief workers on this basis, and it is anticipated that the number of men in receipt of full-time employment at standard rates will be materially increased in the near future, thus securing a corresponding reduction in the numbers on sustenance or employed on a rationed basis under Scheme No. 5.

In public works also much importance is attached to the value of employment that can be provided for a given expenditure of loan-money.

Assistance to new industries.

While this will lead to a decided improvement in the position, there can be no question that the only permanent solution of the problem is the reabsorption of the unemployed in trade and industry, and it was with this object in view that the Unemployment Board decided, in July, 1934, to set aside the sum of £250,000 for assisting private enterprise in the promotion of new industries and the assisting of languishing industries so that a larger number of men could be absorbed into private employment. A number of new industries has been assisted by means of grants and loans from the Unemployment Fund, and the Board is at present examining proposals which, if successfully inaugurated, will be of great value, not only in relieving unemployment but to the Dominion as a whole.

Revival of gold-mining.

Gold-mining and prospecting are proving successful avenues of employment fostered by the Unemployment Board. Co-operation between the Board, the Mines Department, and the Department of Scientific and Industrial Research, coupled with the high market price of gold, is bringing about a great recovery in gold-mining.

Apart from “grub-staking” unemployed men, finance has been provided from the Unemployment Fund for geophysical and geological surveys carried out on potential auriferous areas. Special prospecting parties have been sent out into likely back-country areas at standard rates of wages, and several additional mining engineers have been appointed to direct and assist the operations of subsidized prospectors.

In various parts of the Dominion 400 men are engaged at special rates of pay in testing areas reserved for prospecting by unemployed labour—by means of shaft-sinking, tunnelling, &c., or in providing access to such areas.

Increasing attention is being paid to large-scale operations, as against prospecting on small individual claims, with the object of providing permanent employment in the industry for increased numbers of men. Near Hokitika an old water-race is being reconditioned and extended with a view to working a large area of virgin alluvial ground, a project that is employing some two hundred men full time at standard rates of wages, which are paid by the Board. On completion it is estimated by experts that constant and profitable employment on sluicing operations will be provided for about one hundred and fifty men over a period of ten to fifteen years.

The developments in dredging are most encouraging. Fifteen dredges are operating at present, and, from information received by the Mines Department, it is anticipated that the number will be increased to twenty-three in 1936 and probably forty in 1937.

The dredges of to-day, compared with those operating at the beginning of the century, are much larger and more powerful. In 1902, which can be taken as the peak of the previous dredging boom, there were 201 dredges in operation, averaging per dredge 16 h.p., or a total of 3,216 h.p., but the fifteen operating this year total approximately 2,500 h.p.

Even larger dredges than those now operating are contemplated, and by 1937 it is quite possible that the horse-power of the dredges then in operation will total 12,000.

The Building Subsidy Scheme (No. 12) which has now been in operation for **Building subsidy.** over twelve months has proved a very successful method of stimulating industries in general, as it is estimated that, directly and indirectly, over 87 per cent. of the cost of building-construction comprises wages paid in New Zealand. Up to the 20th July, 1935, 4,960 applications had been approved, involving subsidies totalling £229,356. The actual value of the work put in hand as a result of the granting of subsidies under this scheme amounts to £3,208,361, of which £2,791,274 is estimated to represent the amount which will be directly and indirectly paid in wages in New Zealand. In other words, the expenditure by the Unemployment Board of £229,356 represents only 8·21 per cent. of the total wages paid to workers employed as a result of the introduction of this scheme.

During the year the scheme was extended to cover alterations and additions to dwelling-houses, and recently a further scheme on similar lines has been introduced to give employment to workers in the engineering and metal-working trades. This latter scheme (B. 2) provides for the granting of subsidies to dairy factories and dairy-farmers on the purchase of machinery manufactured in New Zealand calculated to improve the quality of the Dominion's butter and cheese output. **Assistance to engineering trades, &c.**

Concerning the financial position of the Unemployment Fund, it may be mentioned that in spite of the reduction in taxation to 10d. in the pound from 1st October, 1934, and the exemption from wages-tax granted to persons under twenty years of age (which applied from 12th November, 1934), the total revenue from unemployment taxation exceeded that of the previous year by £163,350. The actual receipts from taxation amounted to £4,590,219, of which £419,165 was derived from the levy, £2,821,824 from tax on salary and wages, and £1,349,230 from the special charge on "other income." **Finance.**

The tax on salary and wages yielded less than for the previous year. This of course is accounted for by the reduction in taxation, and by the exemption granted to persons under twenty. But for these alterations it is estimated that the receipts for the last year would have shown an increase of about £190,000. Such an increase represents an addition to the Dominion wages bill of approximately £3,800,000.

The receipts from the special tax on "other income" (after allowing for revenue received in advance, £38,225) amounted to £1,311,005, or £204,403 in excess of the previous year. Allowing for the reduction in the rate of tax to 10d. in the pound for the second half of the year, this result indicates an increase in incomes "other than salary or wages" of over £6,500,000. **Revenue.**

The Unemployment Board commenced the year with a cash balance of £621,518, and with the £4,590,219 from taxation, and other miscellaneous receipts from interest, repayments of loans, &c., it had available for the provision of unemployment relief the sum of £5,245,078.

Expenditure.

Disbursements from the fund totalled £3,912,000 during the year, the sum of £3,397,000 being expended in direct relief payment to the unemployed under the Board's various schemes; £73,900 in the purchase of food, clothing, and other necessities for distribution to relief workers; £240,000 in sustenance payments, where work could not be provided; £62,000 in loans and grants made by the Board for the creation of employment, mostly in new channels; and £139,000 in administration expenses, representing 3·55 per cent. of the actual expenditure. The year closed with a balance of £1,333,000 to the credit of the fund, against which there are considerable commitments.

**Estimated
Revenue, 1935-36.**

For the current year it is estimated that on the present basis of taxation the revenue of the Unemployment Fund would amount to £4,200,000, and, with the balance carried forward on 1st April last, the aggregate amount available would be £5,533,000.

With the general increase granted to relief workers in January last, and the further increase in the form of a bonus given in July, the relief payments, except for a few months in the early stages of the Board's activities, are now higher than they have been at any time since the inception of the emergency legislation. In addition to providing increases in monetary payments to relief workers, further assistance has been provided in the form of a free issue of boots and blankets, by the extension of the rationing-system to all the larger secondary towns, and by increasing the amount of outside earnings that a worker may receive before his relief is affected.

**Reduction in
taxation.**

The policy of the Board to concentrate upon the promotion of full time employment at standard rates of pay will involve greater expenditure out of the Unemployment Fund, but, in view of the buoyancy of the revenue and the declining numbers of unemployed, it is considered that the position of the finances permits of a further reduction in the rate of taxation. It is accordingly proposed to reduce the tax from the present rate of 10d. to 8d. in the pound as from 1st October. This will reduce the revenue by £370,000 for the balance of this financial year. Even so, the amount available for this year will be £5,160,000 as against an expenditure of £3,912,000 for last year. The additional £1,248,000 that is available, combined with the increased activity in specially selected public works, should materially assist the solution of the problem, especially as the continued improvement in economic conditions will tend to increase the revenue and reduce the demand on the funds.

POST AND TELEGRAPH CONCESSIONS.**Toll charges.**

From the inception of the telephone toll system in the Dominion, the method of charging for toll communications has been based upon the length of circuit connecting any two points. While this method has, up to recent times, been generally convenient and equitable, the steady development of toll communication along with the employment of new methods of transmission has led to difficulties, and in some instances anomalies in charging. Moreover in many cases it has led to disturbing alterations in charging arising from deviations in routing.

With a view to stabilizing the charging system the Government has approved of toll distances between any two points being calculated upon the nearest practicable vehicular route or pole-line distance, whichever is the shorter. This innovation will result for the time being in a fairly substantial loss of revenue, but will no doubt prove very acceptable to many users.

The alteration is in accord with the aim of the Government to afford every encouragement to the public to make use of the comprehensive toll system which is steadily being built up within the Dominion.

Telegraph charges.

For many years the progressive loss upon the handling of telegraph traffic has been a matter of serious concern. With a view to devising some practicable remedy for this state of affairs, the working of the telegraph branch of the Post and Telegraph Department was the subject of exhaustive investigation by a select committee of departmental experts. The inquiry covered every aspect of telegraph working, and, as a result, the flat rate method was discarded in favour of what is termed the "zone" system of charging. This system was based substantially upon the principle that the charges should, as far as possible,

be in direct ratio to the cost of handling. It was not in any way calculated to increase the aggregate cost to the users, but was designed essentially to ensure a more equitable return upon the handling of long-distance traffic. Conversely, the charges for short-distance traffic were reduced. The new system met with much criticism, particularly from some of the business community. The opposition was not based upon any inherent weakness in the principle of charging according to distance, but the new method was apparently looked upon as too radical a departure from the flat rate system of charging, which, from long usage, had been regarded as a fixed policy in respect of telegraph charges.

Having regard to the objections raised to the graduated method of charging, and with a view of giving every consideration to the wishes of users, the Government has agreed to revert in the near future to the flat rate method. This will be in the direction of resuscitating in a measure the one-time popular sixpenny telegram. The new charge will be on a flat rate basis at the rate of 1d. per word, with a minimum charge of 6d.

The following are a few of the many concessions recently granted by the Post and Telegraph Department to its clients:—

1. Removal of certain restrictions on the posting of business accounts and circulars:
2. Reduction in postage on registered newspapers from $\frac{1}{2}$ d. for 3 oz. to $\frac{1}{2}$ d. for 8 oz.:
3. Free medical advice by radio-telegram to ships at sea:
4. Abolition of telephoning fee for inward and outward telegrams:
5. Half-toll rates from 6 p.m. instead of 8 p.m. on week-days, also all day on Sundays and holidays:
6. Toll charges reduced to one-fourth rate from 10 p.m. to 6 a.m., with maximum charge for three minutes of 1s. within either Island and 1s. 6d. inter-Island:
7. Reduction in "No-reply" toll charge:
8. Reduction from 4d. to 2d. in minimum charge for short distance telephone toll communications:
9. Extension from 2 hours to 12 hours Sunday service in 108 exchanges:
10. Extension of Auckland Exchange base-rate area:
11. Overseas radio-telephone charges reduced 25 per cent.:
12. Initiation of "Person to Person" call.

From these it will be evident that valuable concessions have been given to both city and country subscribers.

BUDGETARY POSITION FOR 1935-36.

I come now to the general budgetary position for this financial year.

As one would expect from the progressive improvement in economic conditions reviewed in my opening remarks, the public revenues continue to be buoyant. Increasing imports mean additional customs revenue, and, after a careful survey of results to date and the prospects for the remainder of the year. I have set down the estimate of Customs revenue for the year at £7,900,000, a comparative increase of £476,000, or approximately 6 per cent., over receipts for last year. Customs revenue.

Then the rising volume of factory production and the improvement in local trade and industry generally must substantially increase the yield from the sales tax at the existing rate. The estimate of the comparative increase is £304,000. Sales tax.

In these circumstances it is also reasonable to expect an increase in the yield from the petrol tax, while it is known that there is an appreciable rise in the number of motor registrations. Accordingly it is anticipated that highways revenue will exceed last year's receipts by £130,000. Highways revenue.

Income-tax is always difficult to gauge, and last year's receipts were substantially higher than was anticipated. For this year we can confidently expect the yield from the tax to rise to £4,250,000, an increase of £454,000, or about 11 per cent. Income-tax.

Other taxation.

As last year's receipts from land-tax were inflated somewhat by collection of arrears, I have allowed for a comparative reduction of £23,000 in this item. The yield from beer duty and gold-export duty should be much the same as last year, but I anticipate an increase of £10,000 in film-hire tax.

Stamp death duties.

As previously indicated, death duties paid during last financial year were abnormally high. On this account I have deemed it advisable to allow for a fall of £810,000 in the returns from stamp and death duties.

The increases that I have mentioned must thus be offset to this extent, leaving an estimated net increase in the revenue from taxation of £542,000.

Interest receipts.

In the aggregate, it is anticipated that interest receipts on the existing basis of operations would produce £196,000 less than was received last year. Interest on the Public Debt Redemption Fund is expected to show a decrease of £72,000, mostly due to the reduction in mortgage interest granted to State Advances mortgagors on transfer to the Mortgage Corporation. With a smaller volume of investments than was the case last year, interest on public moneys will show a decrease estimated at £146,000.

Other receipts.

Under "Other Receipts" the land revenues and departmental receipts are expected to be much the same, but the miscellaneous item last year included gold profits to the amount of £1,364,000. This year gold profits to the extent of £231,000 have been received. With the virtual completion in the change over to our own silver coin, £575,000 of profits from this source can be transferred to the Consolidated Fund. Chiefly on account of those items "Other Receipts" in total will show a net decrease of £610,000.

Total revenue.

The net result of all of the items I have reviewed is an estimated revenue for the year of £25,862,000, which is £265,000 less than was received during last financial year.

ESTIMATED EXPENDITURE.

Debt services.

On the other side of the account the estimates of expenditure show a net saving of £340,000 in debt charges. Interest paid on the Treasury bills for last year amounts to £397,000, whereas for the current year it is considered necessary to allow only £35,000. Against this, the reduction in interest granted to State Advances mortgagors on transfer to the Mortgage Corporation will mean a reduction in interest recoveries of £200,000. I may say that the total cost of this reduction for the balance of this financial year is estimated at £260,000, but, as previously indicated, £60,000 is reflected in the revenue estimates for interest on the Public Debt Redemption Fund.

Other savings in debt charges are £32,000 under the Repayment of the Public Debt Act due to the reduction in the debt last year, £82,000 in management charges, and £12,000 in payment of guaranteed loans.

Exchange.

For exchange there is an estimated increase of £177,000 due to the fact that last year the net expenditure was reduced by a special recovery arising out of the liquidation of accounts under the Banks Indemnity (Exchange) Act.

Highways.

Payments for highways purposes this year will exceed those for 1934-35 by £454,000. To the extent of £130,000, this is the counterpart of the estimated increase in highways revenue, while the balance is accounted for by the fact that last year £322,000 of these revenues were retained in the Consolidated Fund for general use. This year it is not proposed to retain any part of these revenues, but it is intended to repeat last year's provision for payment out of the Main Highways Account of a special 12½ per cent. subsidy on rural rates. Even so, the Highways Board will have at its disposal for this financial year additional funds to the amount of £445,000.

Other Special Acts.

An increase of £16,000 for "Other Special Acts" is due mostly to an increase in Endowment Revenue available for Education and Pensions.

Superannuation Funds.

I may mention that the expenditure grouped under this heading includes £200,000 for a special subsidy to the Government Superannuation Funds. An additional subsidy of a like amount was paid last year to enable current pensions to be paid without further depleting the existing capital of the funds. It has not been found possible to deal with the whole problem this year as was intended, so it is proposed to repeat the special subsidy to maintain the position of the funds until next year, when it is the intention of the Government to give the matter the serious consideration it warrants.

The net result of these increases and decreases is an increase of £310,000 in the expenditure under Permanent Appropriations. **Permanent Appropriations.**

Under the "Annual Votes" the estimates for this year are £400,000 in excess of the expenditure for last year. **Annual Votes.**

Social services account for £150,000 of the increase. This includes £100,000 for the normal expansion in pensions, £24,000 additional for Education, and an increase of £27,000 in the vote for the National Provident Fund and Friendly Societies. Concerning the latter increase, it may be mentioned that as an emergency measure the National Provident Fund provided for its own administration expenses for a period of four years out of surpluses, but could not continue to do so, as this was not contemplated when the original Act was passed. **Social services.**

The general elections will increase the electoral vote by £73,000, while the programmes for Naval, Land, and Air Defence will require votes increased by £52,000. Other increases are £47,000 for maintenance of buildings, roads, irrigation works, &c., £23,000 for Agriculture, £16,000 for Industries and Commerce, and £36,000 for External Affairs. The last mentioned is for the reparation estates and the banana trade with Samoa, and will be offset by additional revenue. **Increases in other votes.**

In the aggregate the main estimate of expenditure amounts to £25,211,000, a net increase of £710,000 over the amount expended during last financial year, but, as already indicated, £454,000 of this amount is on account of Highways. **Main Estimates.**

The estimated revenue for the year is £650,000 in excess of the main estimates of expenditure, but about £200,000 of this amount will be required for Supplementary Estimates. The best way of utilizing the remaining margin in the Budget was a matter that received much consideration from the Government. All things taken into account, it was thought reasonable and fair that there should be some further restoration of the cuts in the salaries and wages of the Public Service. It is accordingly proposed to grant a 7½ per cent. general increase in salaries and wages as from 1st October. The net cost to the Budget will be approximately £300,000, of which £120,000 will be reflected by a reduction in the revenue item of "Interest on Railway Capital," while the balance will mean additional expenditure out of the Consolidated Fund. This increase, with that granted last year, will go a long way towards restoring the reductions made, so far as the lower paid men are concerned. **Increase in salaries and wages.**

Another matter that concerns the Public Service is the postponement of the general regrading that was due in 1934. As a result a number of anomalies in grading may not yet have been removed, although individual cases are continually being dealt with. Under the legislation a date for the next general regrading has to be fixed by Order in Council. If the present improvement in conditions continues, as seems likely, it may be found possible to fix a date next year. **Public service regrading.**

It is also proposed to take the opportunity of completing the restoration of the 10-per-cent. cut made in old-age pensions. This will operate as from 1st October, the cost for the balance of this financial year being £63,000. **Restoration of old-age pensions.**

From the same date it is intended to increase by 7½ per cent. the pension rates for widows and miners and for dependants of soldiers whose pensions were reduced. The rates of Economic Pensions under the War Pensions Act are also to be increased by the same percentage. The cost of these increases for the half year is estimated at £32,000. **Increase in other pensions.**

At present a returned soldier's widow is entitled to a pension only if married within two years of the soldier's discharge. Experience has shown that this has occasioned hardship, so legislation is to be brought down to give a widow the right to a pension under the War Pensions Act if she was married within seven years of her husband's discharge from the Forces. It is anticipated that the additional cost for the half-year will be £12,500. **Soldiers' widows pensions.**

The Government has also been concerned about the number of returned soldiers who, quite apart from any wounds or other injuries during their war service, are ageing prematurely or otherwise becoming unemployable by reason of physical or mental disability. A War Veterans' Allowances Bill is to be brought down to provide for special pensions for such cases. The cost for the balance of this financial year is estimated at £30,000. **Allowance for veterans.**

The additions thus made to salaries, wages, and pensions in conjunction with the reduction to be made in unemployment taxation, should give a further impetus to the recovery in trade and industry now taking place. **Impetus to trade.**

SUMMARY OF POSITION.

To sum up the whole position, the estimates of revenue are as follows:—
Taxation—

	£	£
Customs	7,900,000	
Beer duty	675,000	
Sales tax	2,475,000	
Film-hire tax	55,000	
Gold export duty.. .. .	100,000	
Highways	2,040,000	
Stamp and death duties	2,710,000	
Land-tax	470,000	
Income-tax	4,250,000	
Miscellaneous	45,000	
Total taxation		20,720,000
Interest receipts		2,734,000
Other receipts		2,408,000
		<u>£25,862,000</u>
Less reductions in Railway Interest on account of increase in salaries		120,000
		<u>£25,742,000</u>

The Budget estimate of expenditure may be summarized as follows:—

	£	£
Debt services	9,441,000	
Exchange	1,636,000	
Transfer of highways revenue.. .. .	2,041,000	
Other Permanent Appropriations	633,000	
Annual votes—		
Social services	7,295,000	
Other votes	4,165,000	
Total, Main Estimates		25,211,000
7½ per cent. increase in salaries and wages		180,000
Full restoration of old-age pensions		63,000
7½ per cent. increase in other pensions		32,000
Extension of pension rights for returned soldiers' widows		12,500
War Veterans allowances		30,000
Other Supplementary Estimates		200,000
		<u>£25,728,500</u>

Budget surplus.

On this basis there will remain a small balance of £13,500 to provide for contingencies. I may say that the Government is not unmindful of the fact that the burden of taxation is heavy, and it is regretted that there was not sufficient scope in the Budget to make further reductions this year, having regard to the prior claims of the Public Service for restoration of cuts in salaries and wages. However, with the increasing progress now being made towards economic recovery, a substantial reduction in taxation should not be long delayed.

Conclusion.

Looking back over the last few years, I consider the Government can justly claim to have piloted the Dominion successfully through the worst economic storm in its history. A considerable measure of success has been achieved in bridging the gap between costs and income in our basic industries, and, with the readjustment of liabilities already provided for by statute and the heartening rise in prices now apparent, there should soon be an improvement in farming profits. This will be reflected in a general improvement in trade and industry. Prospects are definitely good.

In the sphere of public finance, not only has Budget stability been restored but we have come through the depression without any legacy of accumulated floating debt. Unemployment funds have been provided out of revenue and the public debt is less now than it was three years ago.

Thus the financial record of the Dominion through the depression compares favourably with that of any other country.

TABLES TO ACCOMPANY THE FOREGOING STATEMENT.

	Page
TABLE NO. 1.—ABSTRACT OF RECEIPTS AND EXPENDITURE OF THE FINANCIAL YEAR ENDED 31ST MARCH, 1935. SEE PARLIAMENTARY PAPER B.-1 [PART I].	
TABLE NO. 2.—THE PUBLIC DEBT ON 31ST MARCH, 1935. SEE PARLIAMENTARY PAPER B.-1 [PART III].	
TABLE NO. 3.—REVENUE FOR THE YEAR ENDED 31ST MARCH, 1935, COMPARED WITH THE YEAR ENDED 31ST MARCH, 1934	ii
TABLE NO. 4.—COMPARATIVE STATEMENT OF THE ESTIMATED AND ACTUAL REVENUE OF THE CONSOLIDATED FUND (ORDINARY REVENUE ACCOUNT) FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 1935	iii
TABLE NO. 5.—ESTIMATED REVENUE FOR 1935-36, COMPARED WITH THE ACTUAL REVENUE FOR 1934-35 ..	iv
TABLE NO. 6.—STAMP AND DEATH DUTY REVENUE FOR THE YEAR ENDED 31ST MARCH, 1935, COMPARED WITH THE YEAR ENDED 31ST MARCH, 1934	iv
TABLE NO. 7.—STATEMENT OF THE CUSTOMS DUTIES COLLECTED FOR 1934-35, COMPARED WITH 1933-34 ..	v
TABLE NO. 8.—STATEMENT OF THE ACTUAL NET EXPENDITURE OF THE CONSOLIDATED FUND (ORDINARY REVENUE ACCOUNT) FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 1935, COMPARED WITH THE YEAR ENDED 31ST MARCH, 1934	v
TABLE NO. 9.—COMPARATIVE STATEMENT OF THE APPROPRIATED AND ACTUAL EXPENDITURE OF THE CONSOLIDATED FUND (ORDINARY REVENUE ACCOUNT) FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 1935	vii
TABLE NO. 10.—ESTIMATED NET EXPENDITURE FOR 1935-36, COMPARED WITH THE ACTUAL NET EXPENDITURE FOR 1934-35	ix
TABLE NO. 11.—PUBLIC WORKS FUND—STATEMENT SHOWING NET EXPENDITURE UNDER APPROPRIATIONS FOR THE YEAR ENDED 31ST MARCH, 1935, COMPARED WITH THE YEAR ENDED 31ST MARCH, 1934 ..	x
TABLE NO. 12.—STATEMENT SHOWING THE TOTAL WAYS AND MEANS OF THE PUBLIC WORKS FUND, GENERAL PURPOSES ACCOUNT, AND THE TOTAL NET EXPENDITURE TO 31ST MARCH, 1935 ..	xi
TABLE NO. 13.—STATEMENT SHOWING THE AMOUNT CHARGED TO "UNAUTHORIZED" IN EACH FINANCIAL YEAR FROM 1ST APRIL, 1924, TO 31ST MARCH, 1935	xii
TABLE NO. 14.—STATEMENT SHOWING THE AVAILABLE FINANCIAL RESOURCES OF THE VARIOUS ACCOUNTS ON THE 31ST MARCH, 1935, AS COMPARED WITH THE 31ST MARCH, 1934	xiii
TABLE NO. 15.—STATEMENT OF AMOUNTS PAID ON ACCOUNT OF PENSIONS FOR THE FINANCIAL YEARS ENDED 31ST MARCH, FROM 1931 TO 1935	xiii
TABLE NO. 16.—EDUCATION EXPENDITURE—TOTAL EXPENDITURE ON EDUCATION OUT OF PUBLIC FUNDS SINCE 1913-14	xiv
TABLE NO. 17.—STATE BALANCE-SHEET AS AT 31ST MARCH, 1934	xv
TABLE NO. 18.—STATEMENT OF HALF-YEARLY INSTALMENTS OF PRINCIPAL AND INTEREST FOR REPAYMENT OF DEBT FUNDED WITH IMPERIAL GOVERNMENT	xvi
TABLE NO. 19.—STATEMENT SHOWING MATURITY DATES AND DOMICILE OF DEBT OUTSTANDING AS AT 31ST MARCH, 1935	xvii
TABLE NO. 20.—STATEMENT SHOWING VALUES OF IMPORTS AND EXPORTS OF THE DOMINION IN EACH FINANCIAL YEAR ENDED 31ST MARCH, FROM 1930 TO 1935	xviii
TABLE NO. 21.—TABLE SHOWING IMPROVEMENT IN ECONOMIC CONDITIONS	xviii
COPY OF PROSPECTUS OF 1934 LONDON LOAN	xix
COPY OF PROSPECTUS OF MORTGAGE CORPORATION OF NEW ZEALAND	xxi

Table No. 3.

REVENUE FOR THE YEAR ENDED 31ST MARCH, 1935, COMPARED WITH THE YEAR ENDED 31ST MARCH, 1934.

	Year ended 31st March, 1935.	Year ended 31st March, 1934.	Increase.	Decrease.
	£	£	£	£
Taxation—				
Customs	7,423,597	6,485,014	938,583	..
Beer duty	671,008	655,464	15,544	..
Sales tax	2,170,504	1,847,333	323,171	..
Film-hire tax	44,491	32,960	11,531	..
Gold-export duty	102,617	117,090	..	14,473
Highways	1,910,452	1,703,527	206,925	..
Stamp and death duties	3,520,723	2,712,855	807,868	..
Land-tax	492,526	498,978	..	6,452
Income-tax	3,796,477	2,961,243	835,234	..
Miscellaneous	45,212	45,366	..	154
Total—Taxation	20,177,607	17,059,830	3,138,856	21,079
Interest—				
On capital liability—				
Working railways	1,088,050	1,085,000	3,050	..
Postal and telegraph	546,000	553,000	..	7,000
On Public Debt Redemption Fund	632,065	629,496	2,569	..
On other public moneys	664,130	596,360	67,770	..
Total—Interest	2,930,245	2,863,856	73,389	7,000
Other receipts—				
Registration and other fees	228,563	218,248	10,315	..
National-endowment revenue	147,761	134,249	13,512	..
Territorial revenue	291,415	245,162	46,253	..
External affairs	97,110	76,379	20,731	..
Justice	144,197	138,171	6,026	..
Marine	139,168	133,110	6,058	..
Native	5,204	3,876	1,328	..
Post and Telegraph Department profits	13,000	154,388	..	141,388
Printing and Stationery	175,656	160,925	14,731	..
Stamp duties	45,048	39,198	5,850	..
Tourist and Health Resorts	77,308	65,700	11,608	..
Miscellaneous	1,628,777	196,048	1,432,729	..
Recoveries on account of expenditure of previous years	25,035	3,609	21,426	..
From reserves	..	2,000,000	..	2,000,000
Total—Other receipts	3,018,242	3,569,063	1,590,567	2,141,388
			4,802,812	2,169,467
			2,169,467	
Totals	26,126,094	23,492,749	2,633,345	..

Table No. 4.

COMPARATIVE STATEMENT OF THE ESTIMATED AND ACTUAL REVENUE OF THE CONSOLIDATED FUND
(ORDINARY REVENUE ACCOUNT) FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 1935.

	Estimate for 1934-35.	Actual for 1934-35.	Difference.	
			More.	Less.
Taxation—	£	£	£	£
Customs	7,600,000	7,423,597	..	176,403
Beer duty	625,000	671,008	46,008	..
Sales tax	2,150,000	2,170,504	20,504	..
Film-hire tax	45,000	44,491	..	509
Gold-export duty	120,000	102,617	..	17,383
Highways	1,860,000	1,910,452	50,452	..
Stamp and death duties	2,730,000	3,520,723	790,723	..
Land-tax	480,000	492,526	12,526	..
Income-tax	3,650,000	3,796,477	146,477	..
Miscellaneous	45,000	45,212	212	..
Total—Taxation	19,305,000	20,177,607	1,066,902	194,295
Interest—				
On capital liability—				
Working railways	950,000	1,088,050	138,050	..
Postal and telegraph	565,000	546,000	..	19,000
On Public Debt Redemption Fund	645,000	632,065	..	12,935
On other public moneys	725,000	664,130	..	60,870
Total—Interest	2,885,000	2,930,245	138,050	92,805
Other receipts—				
Registration and other fees	220,000	228,563	8,563	..
National-endowment revenue	130,000	147,761	17,761	..
Territorial revenue	240,000	291,415	51,415	..
External Affairs	90,000	97,110	7,110	..
Justice	155,000	144,197	..	10,803
Marine	131,000	139,168	8,168	..
Native	4,000	5,204	1,204	..
Post and Telegraph Department profits	..	13,000	13,000	..
Printing and Stationery	160,000	175,656	15,656	..
Stamp duties	40,000	45,048	5,048	..
Tourist and Health Resorts	68,000	77,308	9,308	..
Miscellaneous	520,000	1,628,777	1,108,777	..
Recoveries on account of expenditure of previous years	4,000	25,035	21,035	..
From reserves	300,000	..	..	300,000
Total—Other receipts	2,062,000	3,018,242	1,267,045	310,803
			2,471,997	597,903
			597,903	..
Total revenue	24,252,000	26,126,094	1,874,094	..

Table No. 5.

ESTIMATED REVENUE OF THE CONSOLIDATED FUND (ORDINARY REVENUE ACCOUNT) FOR THE YEAR ENDING 31ST MARCH, 1936, COMPARED WITH THE ACTUAL REVENUE RECEIVED FOR THE YEAR ENDED 31ST MARCH, 1935.

	Estimate for 1935-36.	Actual for 1934-35.	Differences.	
			Increase.	Decrease.
Taxation—				
Customs	£ 7,900,000	£ 7,423,597	£ 476,403	£ ..
Beer duty	675,000	671,008	3,992	..
Sales tax	2,475,000	2,170,504	304,496	..
Film-hire tax	55,000	44,491	10,509	..
Gold-export duty	100,000	102,617	..	2,617
Highways	2,040,000	1,910,452	129,548	..
Stamp and death duties	2,710,000	3,520,723	..	810,723
Land-tax	470,000	492,526	..	22,526
Income-tax	4,250,000	3,796,477	453,523	..
Miscellaneous	45,000	45,212	..	212
Total—Taxation	20,720,000	20,177,607	1,378,471	836,078
Interest—				
On capital liability—				
Working Railways	980,000	1,088,050	..	108,050
Postal and Telegraph	556,000	546,000	10,000	..
On the Public Debt Redemption Fund	560,000	632,065	..	72,065
On other public moneys	518,000	664,130	..	146,130
Total—Interest	2,614,000	2,930,245	10,000	326,245
Other receipts—				
Registration and other fees	230,000	228,563	1,437	..
National-endowment revenue	135,000	147,761	..	12,761
Territorial revenue	260,000	291,415	..	31,415
External Affairs	140,000	97,110	42,890	..
Justice	146,000	144,197	1,803	..
Marine	134,000	139,168	..	5,168
Native	5,000	5,204	..	204
Printing and Stationery	175,000	175,656	..	656
Stamp duties	45,000	45,048	..	48
Tourist and Health Resorts	85,000	77,308	7,692	..
Miscellaneous	1,048,000	1,641,777	..	593,777
Recoveries on account of expenditure of previous years	5,000	25,035	..	20,035
Total—Other receipts	2,408,000	3,018,242	53,822	664,064
			1,442,293	1,826,387
			..	1,442,293
Totals	25,742,000	26,126,094	..	384,094

Table No. 6.

STAMP AND DEATH DUTY REVENUE FOR THE YEAR ENDED 31ST MARCH, 1935, COMPARED WITH THE YEAR ENDED 31ST MARCH, 1934.

Item.	Year Ended 31st March,		Increase.	Decrease.
	1935.	1934.		
	£	£	£	£
Adhesive stamps	125,954	80,581	45,373	..
Duty on instruments	238,093	199,639	38,454	..
Estate and succession duty	2,159,990	1,327,508	832,482	..
Gift duty	45,404	63,032	..	17,628
Impressed stamps, and duty on cheques	186,741	173,311	13,430	..
Stamp duty on interest	68	78,974	..	78,906
Company licenses	83,856	84,984	..	1,128
Sharebrokers' licenses	2,051	2,178	..	127
Bank-note duty	218,017	279,244	..	61,227
Totalizator revenue	371,985	340,740	31,245	..
Amusements-tax	49,526	48,715	811	..
Lottery duty	18,000	15,245	2,755	..
Overseas-passenger duty	18,455	15,348	3,107	..
Rates, fines, and miscellaneous	2,583	3,356	..	773
			967,657	159,789
			159,789	..
Totals	3,520,723	2,712,855	807,868	..

Table No. 7.

STATEMENT SHOWING CUSTOMS DUTIES COLLECTED FOR YEAR 1934-35 COMPARED WITH THE YEAR 1933-34.

	1934-35.	1933-34.	Increase.	Decrease.
	£	£	£	£
Spirits, wine, and beer	679,930	675,096	4,834	..
Tobacco, cigars, and cigarettes	1,665,726	1,611,678	54,048	..
Apparel and textiles	814,187	686,175	128,012	..
Motor-vehicles and parts*	487,240	168,854	318,386	..
Motor-spirit*	1,057,598	960,028	97,570	..
Other goods	1,988,843	1,826,679	162,164	..
Primage and surtax	730,073	556,503	173,570	..
Totals.. .. .	7,423,597	6,485,013	938,584	..

* Excluding tire-tax and petrol-tax earmarked to Main Highways.

Table No. 8.

STATEMENT OF THE ACTUAL NET EXPENDITURE OF THE CONSOLIDATED FUND (ORDINARY REVENUE ACCOUNT) FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 1935, COMPARED WITH THE FINANCIAL YEAR ENDED 31ST MARCH, 1934.

	Year ended 31st March, 1935.	Year ended 31st March, 1934.	Increase.	Decrease.
	£	£	£	£
Permanent Appropriations :—				
Under special Acts of Legislature,—				
Civil List	23,100	22,505	595	..
Debt Services—				
Interest	8,023,812	8,836,467	..	812,655
Amortization of debt—				
Sinking fund	10,859	10,859	..	..
Repayment of Public Debt Act, 1925	1,578,293	1,392,257	186,036	..
Transfers to Loans Redemption Account	7,326	9,843	..	2,517
Administration and management	117,733	61,045	56,688	..
Payments on guaranteed loans	42,605	86,861	..	44,256
Total—Debt Services	9,780,628	10,397,332	242,724	859,428
Other Services—				
Education	87,207	53,221	33,986	..
Contribution towards Singapore Naval Base	100,000	100,000	..	..
Other grants and subsidies	242,949	35,875	207,074	..
Salaries and honoraria	60,224	56,013	4,211	..
Pensions	40,057	25,081	14,976	..
Highways—				
Transfers to Main Highways Account	1,455,143	1,079,097	376,046	..
Paid to boroughs	110,748	100,060	10,688	..
Expenses of collecting, &c... .. .	21,074	22,680	..	1,606
Advances	Cr. 6,123	Cr. 4,630	Cr. 1,493	..
Other special Acts—				
Cost of exchange on the purchase from banks of surplus sterling in London	1,190,265	1,737,745	..	547,480
Exchange on remittances of public moneys to or from countries overseas	268,894	59,443	209,451	..
Miscellaneous	67,596	65,732	1,864	..
Total—Other Services	3,638,034	3,330,317	856,803	549,086
Total—Permanent Appropriations	13,441,762	13,750,154	1,100,122	1,408,514

Table No. 8—continued.

STATEMENT OF THE ACTUAL NET EXPENDITURE OF THE CONSOLIDATED FUND (ORDINARY REVENUE ACCOUNT) FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 1935, COMPARED WITH THE FINANCIAL YEAR ENDED 31ST MARCH, 1934—continued.

	Year ended 31st March, 1935.	Year ended 31st March, 1934.	Increase.	Decrease.
	£	£	£	£
Annual Appropriations:—				
Vote,—				
Legislative	88,273	74,107	14,166	..
Prime Minister's Department	22,596	23,991	..	1,395
Finance—				
Treasury	37,722	31,080	6,642	..
Customs	87,627	83,511	4,116	..
Land and Income Tax	64,604	59,367	5,237	..
Stamp Duties	81,902	77,400	4,502	..
Audit	26,738	22,218	4,520	..
Total—Finance	298,593	273,576	25,017	..
General Administration—				
Public Service Commissioner's Office	4,377	4,349	28	..
Internal Affairs	367,802	320,414	47,388	..
External Affairs	95,353	81,160	14,193	..
Printing and Stationery	155,015	137,901	17,114	..
Marine	109,182	103,488	5,694	..
Labour	39,961	35,484	4,477	..
Native	61,584	65,163	..	3,579
Valuation	38,953	36,608	2,345	..
Electoral	5,148	5,642	..	494
Total—General Administration	877,375	790,209	91,239	4,073
Law and Order—				
Justice and Prisons	239,239	241,207	..	1,968
Crown Law Office	5,625	4,723	902	..
Police	435,545	427,344	8,201	..
Total—Law and Order	680,409	673,274	9,103	1,968
Defence—				
Naval Defence	437,840	397,384	40,456	..
Defence	465,232	264,724	200,508	..
Total—Defence	903,072	662,108	240,964	..
Maintenance of Public Works and Services	91,845	72,403	19,442	..
Development of Primary and Secondary Industries—				
Lands and Survey	160,215	151,658	8,557	..
Agriculture	539,247	675,464	..	136,217
Industries and Commerce, Tourist, and Publicity	133,996	118,235	15,761	..
Scientific and Industrial Research	53,127	48,749	4,378	..
Mines	19,567	19,540	27	..
Transport	27,469	23,096	4,373	..
Total — Development of Primary and Secondary Industries	933,621	1,036,742	33,096	136,217
Social Services—				
Health	779,216	741,846	37,370	..
Mental Hospitals	252,442	233,501	18,941	..
Education	2,595,661	2,526,078	69,583	..
Pensions	3,439,879	3,260,109	179,770	..
National Provident and Friendly Societies	77,538	80,285	..	2,747
Total—Social Services	7,144,736	6,841,819	305,664	2,747
Unauthorized Expenditure,—				
Services not provided for	17,314	3,644	13,670	..
Total—Annual Appropriations	11,057,834	10,451,873	752,361	146,400
			1,852,483	1,554,914
			1,554,914	..
Total Expenditure	24,499,596	24,202,027	297,569	..

Table No. 9.
NET EXPENDITURE.

COMPARATIVE STATEMENT OF THE APPROPRIATED AND ACTUAL EXPENDITURE OF THE CONSOLIDATED FUND (ORDINARY REVENUE ACCOUNT) FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 1935.

	Net Appropriations, 1934-35.	Actual Net Expenditure, 1934-35.	Difference.	
			More.	Less.
	£	£	£	£
PERMANENT APPROPRIATIONS :—				
Under Special Acts of the Legislature,—				
Civil List	25,226	23,100	..	2,126
Debt services—				
Interest	8,119,497	8,023,812	..	95,685
Amortization of Debt—				
Sinking Fund	10,859	10,859	..	..
Repayment of Public Debt Act, 1925	1,546,000	1,578,293	32,293	..
Transfers to Loans Redemption Account	9,500	7,326	..	2,174
Securities redeemed	1,000	..	..	1,000
Administration and Management	49,500	117,733	68,233	..
Payments on Guaranteed Loans	40,840	42,605	1,765	..
Total—Debt services	9,777,196	9,780,628	102,291	98,859
Other services—				
Education	87,207	87,207	..	..
Other Grants and Subsidies	335,500	342,949	7,449	..
Salaries and Honoraria	60,908	60,224	..	684
Pensions	40,375	40,057	..	318
Highways	1,361,500	1,586,965	225,465	..
Exchange	1,305,000	1,459,159	154,159	..
Other Special Acts	63,550	61,473	..	2,077
Total—Other services	3,254,040	3,638,034	387,073	3,079
TOTAL—PERMANENT APPROPRIATIONS	13,056,462	13,441,762	489,364	104,064
ANNUAL APPROPRIATIONS :—				
Vote,—				
Legislative	86,013	88,273	2,260	..
Prime Minister's Department	23,006	22,596	..	410
Finance—				
Treasury	39,437	37,722	..	1,715
Customs	88,404	87,627	..	777
Land and Income Tax	66,862	64,604	..	2,258
Stamp Duties	80,273	81,902	1,629	..
Audit	27,677	26,738	..	939
Total—Finance	302,653	298,593	1,629	5,689
General Administration—				
Public Service Commissioner's Office	4,969	4,377	..	592
Internal Affairs	368,042	367,802	..	240
External Affairs	95,429	95,353	..	76
Printing and Stationery	154,654	155,015	361	..
Marine	112,296	109,182	..	3,114
Labour	39,898	39,961	63	..
Native	62,665	61,584	..	1,081
Valuation	42,888	38,953	..	3,935
Electoral	5,452	5,148	..	304
Total—General Administration	886,293	877,375	424	9,342
Law and Order—				
Justice and Prisons	250,660	239,239	..	11,421
Crown Law Office	5,728	5,625	..	103
Police	440,685	435,545	..	5,140
Total—Law and Order	697,073	680,409	..	16,664
Defence—				
Naval Defence	454,020	437,840	..	16,180
Defence	532,151	465,232	..	66,919
Total—Defence	986,171	903,072	..	83,099
Maintenance of Public Works and Services	85,397	91,845	6,448	..

Table No. 9—*continued.*NET EXPENDITURE—*continued.*COMPARATIVE STATEMENT OF THE APPROPRIATED AND ACTUAL EXPENDITURE OF THE CONSOLIDATED FUND (ORDINARY REVENUE ACCOUNT) FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 1935—*cntd.*

	Net Appropriations, 1934-35.	Actual Net Expenditure, 1934-35.	Difference.	
			More.	Less.
ANNUAL APPROPRIATIONS— <i>continued.</i>				
Vote— <i>continued.</i>	£	£	£	£
Development of Primary and Secondary Industries—				
Lands and Survey	176,393	160,215	..	16,178
Agriculture	523,498	539,247	15,749	..
Industries and Commerce, Tourist, and Publicity	130,004	133,996	3,992	..
Scientific and Industrial Research	53,337	53,127	..	210
Mines	24,840	19,567	..	5,273
Transport	26,072	27,469	1,397	..
Total—Development of Primary and Secondary Industries	934,144	933,621	21,138	21,661
Social Services—				
Health	762,532	779,216	16,684	..
Mental Hospitals	249,788	252,442	2,654	..
Education	2,649,443	2,595,661	..	53,782
Pensions	3,438,826	3,439,879	1,053	..
National Provident and Friendly Societies	81,056	77,538	..	3,518
Total—Social Services	7,181,645	7,144,736	20,391	57,300
Unauthorized Expenditure,—				
Services not provided for	..	17,314	17,314	..
TOTAL—ANNUAL APPROPRIATIONS	11,182,395	11,057,834	69,604	194,165
			558,968	298,229
TOTAL EXPENDITURE	24,238,857	24,499,596	260,739	..

Table No. 10.

ESTIMATED NET EXPENDITURE OF THE ORDINARY REVENUE ACCOUNT FOR 1935-36, COMPARED WITH ACTUAL NET EXPENDITURE FOR 1934-35.

	Estimate for 1935-36.	Actual for 1934-35.	Difference.	
			Increase.	Decrease.
Permanent Appropriations,—	£	£	£	£
Civil List	25,428	23,100	2,328	..
Debt services—				
Interest	7,810,010	8,023,812	..	213,802
Sinking Fund	10,859	10,859	..	..
Repayment of Public Debt	1,546,280	1,578,293	..	32,013
Administration and Management	35,500	117,733	..	82,233
Payments of Guaranteed Loans, Redemptions, and Transfers	38,300	49,931	..	11,631
Total—Debt services	9,440,949	9,780,628	..	339,679
Under Special Acts of the Legislature—				
Education	95,968	87,207	8,761	..
Salaries and Honoraria	63,692	60,224	3,468	..
Pensions	44,352	40,057	4,295	..
Highways	2,041,000	1,586,965	454,035	..
Exchange	1,636,000	1,459,159	176,841	..
Other Special Acts	403,900	404,422	..	522
	4,284,912	3,638,034	647,400	522
Total—Permanent appropriations	13,751,289	13,441,762	649,728	340,201
Annual Appropriations,—				
Legislative	79,878	88,273	..	8,395
Prime Minister's Department	23,000	22,596	404	..
Finance—				
Treasury	39,216	37,722	1,494	..
Customs	91,907	87,627	4,280	..
Land and Income Tax	73,045	64,604	8,441	..
Stamp Duties	81,800	81,902	..	102
Andit	29,000	26,738	2,262	..
	314,968	298,593	16,477	102
General Administration—				
Public Service Commissioner's Office	5,210	4,377	833	..
Internal Affairs	353,360	367,802	..	14,442
External Affairs	144,248	(a) 108,212	36,036	..
Printing and Stationery	155,000	155,015	..	15
Marine	114,625	109,182	5,443	..
Labour	42,800	39,961	2,839	..
Native	46,200	(a) 48,725	..	2,525
Valuation	42,900	38,953	3,947	..
Electoral	77,972	5,148	72,824	..
	982,315	877,375	121,922	16,982
Law and Order—				
Justice and Prisons	244,997	239,239	5,758	..
Crown Law	5,918	5,625	293	..
Police	445,500	435,545	9,955	..
	696,415	680,409	16,006	..
Defence—				
Naval Defence	450,000	437,840	12,160	..
Defence	505,000	465,232	39,768	..
	955,000	903,072	51,928	..
Maintenance of Public Works and Services	138,500	91,845	46,655	..
Development of Primary and Secondary Industries—				
Lands and Survey	162,000	160,215	1,785	..
Agriculture	562,557	539,247	23,310	..
Industries and Commerce, Tourist, and Publicity	150,000	133,996	16,004	..
Scientific and Industrial Research	53,400	53,127	273	..
Mines	20,000	19,567	433	..
Transport	26,500	27,469	..	969
	974,457	933,621	41,805	969
Social Services—				
Health	780,000	779,216	784	..
Mental Hospitals	250,000	252,442	..	2,442
Education	2,620,000	2,595,661	24,339	..
Pensions	3,540,000	3,439,879	100,121	..
National Provident and Friendly Societies	105,000	77,538	27,462	..
	7,295,000	7,144,736	152,706	2,442
Services not provided for	..	17,314	..	17,314
Total—Annual appropriations	11,459,533	11,057,834	447,903	46,204
			1,097,631	386,405
Totals	25,210,822	24,499,596	711,226	..

(a) For purposes of comparison £12,859 expended under Subdivision II (Cook Islands) of vote, "Native," is included in vote, "External."

Table No. 11.
PUBLIC WORKS FUND.

STATEMENT SHOWING THE NET EXPENDITURE UNDER APPROPRIATIONS FOR THE YEAR ENDED
31ST MARCH, 1935, COMPARED WITH THE YEAR ENDED 31ST MARCH, 1934.

Vote.	Year ended 31st March, 1935.	Year ended 31st March, 1934.	Increase.	Decrease.
	£	£	£	£
Public Works, Departmental	76,486	98,703	..	22,217
Railway-construction	<i>Cr.</i> 29,373	<i>Cr.</i> 13,894	..	15,479
Railways Improvement and Additions to Open Lines	154,973	146,005	8,968	..
Public Buildings—				
General	30,801	642	30,159	..
Courthouses	533	72	461	..
Education Buildings	51,506	52,239	..	733
Prison Buildings and Works	1,605	1,018	587	..
Police-stations	2,754	74	2,680	..
Postal and Telegraph	100,484	21,078	79,406	..
Mental Hospital Buildings	98,630	73,021	25,609	..
Health and Hospital Institutions	656	1,248	..	592
Lighthouses	4,020	1,276	2,744	..
Harbour-works	2,581	11,988	..	9,407
Development of Tourist Resorts	12,880	13,510	..	630
Roads, &c.	371,573	359,671	11,902	..
Telegraph Extension	135,933	144,160	..	8,227
Lands, Miscellaneous	82,092	71,825	10,267	..
Irrigation, Water-supply, and Drainage..	91,241	66,838	24,403	..
Swamp Land Drainage	15,019	13,959	1,060	..
Plant, Material, and Services	<i>Cr.</i> 10,513	1,421	..	11,934
Settlement of Unemployed Workers	222,309	172,109	50,200	..
Native Land Settlement	125,668	179,485	..	53,817
Totals, annual appropriations	1,541,858			
Unauthorized—				
Services not provided for	122	..	122	..
Totals	1,541,980	1,416,448	248,568 123,036	123,036
			125,532	

Table No. 12.

STATEMENT SHOWING THE TOTAL WAYS AND MEANS OF THE PUBLIC WORKS FUND, GENERAL PURPOSES ACCOUNT, AND THE TOTAL NET EXPENDITURE TO THE 31ST MARCH, 1935.

WAYS AND MEANS.				£	s.	d.	£	s.	d.
LOANS :—									
Immigration and Public Works Loan, 1870	..	..	..	4,000,000	0	0			
Immigration and Public Works Loan, 1873	..	..	..	2,000,000	0	0			
Immigration and Public Works Loan, 1874	..	..	..	4,000,000	0	0			
General Purposes Loan Act, 1873	..	..	..	750,000	0	0			
New Zealand Loan Act, 1876	..	..	..	750,000	0	0			
New Zealand Loan Act, 1877	..	..	..	2,200,000	0	0			
New Zealand Loan Act, 1879	..	..	..	5,000,000	0	0			
New Zealand Loan Act, 1882	..	..	..	3,000,000	0	0			
New Zealand Colonial Inscribed Stock Loan Act, 1882	..	..	..	250,000	0	0			
North Island Main Trunk Railway Loan Act, 1882	..	..	..	1,000,000	0	0			
New Zealand Loan Act, 1864	..	..	..	1,500,000	0	0			
New Zealand Loan Act, 1886	..	..	..	1,325,000	0	0			
District Railways Purchasing Acts, 1885 and 1886	..	..	..	479,487	7	11			
New Zealand Loan Act, 1888	..	..	..	1,000,000	0	0			
Native Land Purchase Act, 1892	..	..	..	149,700	0	0			
Lands Improvement and Native Lands Acquisition Act, 1894	..	..	..	500,000	0	0			
Aid to Public Works and Land Settlement Act, 1896	..	..	..	1,000,000	0	0			
Aid to Public Works and Land Settlement Amendment Act, 1897..	..	..	..	250,000	0	0			
Aid to Public Works and Land Settlement Amendment Act, 1898..	..	..	..	500,000	0	0			
Aid to Public Works and Land Settlement Act, 1899	..	..	..	1,000,000	0	0			
Aid to Public Works and Land Settlement Act, 1900	..	..	..	1,011,600	0	0			
Aid to Public Works and Land Settlement Act, 1901	..	..	..	1,250,000	0	0			
Aid to Public Works and Land Settlement Act, 1902	..	..	..	1,750,000	0	0			
Aid to Public Works and Land Settlement Act, 1903	..	..	..	997,690	0	0			
Aid to Public Works and Land Settlement Act, 1904	..	..	..	750,000	0	0			
Aid to Public Works and Land Settlement Act, 1905	..	..	..	1,000,000	0	0			
Aid to Public Works and Land Settlement Act, 1906	..	..	..	989,700	0	0			
Aid to Public Works and Land Settlement Act, 1907	..	..	..	1,000,000	0	0			
Aid to Public Works and Land Settlement Act, 1908	..	..	..	1,250,000	0	0			
Aid to Public Works and Land Settlement Act, 1909	..	..	..	1,000,000	0	0			
Aid to Public Works and Land Settlement Act, 1910	..	..	..	1,750,000	0	0			
Aid to Public Works and Land Settlement Act, 1911	..	..	..	1,500,000	0	0			
Aid to Public Works and Land Settlement Act, 1912	..	..	..	1,748,900	0	0			
Aid to Public Works and Land Settlement Act, 1913	..	..	..	1,750,000	0	0			
Aid to Public Works and Land Settlement Act, 1914	..	..	..	3,000,000	0	0			
Aid to Public Works and Land Settlement Act, 1921	..	..	..	5,060,613	0	3			
Aid to Public Works and Land Settlement Act, 1922	..	..	..	4,408,860	12	3			
Finance Act, 1909	..	..	..	1,250,000	0	0			
Finance Act, 1915, and New Zealand Loans Act, 1915	..	..	..	2,000,000	0	0			
Finance Act, 1916	..	..	..	1,000,000	0	0			
Finance Act, 1917	..	..	..	850,000	0	0			
Finance Act, 1918 (No. 2)	..	..	..	2,500,000	0	0			
Finance Act, 1919, Section 5	..	..	..	750,000	0	0			
Finance Act, 1920, Section 15	..	..	..	2,500,000	0	0			
Finance Act, 1921, Section 10	..	..	..	2,673,111	10	11			
Finance Act, 1923, Section 2	..	..	..	4,306,608	17	6			
Finance Act, 1924, Section 2	..	..	..	2,126,009	6	11			
Finance Act, 1925, Section 2	..	..	..	4,151,450	10	2			
Finance Act, 1926, Section 2	..	..	..	5,220,134	10	7			
Finance Act, 1927 (No. 2), Section 2	..	..	..	4,319,594	10	3			
Finance Act, 1928, Section 2	..	..	..	3,185,132	14	8			
Finance Act, 1929, Section 2..	..	..	..	4,097,119	4	6			
Finance Act, 1930 (No. 2), Section 2	..	..	..	4,386,910	0	0			
Finance Act, 1931 (No. 4), Section 2	..	..	..	1,358,380	0	0			
Stock issued for Expenses of Conversion, 1930-31	..	..	..	360,835	18	0			
Post and Telegraph Act, 1908	..	..	..	200,000	0	0			
Midland Railway Petitions Settlement Acts, 1902 and 1903	..	..	..	150,000	0	0			
Paeroa-Waihi Railways Act, 1903	..	..	..	75,000	0	0			
Waikaka Branch Railway Act, 1905	..	..	..	50,000	0	0			
Appropriation Act, 1912	..	..	..	15,000	0	0			
Irrigation and Water-supply Act, 1912	..	..	..	100,000	0	0			
Balances transferred from Separate Accounts, 1931-32—	£	s.	d.						
Waihou and Ohinemuri Rivers Improvement Account	5,518	10	10						
Education Loans Account	12,867	3	9						
Railways Improvement Authorization Act 1914 Account	420,783	17	4						
Native Land Settlement Account	3,445	4	10						
Hauraki Plains Settlement Account	44	10	4						
Rangitaiki Land Drainage Account	10,797	5	0						
Swamp Land Drainage Account	9,008	19	1						
	19,850	14	5						
Utilized for redemptions	19,850	14	5						
				442,614	16	9			
							108,939,453	0	8
RECEIPTS IN AID :—									
Amount transferred from Consolidated Fund	..	..	..	14,555,000	0	0			
Contributions of Canterbury Province for Railways	..	..	..	56,000	0	0			
Proceeds of Railway Material handed over to Cook County Council	..	..	..	4,963	7	4			
Stamp Duties to 31st December, 1876	..	..	..	264,657	16	4			
Transfer from Confiscated Lands Liabilities Account	..	..	..	19,963	1	3			
Receipts under Section 16 of the Reserves and other Lands Disposal and Public Bodies Empowering Act, 1912	..	..	..	21,890	4	5			
Carried forward	..	..	..	14,922,474	9	4	108,939,453	0	8

Table No. 12—continued.

STATEMENT SHOWING THE TOTAL WAYS AND MEANS OF THE PUBLIC WORKS FUND, GENERAL PURPOSES ACCOUNT, AND THE TOTAL NET EXPENDITURE TO THE 31ST MARCH, 1935—continued.

WAYS AND MEANS—continued.						£	s.	d.	£	s.	d.
Brought forward						14,922,474	9	4	108,939,453	0	8
RECEIPTS IN AID—continued.											
Special Receipts under Section 9 of the Railways Construction Act, 1878						60,616	3	0			
Special Receipts under the Ellesmere Lake Lands Acts, 1888 and 1893						69,446	3	2			
Special Receipts under the Railways Authorization and Management Act, 1891						2,257	1	9			
Special Receipts under the North Island Main Trunk Railway Loan Application Act, 1886						114,550	19	6			
Sinking Funds released						506,819	19	3			
Finance Act, 1932, Section 7 (4)—											
Sale of land under Hauraki Plains Act, 1926						4,148	4	4			
Settlement of Unemployed Workers						26,558	0	3			
Receipts under Section 12 of Native Land Amendment Act, 1932..						5,027	2	0			
									15,711,898	2	7
									£124,651,351	3	3
NET EXPENDITURE.											
Expenditure on—											
Immigration						3,313,421	4	10			
Public Works, Departmental						3,020,723	2	10			
Railways, including Surveys of New Lines and Payment to Midland Railway Bondholders						56,459,020	12	0			
Roads						22,542,180	3	10			
Land-purchases						2,054,023	13	8			
Settlement of Unemployed Workers						513,139	13	4			
Development of Mining						881,015	0	11			
Telegraph Extension						11,560,537	15	6			
Public Buildings						11,722,277	15	10			
Lighthouses, Harbour-works, and Harbour-defences						1,319,126	17	4			
Contingent Defence						1,401,847	5	3			
Rates on Native Lands						68,671	16	10			
Thermal Springs						14,599	13	2			
Development of Tourist Resorts						703,473	7	10			
Lands Improverment						891,133	3	5			
Swamp Land Drainage						43,257	18	4			
Plant, Material, and Services						118,966	9	10			
Charges and Expenses of raising Loans						3,828,307	3	7			
Coal-mines						10,835	8	0			
Interest and Sinking Fund						218,500	0	0			
Irrigation and Water-supply						1,217,765	5	5			
Motor Transport Service						33,635	5	3			
Transfer to Main Highways Account, Construction Fund						1,226,000	0	0			
Native Land Settlement						295,561	2	1			
									123,458,019	19	1
Balance on 31st March, 1935,—											
Cash in the Public Account						818,037	0	1			
Investments						375,294	4	1			
									1,193,331	4	2
									£124,651,351	3	3

Table No. 13.

STATEMENT SHOWING THE AMOUNT CHARGED TO "UNAUTHORIZED" IN EACH FINANCIAL YEAR FROM 1ST APRIL, 1924, TO 31ST MARCH, 1935.

FINANCIAL YEAR.	CONSOLIDATED FUND.—REVENUE ACCOUNT.						OTHER ACCOUNTS.	PUBLIC WORKS FUND.	TOTAL.	
	Services not provided for.		Excess of Votes.		Total.					
	£	s. d.	£	s. d.	£	s. d.	£	s. d.	£	s. d.
1924-1925 ..	22,526	15 9	63,690	15 3	86,217	11 0	27,390	19 0	101,970	16 2
1925-1926 ..	30,265	7 9	26,257	3 7	56,522	11 4	30,811	19 2	23,665	13 8
1926-1927 ..	27,913	18 1	45,418	12 4	73,332	10 5	1,581	10 7	2,801	18 9
1927-1928 ..	15,942	15 4	51,560	10 5	67,503	5 9	10,740	8 2	49,604	6 11
1928-1929 ..	7,959	7 3	43,312	14 4	51,272	1 7	11,891	14 4	20,639	17 2
1929-1930 ..	22,205	12 8	41,407	0 0	63,612	12 8	111,433	6 11	24,827	8 0
1930-1931 ..	4,585	0 0	129,903	7 1	134,488	7 1	3,450	8 7	1,586	13 11
1931-1932 ..	18,698	6 0	19,182	17 10	37,881	3 10	21,577	6 4	1,376	10 3
1932-1933 ..	45,724	18 4	16,005	18 3	61,730	16 7	57,667	1 10	40,160	8 3
1933-1934 ..	3,643	17 10	8,326	0 3	11,969	18 1	8,288	2 5	1 12	5
1934-1935 ..	17,313	13 4	69,966	7 1	87,280	0 5	47,973	11 7	21,384	12 0

Table No. 14.

STATEMENT SHOWING THE AVAILABLE FINANCIAL RESOURCES OF THE VARIOUS ACCOUNTS ON THE 31ST MARCH, 1935, AS COMPARED WITH THE 31ST MARCH, 1934.

Account.	1935.			1934.		
	Balance on 31st March, 1935.	Liabilities on 31st March, 1935.	Unexhausted Authority for raising Loan on 1st April, 1935.	Balance on 31st March, 1934.	Liabilities on 31st March, 1934.	Unexhausted Authority for raising Loan on 1st April, 1934.
	£	£	£	£	£	£
Consolidated Fund—						
Ordinary Revenue	204,835	236,879	500,000	16,027,720	221,773	..
Public Works Fund—						
General Purposes	1,193,331	234,656	6,255,634	825,960	184,202	3,761,634
Electric Supply	332,458	84,035	1,347,590	416,260	51,274	488,990
Electric Supply Sinking Fund	1,669	..	..	107,871	..	..
Bank of New Zealand Shares	1,859,375	..	..	1,859,375	..	..
Discharged Soldiers Settlement	594,148	35	..	427,969	109	..
Land for Settlements	269,981	2,803	6,278,000	72,570	3,963	6,278,000
Loans Redemption	476,400	..	..	414,500	..	..
Main Highway—						
Revenue Fund	33,568	104,062	..	181,907	71,672	..
Construction Fund	182,136	30,210	1,055,900	68,507	28,637	487,400
Public Debt Repayment	3,469	..	..	47,963	..	..
Reserve Fund	339,228	..	..	406,692	..	..
Samoan Loan Suspense	..	..	4,800	..	..	4,800
Silver and Bronze Coinage Account	558,426	..	..	22,714	307	..
State Coal-mines	71,073	12,985	55,000	66,101	15,094	55,000
State Coal-mines Sinking Fund	8,591	..	..	8,422	..	..
State Forests	41,852	5,396	546,225	25,792	7,025	606,225
Unemployment Fund	1,332,946	250,000	..	621,518	220,000	..
Working Railways	1,840,174	218,877	..	1,731,561	208,392	..
State Advances Loan	171	..	10,198,730	171	..	10,263,115
<i>Additional Unexhausted Authorities for raising Loans.</i>						
Government Accident Insurance Act, 1908	..	..	23,000	..	..	23,000
State Fire Insurance Act, 1908	..	..	98,000	..	..	98,000
Totals	9,343,831	1,179,938	26,362,879	23,333,573	1,012,448	22,066,164

Table No. 15.

PENSIONS.

STATEMENT OF AMOUNTS PAID ON ACCOUNT OF PENSIONS FOR THE FINANCIAL YEARS ENDED 31ST MARCH FROM 1931 TO 1935.

	Year ended 31st March,				
	1931.	1932.	1933.	1934.	1935.
	£	£	£	£	£
War	1,245,499	1,261,778	1,217,586	1,246,441	1,264,110
Old-age	1,158,788	1,277,107	1,271,157	1,350,982	1,519,889
Widows'	325,998	340,162	311,317	302,020	296,565
Miners'	58,441	69,785	62,563	56,810	58,740
Maori War	9,101	7,582	5,831	4,522	3,607
Epidemic	6,322	5,580	4,197	3,290	1,983
Civil Service Act, 1908	9,251	7,861	6,453	5,917	5,211
Defence Act, 1909	2,620	2,483	2,176	2,163	2,084
Judicature Act, 1908	2,285	1,833	1,833	2,272	2,682
Police	1,741	1,054	1,166	1,384	1,449
Blind	15,796	16,710	18,065	19,306	21,227
Family Allowance	63,608	90,100	122,810	146,766	152,818
Sundry	6,588	6,501	6,627	8,022	7,989
Totals	2,906,038	3,088,536	3,031,781	3,149,895	3,338,354

Table No. 16.

EDUCATION EXPENDITURE.

TOTAL EXPENDITURE ON EDUCATION OUT OF PUBLIC FUNDS, INCLUDING UNIVERSITY, PRIMARY, SECONDARY, AND HIGHER EDUCATION, TECHNICAL AND SPECIAL SCHOOLS, AND CHILD WELFARE, 1913-14 to 1934-35.

Year.	Consolidated Fund.					Loan-money: Erection of School Buildings and Residences.		Total.	Per Head of Mean Population.	
	Special Acts.	National Endowment Revenue.	Vote, Education (excluding Superannuation Subsidies).	Revenue from Reserves.	Subsidies to Teachers' Superannuation Fund.	Public Works Fund.	Education Loans Account.			
	£	£	£	£	£	£	£	£	£	s. d.
1913-14 ..	27,742	50,681	1,131,756	71,808	17,000	121,954	..	1,420,941	1	5 3
1914-15 ..	26,128	55,139	1,207,983	70,802	17,000	122,940	..	1,499,992	1	6 2
1915-16 ..	46,874	64,858	1,329,166	84,390	17,000	97,972	..	1,640,260	1	8 6
1916-17 ..	58,408	60,180	1,406,264	90,535	17,000	70,367	..	1,702,754	1	9 8
1917-18 ..	59,362	70,345	1,511,256	90,518	17,000	63,082	..	1,811,563	1	11 5
1918-19 ..	57,716	76,177	1,602,995	92,095	43,000	115,656	..	1,987,639	1	14 1
1919-20 ..	79,747	78,988	2,031,825	99,352	43,000	195,500	..	2,528,412	2	1 10
1920-21 ..	101,972	70,313	2,460,116	100,758	43,000	244,722	214,571	3,235,452	2	11 8
1921-22 ..	96,217	71,737	2,580,562	105,448	43,000	2,469	563,411	3,462,844	2	13 10
1922-23 ..	90,393	66,610	2,514,991	112,378*	68,000	..	361,976	3,214,348	2	9 0
1923-24 ..	96,506	77,788	2,604,508	116,808*	68,000	..	295,681	3,259,291	2	8 11
1924-25 ..	128,844	86,746	2,752,271	118,973*	68,000	..	462,212	3,617,046	2	13 2
1925-26 ..	111,389	87,512	2,854,719	119,978*	70,952	..	564,946	3,809,496	2	14 9
1926-27 ..	115,499	88,545	2,954,597	119,073*	71,452	..	550,954	3,900,120	2	14 11
1927-28 ..	127,289	90,518	2,974,615	123,247*	71,497	..	369,134	3,756,300	2	12 1
1928-29 ..	137,233	94,934	3,067,296	127,444*	71,749	..	375,423	3,874,079	2	13 1
1929-30 ..	140,561	87,420	3,193,828	129,531*	146,781	..	428,764	4,126,885	2	15 10
1930-31 ..	125,331	94,506	3,230,200	106,405*	46,907	..	491,974	4,095,323	2	14 8
1931-32 ..	82,163	79,375	2,851,922	88,207*	46,935	259,148	..	3,407,750	2	4 11
1932-33 ..	..	51,938	2,574,929	85,716*	47,043	52,623	..	2,812,249	1	16 9
1933-34 ..	..	53,221	2,480,055	107,129	46,784	51,435	..	2,738,624	1	15 6
1934-35 ..	..	87,207	2,550,100†	128,738	47,712	51,289	..	2,865,046	1	16 11

* Net revenue after deducting expenses and cost of collection.

† Includes £2,151 charged to "Unauthorized."

Additional amounts are available from revenue from reserves vested in post-primary schools and University colleges as follows:—

	£
Post-primary schools	30,469
University colleges	18,970
	<u>£49,439</u>

The following amounts were paid out of the Government Fire Insurance Fund for rebuilding school buildings destroyed by fire:—

	£
1916-17	2,127
1917-18	2,658
1919-20	15,682
1920-21	16,162
1921-22	27,103
1922-23	8,542
1923-24	12,490
1924-25	32,829
1925-26	4,938
1926-27	10,337
1927-28	12,474
1928-29	12,197
1929-30	6,357
1930-31	6,671
1931-32	7,768
1932-33	6,424
1933-34	3,846
1934-35	8,541

Table No. 17.

STATE BALANCE-SHEET AS AT 31ST MARCH, 1934.

<i>Liabilities.</i>			<i>Assets.</i>		
	£	s. d.		£	s. d.
Capital—			Land and buildings, including Crown, settlement, and endowment land, departmental land and buildings	41,968,995	15 5
Public debt*	306,841,996	3 11	State forests, nurseries, and plantations	38,037,640	7 1
Rural Advances bonds	4,213,050	0 0	Railways, including permanent-way and works, rolling-stock, and unopened lines	59,029,270	16 8
Public Debt Redemption Fund	19,225,644	10 6	Telegraphs, telephones, and wireless systems	10,964,418	19 11
Creditors—			Electrical schemes	12,578,497	14 6
Sundry	2,185,547	6 9	Drainage and irrigation schemes	4,042,537	14 6
Interest on debentures and stock due and unpaid*	52,416	17 3	Collieries, sawmills, quarries, &c.	396,649	0 3
Interest accrued but not due*	2,331,491	0 0	Armament and military stores, aviation equipment	2,871,437	19 2
Wages and other payments accrued	7,085	18 4	Oyster-beds, fish-hatcheries, equipment, &c.	123,647	10 7
Payments in advance, &c.	408,358	3 11	Wharves, bridges, harbour-works, lighthouses, &c.	828,864	3 4
Reserves—			Plant, material, and furniture	3,229,994	5 8
General	3,891,384	9 3	Libraries, books, museum exhibits, stationery, stamps, &c.	376,794	6 3
Sinking fund and reserves for loan-redemption	3,296,319	8 2	Live and dead stock, farm crops, &c.	234,511	8 0
Depreciation	7,996,371	5 1	Government steamers, launches, motor-cars, &c.	566,656	6 7
Fire, accident, and marine insurance, bad debts, &c.	893,244	10 3	Advances on loan or mortgage	57,476,457	8 6
Amount held on deposit	1,027,210	17 1	Debtors—		
Suspense	258,935	14 11	Sundry	2,275,020	13 8
Post Office investment and war-loan certificates	1,560,673	2 10	Unpaid purchase-price of land and buildings and interest thereon	2,264,759	2 4
Miscellaneous liabilities	49,217	19 6	Postponed rents, &c.	370,816	14 10
Excess of assets over liabilities	48,638,674	2 1	Interest and rent, due and unpaid, and due and accrued*	3,693,154	12 4
			Special investments—		
			Nauru phosphate rights	565,040	0 0
			Bank of New Zealand shares	2,109,375	0 0
			Public Trust Office (Public Debt Redemption Fund, &c.)	8,137,529	5 2
			Special assets of various accounts—		
			Native land schemes, &c.	921,356	3 1
			Unallocated loan charges	750,660	5 8
			Earthquake expenditure	22,725	7 11
			Payments in advance	315,007	13 1
			Properties acquired by Crown and properties in course of realization	990,110	7 2
			Investments—		
			Reserve Fund	327,702	3 4
			Sinking funds	372,652	16 7
			Miscellaneous, including investment of Treasury accounts	24,788,639	14 0
			National Development Account—		
			Expenditure on—	£	s. d.
			Main highways, roads, &c.	27,844,621	17 7
			Development of mining	867,467	15 11
			Education	8,161,201	15 6
			Immigration	3,319,398	15 7
			Harbour-works	1,042,508	9 6
			Land-development	696,454	2 8
			Cost of raising loans	358,092	3 0
				42,289,744	19 9
			Other loan expenditure—		
			War expenditure	66,528,021	0 2
			Naval defence	1,389,656	1 5
			Local bodies	3,037,229	19 2
			Maori-land settlement	247,050	0 0
			Miscellaneous	6,163,496	18 8
				77,365,453	19 5
			Cash—		
			New Zealand Government Indemnity Exchange Account	1,000,000	0 0
			Public Account	778,179	3 6
			Receiver-General	2,818	8 11
			State Advances Office Account	62,568	1 11
			Post Office or Post Office Savings-bank	464,151	7 8
			Deposit accounts	118,718	18 7
			In hand and in transit	83,742	5 9
			Deposit with Bank of International Settlements	36,023	0 0
				2,546,201	6 4
			Miscellaneous assets	45,297	8 9
				£402,877,621	9 10
				£402,877,621	9 10

* See Note (2) on following page.

Table No. 17—continued.

STATE BALANCE-SHEET AS AT 31ST MARCH, 1934—continued.

NOTES.—(1) To account for the whole public debt, loan expenditure on war and other purposes not represented by tangible assets has been included under the heading "Other Loan Expenditure." Interest is received in respect of portion of the local bodies' loan expenditure.

(2) Of the amount shown above as public debt, £451,163 is held by investment accounts within the Public Account. Interest accrued and interest due and unpaid in respect of this sum is also shown in both sides of the Balance-sheet.

(3) Contingent liabilities :—

Subsidies (not including accumulated interest) short paid to—		£	s.	d.
Teachers' Superannuation Fund	.. .. .	1,340,084	0	0
Public Service Superannuation Fund	.. .. .	2,104,067	0	0
		3,444,151	0	0
Excess of subsidies recommended by Actuary over subsidies paid :				
Railway Superannuation Fund	.. .. .	1,190,000	0	0
		4,634,151	0	0
Local authorities' loans guaranteed by the Govern- ment		£	s.	d.
	.. .. .	2,978,075	0	0
Less Accumulated sinking funds	.. .. .	880,107	13	5
		2,097,967	6	7
		£6,732,118	6	7
The analysis of the public debt on 31st March, 1934, was as follows :—		£		
Ordinary debt	.. .. .	171,130,858		
War debt	.. .. .	66,724,765		
State Advances debt	.. .. .	35,235,841		
Discharged soldiers debt	.. .. .	6,843,551		
Treasury bills issued in anticipation of revenue outstanding, 31st March, 1933	.. .. .	3,452,109		
Treasury bills issued under Banks Indemnity (Exchange) Act, 1932-33, outstanding, 31st March, 1934	.. .. .	19,404,872		
		302,791,996		
Advances obtained by hypothecation of Discharged Soldiers Settlement securities ..		4,050,000		
		£306,841,996		

Table No. 18.

PUBLIC DEBT.

STATEMENT OF HALF-YEARLY INSTALMENTS OF PRINCIPAL AND INTEREST FOR REPAYMENT OF £27,532,164 ADVANCED BY THE IMPERIAL GOVERNMENT AND FUNDED IN TERMS OF THE AGREEMENT DATED 6TH SEPTEMBER, 1922.

Date Instalments paid.	Interest.	Principal.	Balance of Debt outstanding.
	£	£	£
1st December, 1922	684,794	141,171	27,390,993
1st June, 1923	681,282	144,683	27,246,310
1st December, 1923	677,684	148,281	27,098,029
1st June, 1924	673,996	151,969	26,946,060
1st December, 1924	670,216	355,749*	26,590,311
1st June, 1925	661,367	164,598	26,425,713
1st December, 1925	657,274	168,691	26,257,022
1st June, 1926	653,078	172,887	26,084,135
1st December, 1926	648,778	177,187	25,906,948
1st June, 1927	644,370	181,595	25,725,353
1st December, 1927	639,854	186,111	25,539,242
1st June, 1928	635,225	190,740	25,348,502
1st December, 1928	630,481	195,484	25,153,018
1st June, 1929	625,618	200,346	24,952,672
1st December, 1929	620,635	205,330	24,747,342
1st June, 1930	615,528	210,437	24,536,905
1st December, 1930	610,294	215,671	24,321,234
1st June, 1931	604,930	221,035	24,100,199
1st December, 1931†	..	..	24,100,199

* Includes £200,000 paid off the Naval Defence Loan in terms of the clause by which New Zealand has the right, on giving three months' notice, to repay at par any part of the principal.

† Following on the "Hoover" moratorium, the Imperial Government agreed to postpone the instalments of principal and interest due in December, 1931, and June, 1932, only one half-yearly payment was therefore made in 1931-32. Further postponements from 1st July, 1932, were agreed to by the Imperial Government. No payments were therefore made from 1932-33 to 1934-35.

Table No. 19.
PUBLIC DEBT.

STATEMENT SHOWING MATURITY DATES AND DOMICILE OF DEBT OUTSTANDING AS AT 31ST MARCH, 1935.

Year of Maturity (Year ended 31st March).	Due in				Total.
	London.	Australia.	New Zealand.		
			Public.	Departments.	
	£	£	£	£	£
Overdue	..	1,200	2,420	..	3,620
1925-45	2,090,909	..	..	..	2,090,909*
1933-43†	..	..	10,900	..	10,900
1935-36	120,800	186,700	22,470	..	329,970
1935-45†	10,135,800	..	..	..	10,135,800
1936-37	7,500	667,750	31,230	..	706,480
1936-51†	5,869,989	..	..	..	5,869,989
1937-38	..	92,600	752,000	..	844,600
1937-40‡	101,125	..	12,334,915	..	12,436,040
1938-39	4,000	3,000	265,130	..	272,130
1938-41‡	..	..	3,842,885	..	3,842,885
1939-40	17,173,191	..	15,141	..	17,188,332
1940-43‡	..	..	13,745,930	..	13,745,930
1940-41	..	..	500,015	..	500,015
1941-42	..	17,300	39,600	..	56,900
1943-44	7,339,656	..	..	..	7,339,656
1943-46‡	..	..	10,304,240	..	10,304,240
1943-63†	10,505,989	..	378,639	..	10,884,628
1944-45	7,780,408	..	..	..	7,780,408
1945-46	22,543,590	..	2,500	..	22,546,090
1946-49‡	..	..	9,476,595	..	9,476,595
1947-48	11,221,609	..	..	..	11,221,609
1948-49	..	..	..	10,500	10,500
1948-58†	19,225,465	..	..	..	19,225,465
1949-50	7,500,000	..	..	..	7,500,000
1949-52‡	..	..	13,723,145	..	13,723,145
1949-54†	5,000,000	..	..	..	5,000,000
1950-51	1,250,000	1,215,000	250,000	..	2,715,000
1952-55‡	..	..	10,656,740	..	10,656,740
1955-56	..	..	..	354,456	354,456
1955-60†	3,989,100	..	..	..	3,989,100
1956-71†	5,000,000	..	..	..	5,000,000
1956-57	12,900	..	..	4,033,490	4,046,390
1957-58	24,100,199§	..	..	13,421,545	37,521,744
1958-59	..	..	..	15,638,066	15,638,066
1959-60	..	..	..	7,612,885	7,612,885
	160,972,230	2,183,550	76,354,495	41,070,942	280,581,217

* Advances by Imperial Government for State Advances purposes.
or after the earlier date on giving notice in the *London Gazette*.
the earlier date on giving three months notice in *New Zealand Gazette*.
terms of section 8, Finance Act, 1922.

† Government has option to redeem on
‡ Government has option to redeem on or after
§ Imperial Government advances funded in

Table No. 20.

EXTERNAL TRADE.

STATEMENT SHOWING THE RECORDED, STERLING, AND NEW ZEALAND CURRENCY VALUES OF IMPORTS AND EXPORTS OF THE DOMINION IN EACH FINANCIAL YEAR ENDED 31ST MARCH, FROM 1930 TO 1935 (EXCLUDING SPECIE).

Year ended				Exports.		Imports.		Excess of Exports.	
				New Zealand Currency.	Sterling Equivalent.	Full Sterling Equivalent.	New Zealand Currency Equivalent.	On New Zealand Cur- rency Basis.	On Sterling Basis.
				£ (000)	£ (000)	£ (000)	£ (000)	£ (000)	£ (000)
1930	..	..	..	48,412	47,933	49,085	49,430	—1,018*	—1,152*
1931	..	..	..	39,527	37,198	37,656	39,833	—306*	—458*
1932	..	..	..	33,943	30,857	22,510	24,761	9,182	8,347
1933	..	..	..	37,510	32,677	22,049	25,059	12,451	10,628
1934	..	..	..	46,043	36,834	20,908	26,136	19,907	15,926
1935	..	..	..	44,918	35,985	26,082	32,568	12,350	9,903

* Excess of imports.

Table No. 21.

IMPROVEMENT IN ECONOMIC CONDITIONS.

TABLE OF MISCELLANEOUS STATISTICAL INFORMATION SHOWING THE MOST RECENT FIGURES COMPARED WITH THE LOWEST POINT REACHED IN THE DEPRESSION.

			Lowest Figure.		Latest Figure Available.	
			Year.	—	Year.	—
Value of total production	..	1931-32	£83·6 millions		1933-34	£98·8 millions.
Value of farm production	..	1931-32	£49·2 millions		1933-34	£63·3 millions.
Value of exports	..	Year ended 30/6/32	£34·7 millions		Year ended 30/6/35	£43·0 millions.
Value of imports	..	Ditto	£24·7 millions		Ditto	£34·3 millions.
Bank deposits (excluding Government)	..	1932	£51·2 millions		1934	£62·3 millions.
Bank debits	..	1932	£541·7 millions		1934	£676·2 millions.
Building permits	..	1932-33	£2·5 millions		1934-35	£3·6 millions.
Wages and salaries paid	..	1933	£58·9 millions		1935	£65·1 millions.*
Mortgages registered	..	1933-34	£8·0 millions		1934-35	£12·0 millions.
Mortgages discharged	..	1932-33	£8·1 millions		1934-35	£13·8 millions.
Totalizator investments	..	1932-33	£3·7 millions		1934-35	£4·0 millions.
Land transfers	..	1933-34	£9·6 millions		1934-35	£12·2 millions.
Gross farming income	..	1931-32	£39·3 millions		1933-34	£50·8 millions.
Net note circulation	..	1931	£5·7 millions		1934	£6·3 millions.
Railway goods traffic	..	1932-33	363 million ton miles		1934-35	420 million ton miles.
Shipping—Total manifest tonnage	..	1933	5·7 millions		1934	6·2 millions.
Motor-vehicles registered	..	1932-33	193,800		1934-35	208,200
Unemployed on register	..	Week ended 17/6/33	56,296		Week ended 22/6/35	48,205
Index numbers of—						
Share prices—Base : 1926=1000	..	1932	703		1934	957
Export prices—Base : 1909-13=1000	..	1932-33	861		1934-35	1046

* Provisional.

Copy of Prospectus of 1934 London Loan.

NEW ZEALAND GOVERNMENT £3 10s. PER CENT. INSCRIBED STOCK, 1955–1960.
(Interest payable Half-yearly at the Bank of England on the 15th April and the 15th October.)

ISSUE OF £3,989,100.

Authorized to be raised under the New Zealand Loans Act, 1932.

A First Payment of £1 15s. per £100 Stock, being a full half-year's interest, will be made on the 15th April, 1935.

PRICE OF ISSUE £100 PER CENT.

Payable as follows:—	£
On Application	5 per cent.
On Monday, the 15th October, 1934	95 „
	£100 „

The Government of New Zealand undertake to observe forthwith the conditions prescribed under the Colonial Stock Act, 1900, as notified in the *London Gazette* of the 14th December, 1900, in order that Trustees may invest in this Stock under the powers of the Trustee Act, 1925, unless expressly forbidden in the instrument creating the Trust.

The GOVERNOR and COMPANY of the BANK OF ENGLAND give notice that, on behalf of the Agents appointed for raising and managing Loans under the above Act, they are authorized to receive applications for £3,989,100 NEW ZEALAND GOVERNMENT £3 10s. per cent. INSCRIBED STOCK, 1955–1960.

If not previously redeemed, the Stock will be repaid at par at the Bank of England on the 15th October, 1960; but the New Zealand Government reserve to themselves the right to redeem the Stock, in whole or in part, by drawings or otherwise, at par on, or at any time after, the 15th October, 1955, on three calendar months' notice having been given in the *London Gazette* and *The Times* of such intended redemption. In the latter event the Stock will cease to bear interest on the date fixed for such redemption.

New Zealand Government Stock issued and payable in London and the interest thereon so payable, the property of persons not domiciled in New Zealand, are not, and will not be, subject to any taxes, duties, or levies by the Dominion.

By Act 40 and 41 Viet. Ch. 59, the revenues of the Dominion of New Zealand alone will be liable in respect of this Stock and the dividends thereon and the Consolidated Fund of the United Kingdom and the Commissioners of His Majesty's Treasury will not be directly or indirectly liable or responsible for the payment of the Stock or of the dividends thereon, or for any matter relating thereto.

The proceeds of the Issue will be used for the repayment on the 15th October, 1934, of the outstanding balance of the New Zealand Government £4 per cent. Inscribed Stock, 1933–1943, of which due notice is being given in the *London Gazette* and *The Times*. The present Issue does not, therefore, involve any increase in the New Zealand Public Debt.

The transactions of the New Zealand Ordinary Revenue Account for the year ended 31st March, 1934, including £1,413,000 provided from revenue for the redemption of debt, resulted in a deficit of £709,000. In this connection it was necessary to transfer to revenue during the year, the sum of £2,000,000 which was provided from surplus revenue accumulated since 1914.

The Exports from New Zealand during the financial year ended the 31st March, 1934, amounted to £46,043,000 and the Imports to £26,136,000—a favourable visible balance of trade of £19,907,000. Returns at present to hand in respect of the current financial year indicate that a favourable balance is being maintained.

The gross Public Debt of the Dominion on the 31st March, 1934, was £302,792,000 involving a gross increase for the year of £25,317,000. Against this gross increase, however, must be offset redemptions totalling £5,148,000 leaving a net increase of £20,169,000. This increase consists of £1,277,000 long-term debt, the balance of £18,892,000 being Treasury Bills issued principally under the provisions of the Banks Indemnity (Exchange) Act, 1932–1933. These “exchange” Bills will be redeemed in August, 1934, by utilizing London funds through the newly-constituted Reserve Bank of New Zealand. The new loan-moneys received during the year were applied principally to Public Works (Railways, Electric Power, Telephone and Telegraph Extensions and other productive works).

Against the Public Debt of New Zealand must be set tangible assets valued on a conservative basis at approximately £305,000,000. Of these assets £265,000,000 are directly interest bearing and productive—e.g., Railways, Telephones and Telegraphs, Hydro-electric Development, Advances to Settlers and Workers, Crown Lands, Sinking Funds, &c.—and the remaining £40,000,000 are indirectly productive, such as Roads, Public Buildings, &c.

Redemptions of Debt amounting to £5,148,000 were carried out during the year ended 31st March, 1934, of which £1,183,000 represents long-term debt. The redemptions include a portion of the War Debt, which has been reduced from £81,840,000 in 1921 to £66,725,000 on 31st March, 1934. This shows a total reduction in the War Debt of over £15,000,000 since 1921. Approximately £24,100,000 of the present outstanding War Debt is funded

with the Imperial Government on a 6-per-cent. Annuity basis, which provides for its extinction in about another twenty-seven years, with a proviso that the Debt may be redeemed at any time by the New Zealand Government. All Reparation moneys received from Germany have been applied in the reduction of War Debt.

The Repayment of the Public Debt Act passed by the New Zealand Parliament in 1925 substituted for the long-term Sinking Fund system a method whereby the Dominion's Debt reduction resources are now made available to purchase New Zealand Government securities on the open market for cancellation or to pay them off at maturity, thereby ensuring an actual reduction in the Public Debt annually. For this purpose there is issued annually out of the Consolidated Fund a sum equal to $\frac{1}{2}$ per cent. of the Debt affected, and to this is added a sum equal to interest at $3\frac{1}{2}$ per cent. per annum on the Debt paid off under this scheme. By this means a portion of the savings in interest on the Debt paid off is applied to further repayments of Debt, so that the Debt reduction resources are increasing year by year. It is estimated that the present Debt will be liquidated over a period of about sixty years, while all future Loans will be liquidated within a similar period from the date of their inception. The Sinking Funds which accrued under previous legislation have been capitalized and will be held intact. The portion of the Debt, referred to above, which is funded with the Imperial Government, as well as certain other Loans which have their own separate Sinking Funds, such as State Advances, have been excluded from this scheme.

On the 31st March, 1934, approximately 46 per cent. of the total New Zealand Public Debt was domiciled in the Dominion, as against only 17 per cent. in 1914.

The Books of the Stock will be kept at the Bank of England, where all assignments and transfers will be made. The Stock will be convertible, in due course, into Stock Certificates to Bearer of the denominations of £100, £500, and £1,000, with coupons attached and such Stock Certificates will be exchangeable for Stock, on payment of the usual fees. Transfers and Stock Certificates will be free of Stamp Duty.

Interest will be payable half-yearly at the Bank of England on the 15th April and the 15th October. Interest Warrants will be transmitted by post.

Applications, which must be accompanied by a deposit of £5 per cent., will be received at the Bank of England Loans Office, 3 Bank Buildings, Princes Street, London, E.C. 2. In case of partial allotment the balance of the amount paid as deposit will be refunded by cheque. Default in payment by the 15th October, 1934, of the balance due that day will render the deposit liable to forfeiture and the allotment to cancellation.

Applications may be for the whole or any part of the Issue in multiples of £100. No allotment will be made of a less amount than £100 of Stock. Allotment Letters will not be posted before Tuesday, the 31st July, 1934.

Scrip Certificates to Bearer will be issued on or after the 8th August, 1934, in exchange for the Allotment Letters. These Certificates, when fully paid, may be lodged for inscription forthwith; or they may be retained to be exchanged, free of cost, for Stock Certificates to Bearer, as soon as the latter can be prepared, provided such exchange is effected not later than the 15th March, 1935.

NEW ZEALAND GOVERNMENT £4 PER CENT. INSCRIBED STOCK, 1933-1943.

Holders of the above Stock, which will be repaid on the 15th October, 1934, may surrender their holdings in whole or in part and receive therefor New Zealand Government £3½ per cent. Inscribed Stock, 1955-1960, at the rate of £100 £3½ per cent. Stock for each £100 nominal £4 per cent. Stock surrendered. Holders who accept this offer will receive on the 15th October, 1934, an interest payment of £1 3s. 2d. per £100 Stock, being interest at the rate of £4 per cent. per annum from the 1st July, 1934, to the 15th October, 1934, in respect of the New Zealand Government £4 per cent. Stock surrendered.

Applications for the conversion of Stock Certificates to Bearer must be accompanied by the relative Stock Certificates bearing Coupons due on, and subsequent to, the 1st January, 1935.

A commission of 5s. per £100 Stock will be paid to Bankers or Stockbrokers on Allotments made in respect of cash or conversion applications bearing their stamp.

Preferential Allotment will be given to holders of £4 per cent. New Zealand Government Inscribed Stock, 1933-1943, who surrender their holdings for conversion in the terms of this Prospectus.

Prospectuses and Application Forms may be obtained at the Bank of England Loans Office, 3 Bank Buildings, Princes Street, London, E.C. 2, or at any of the Branches of the Bank of England; of Messrs. Mullens and Co., 13 George Street, London, E.C. 4; at the Bank of New Zealand (the Bankers to the Government of New Zealand), 1 Queen Victoria Street, London, E.C. 4; of Messrs. J. and A. Scrimgeour, 3 Lothbury, London, E.C. 2; at any Stock Exchange in the United Kingdom; or at the Office of the High Commissioner for New Zealand, 415 Strand, London, W.C. 2.

In the case of Conversion Applications, forms have already been sent by post to all holders of Inscribed Stock (in the case of joint accounts to the first holder).

The List of Cash Applications will be opened and closed on Monday, the 16th July, 1934.

The List of Conversion Applications will be opened forthwith and will be closed on Monday, the 30th July, 1934.

Bank of England, London, 12th July, 1934.

COPY OF PROSPECTUS OF THE MORTGAGE CORPORATION OF NEW ZEALAND.

(To be established and become a body corporate pursuant to the Mortgage Corporation of New Zealand Act, 1934–35.)

CAPITAL, £1,000,000.

In 1,000,000 shares of £1 each carrying a cumulative Dividend of $4\frac{1}{2}$ per cent. on paid-up capital, in terms of section 7 of the Mortgage Corporation of New Zealand Act, 1934–35.

Of the 1,000,000 shares to be issued, 500,000 are to be allotted at par to the Minister of Finance and held by him on behalf of the Crown.

Offer of 500,000 Shares for Public Subscription.

The Minister of Finance, pursuant to section 6 of the Mortgage Corporation of New Zealand Act, 1934–35, hereby offers for public subscription at par the remaining 500,000 shares, subject to the provisions of the Act and the conditions of this Prospectus.

Application for and Allotment of Shares.

Application for shares should be made upon the form accompanying this Prospectus and forwarded to the Secretary to the Treasury, Wellington, together with accompanying remittance (plus exchange) or evidence of lodgment of the required amount to the Public Account at the Reserve Bank of New Zealand, or at any branch of the Bank of New Zealand, or to the Post Office, as hereinafter provided.

Payments in respect of shares applied for are to be made as follows:—

- 2s. 6d. per share on application.
- 2s. 6d. per share on allotment.
- 5s. per share on 1st April, 1936.
- 10s. per share on 1st June, 1936.

Applications will *not* be accepted if for less than 5 or for more than 5,000 shares, and the Minister reserves the right to allot shares *pro rata* or otherwise in such manner as he may in his discretion determine.

The allotment of shares shall be at the absolute discretion of the Minister. Where no allotment is made the application money will be returned in full, and where the number of shares allotted is less than the number applied for the balance of the application money will be credited in reduction of the amount payable on allotment, and any excess returned to the applicant.

Demands for the amounts due on the 1st April, 1936, and 1st June, 1936, respectively, will be made by formal notice from the Mortgage Corporation of New Zealand, and payment of such amounts will require to be made in accordance with the directions to be given in such notice.

Applicants for shares must be:—

- (a) British subjects who are ordinarily resident in New Zealand or who, having been so resident, may at the time of allotment be temporarily out of New Zealand for the purpose of their business or for other sufficient reason;
- (b) Any company or other corporation incorporated in New Zealand, or any company incorporated outside New Zealand but having a place of business in New Zealand.

Not more than 5,000 shares will be allotted to any one person, whether in his own right or on behalf of any other person or persons.

Applications will not be accepted from or on behalf of persons under the age of 21 years.

Dividends on Shares.

Each share will carry a cumulative dividend of $4\frac{1}{2}$ per cent., payable out of the available profits of the Corporation. The dividend for the first year will be computed from the date of allotment, and thereafter until such time as the share has been fully paid up will be computed monthly on the amount paid up at the beginning of each month of the financial year.

Shareholders' Liability.

The liability of every shareholder shall be limited to the amount (if any) for the time being unpaid on the shares held by him.

Objects of the Mortgage Corporation.

The Mortgage Corporation is a national institution which is designed to give a powerful lead in placing mortgage finance in New Zealand on a sounder basis. It is confidently expected that the Corporation will provide improved finance for farms, business premises, and houses for the benefit of the community generally. It will establish in New Zealand a system of mortgage finance that has been proved satisfactory in other countries.

The principal business of the Mortgage Corporation will be the making of loans secured by first mortgage on land and improvements in accordance with the provisions of the Mortgage Corporation of New Zealand Act, 1934–35, the particular functions and limits of the Corporation being set out in Part III of the Act.

For the purpose of providing funds for carrying on its business under the Act the Corporation may from time to time issue bonds, stock, or other securities at such rate of interest and on such conditions as it thinks fit, provided that the total amount borrowed and for the time being outstanding shall not at any time exceed an amount equal to fifteen times the sum of the subscribed capital of the Corporation and the amount then standing to the credit of the General Reserve Fund.

Securities issued by the Corporation will constitute a floating charge on all the assets of the Corporation and shall be for such term, not exceeding fifty years, as the Board of Management of the Corporation may in any case determine.

The Corporation may at any time purchase any securities issued by it, and such securities shall thereupon be cancelled.

Incorporation.

Incorporation of the shareholders as a body corporate with perpetual succession and a common seal will take effect on a date to be specified by the Minister of Finance in a public notice in the *Gazette*, such notice to be given after the full amount of the share capital has been subscribed.

The legislation establishing the Corporation prohibits the formation in New Zealand or registration under any Act of a company or corporation with a name identical with or resembling that of the Mortgage Corporation of New Zealand.

General Reserve Fund.

Provision for the establishment of a General Reserve Fund is contained in section 33 of the Act, which requires the Corporation to credit the fund with an amount equal to the capital moneys secured by debentures or other securities vested in the State Advances Superintendent in respect of advances made to Local Bodies pursuant to Part III of the Local Bodies' Loans Act, 1926, or former enabling Acts, and to be transferred to the Corporation in terms of section 36 (1) (c) of the Act.

The amount of securities coming within this category will be not less than £2,750,000, thus providing an adequate reserve fund at the outset of the Corporation's activities.

If at the end of any financial year, however, the amount at credit of the General Reserve Fund exceeds 10 per cent. of the nominal value of all bonds or other securities issued by the Corporation and for the time being outstanding, the excess shall be paid to the State in reduction of the amount originally provided as above; apart from this the Corporation will have no liability in respect of the State's contribution to the General Reserve Fund other than the payment of interest on the amount thereof in pursuance of section 35 of the Act.

The General Reserve Fund will be further augmented by contributions by mortgagors of 2 per cent. of the loans granted to them and by interest on moneys credited to the General Reserve Fund.

The Board must at all times keep invested in approved securities such amounts as it thinks fit, being not less in the aggregate than the amount for the time being credited to the General Reserve Fund.

Management of the Mortgage Corporation.

The management of the Corporation will be vested in a Board of Management consisting of eight directors, as follows:—

- (a) Four State Directors appointed by the Governor-General in Council, one to be appointed as Chairman of Directors and two to be appointed as joint Managing Directors, the latter appointments to be for a term of seven years. Of the State Directors other than the two Managing Directors, one will retire in 1939 and the other in 1940, but otherwise the term of their appointment will be five years.
- (b) Three shareholders' directors, appointed in the first instance by the Governor-General in Council, and retiring in rotation in 1937, 1938, and 1939. Thereafter the shareholders' directors will be elected for a period of five years by the shareholders at a general meeting.
No person may be appointed or elected as a shareholders' director who is not a shareholder of the Corporation.
- (c) An ex-officio director, being such officer of the Treasury as the Minister of Finance may approve for the purpose.

Transfer of Established Business to the Corporation.

The consolidation of the lending operations of the State Advances Office and the Lands Department will be effected by the transfer to the Corporation of certain mortgages now vested in the State Advances Superintendent and the Crown. The Corporation will thus take over as a going concern practically the whole of the lending operations now conducted by these Departments and will, from the outset, be firmly established in a manner which will ensure that the administrative costs per cent. of the capital employed will be maintained at the lowest possible level. In gaining these important advantages the Corporation will be adequately safeguarded from loss in respect of these mortgages, firstly by the fact that such part of the purchase price as is agreed upon between the Minister of Finance and

the Directors will be represented by a contingent liability to the State bearing no fixed interest, and secondly by virtue of section 38 of the Act, under which any capital losses from such mortgages will be a charge against the State and not against the Reserve Fund of the Corporation.

Distribution of Profits.

The financial year of the Corporation shall end on the 31st day of March. After such provision as the Board thinks proper has been made for dividends on shares, depreciation in assets, superannuation or retiring allowances for the officers or staff, and all such other matters as in the opinion of the Board are necessary for the efficient conduct of the business of the Corporation, the surplus for each financial year shall be applied in terms of paragraphs (a) and (b) of section 42 of the Mortgage Corporation of New Zealand Act, 1934-35, which provides that so long as there exists any contingent liability of the Corporation to the Crown, arising out of the transfer of State Advances or other Crown mortgages to the Corporation, the surplus shall be paid into the Public Account; otherwise the surplus for any year shall be credited by the Corporation to its General Reserve Fund.

Security of Capital.

It is provided by statute that the Mortgage Corporation may lend on first mortgage of land up to the recognized trustee margin—namely, two-thirds of the value of the security as determined by the Board. It may be stated that in the case of rural lands valuations for the purposes of the Board will be on a basis primarily influenced by the earning capacity.

The business of the Corporation is mainly lending on long-term instalment mortgages, under which system the margin of security is a steadily increasing factor. In addition the Corporation may lend on the security of a mortgage of stock or other chattels, but only where, in the opinion of the Board of Management, the interests of the Corporation in any mortgage of land then held will thereby be more adequately safeguarded.

Provision is also made in the Act for advances in excess of the two-thirds margin and up to four-fifths margin in the case of advances made to repay any mortgage debt existing at the commencement of the Act, but the Minister of Finance is required to guarantee the Corporation against any loss that may be incurred by it in respect of so much of the loss as is attributable to the excess of an advance over two-thirds of the value of a security. Thus the Corporation will be responsible for advances up to the two-thirds margin only.

Rates of interest to be charged on loans granted by the Corporation will be determined by the Board of Management from time to time, provided that the net rate of interest payable under any mortgage of land shall not exceed by more than 1 per centum the rate of interest payable by the Corporation on its last issue of bonds or other securities.

Furthermore, an initial Reserve Fund of not less than £2,750,000 is being provided by the State in the form of debentures or other securities at present vested in the State Advances Superintendent in respect of advances to local authorities and transferable to the Corporation pursuant to section 36 of the Act. Mortgagors will also be required to pay to the credit of the General Reserve Fund an amount equal to 2 per cent. of their loans, and these contributions will accumulate at compound interest.

The borrowing of the Corporation being limited to fifteen times the sum of the subscribed capital and the amount at credit of the General Reserve Fund ensures the building up of substantial reserves in order that the business of the Corporation may expand accordingly. Security to investors is further enhanced by the fact that funds are distributed over a wide range of securities located in different parts of the Dominion. The share capital of the Corporation is therefore adequately safeguarded, and an investment therein should rank as a first-class security.

General Meetings and Voting Rights of Shareholders.

Ordinary general meetings of shareholders shall be convened by the Board once in every year and shall be held not later than the 31st day of July in each year, though the first general meeting need not be held before 31st July, 1936. Every shareholder of the Corporation, other than the Minister of Finance, will at any meeting be entitled to one vote for every share of which he is the registered proprietor, but no shareholder may at any meeting exercise more than five thousand votes, whether in his own right or as proxy.

Shares and Transfers.

The shares of the Corporation will be registered and may be transferred.

The Corporation may decline to accept—

- (1) Any transfer of shares except to a British subject who is ordinarily resident in New Zealand, or who having been so resident is at the time of transfer temporarily out of New Zealand for the purpose of his business or for other sufficient reason; or to a company or other corporation incorporated in New Zealand, or to any company incorporated outside New Zealand but having a place of business in New Zealand.
- (2) Any transfer of shares that would increase the holding of the transferee beyond 5,000 shares.

Except with the special consent of the Minister of Finance no transfer of shares allotted to any person will be recognized pending incorporation.

General.

The Corporation will have its Head Office at Wellington and may establish such branches and agencies in New Zealand as it thinks fit.

The Corporation shall not be at any time dissolved except by an Act of Parliament.

A copy of the balance-sheet and auditor's report will be sent to shareholders not less than seven days before the date of the Annual General Meeting.

Two auditors qualified for appointment under the Companies Act, 1933, shall be appointed as auditors of the accounts of the Corporation.

Copies of this Prospectus with the form of application for shares may be obtained at any Postal Money-order Office, at the Reserve Bank of New Zealand, at any Branch of the Trading Banks throughout the Dominion, or from members of any stock exchange in New Zealand. Applications, together with the amount payable on application, may be lodged at any branch of the Bank of New Zealand in the Dominion or at any Postal Money-order Office.

In its capacity as mortgagee under any State Advances or other Crown mortgage transferred to it under Part V of the Act the Corporation shall enjoy the same exemptions and protection in respect of rates as the original mortgagee, otherwise the Corporation shall be liable for taxation and rates to the same extent as if it were a company incorporated under the Companies Act, 1933.

Failure to pay any sum due in respect of any shares on or before the day appointed for payment may render such sum liable to interest at the rate of 6 per cent., and may also involve the forfeiture of any sum previously paid and the cancellation of any allotment.

A commission of $\frac{1}{8}$ of 1 per cent. will be paid to Registered Sharebrokers and Banks on allotments made in respect of applications bearing their stamp, with a minimum of 1s. in respect to each allotment.

The list of applications will be closed on the 24th day of May, 1935, but the Minister reserves the right to close the list on such earlier date as he may prescribe by notification in the *New Zealand Gazette* or otherwise.

ADAM HAMILTON, for Minister of Finance.

The Treasury, Wellington, C. 1, New Zealand, 9th May, 1935.