

£1,869,989, is to be redeemed from funds to be provided from New Zealand. The amount in question, together with the cost of remitting the same to London, £458,147, will be provided to the extent of £1,690,000 from the Public Debt Repayment Account, and the balance borrowed internally. No public issue in New Zealand will be necessary. The net result of the conversion to a lower rate of interest and the debt repaid is a saving in interest of £208,000 per annum.

PUBLIC WORKS.

Public Works.

Expenditure on public works out of loan-money was drastically curtailed in 1932 and 1933, falling from over £8,000,000 to less than £2,000,000 in the space of two years. This sudden curtailment of Public Works activities undoubtedly accentuated the effects of the fall in prices, and was a material factor in the increase in unemployment throughout the Dominion. Practically all financial authorities agree that times of depression, when interest rates are low, is the time when Public Works should be expanded to relieve the economic pressure, and as soon as the Government assumed office it took immediate steps to resume the orderly development of the resources of the Dominion, thereby providing full employment on useful works for a large number of men. As part of the deflationary policy which accentuated the depression the Public Works wage-rates were reduced to the low level of 8s. a day for single men and 10s. a day for married men. Under the Agreement recently concluded with the Public Works men the Government has not only restored the wage-rates but has raised them to the level of 16s. a day for both married and single men with a five-day week, and in addition is providing various facilities which will substantially improve the standard of comfort of the men engaged upon Public Works.

Public
borrowing
not necessary
this year.

The fact that the moneys required for this financial year for an expanded programme of Public Works are available without any loan issue to the public is in itself evidence that the financial resources of the Dominion have not been utilized to the fullest extent. The distribution of moneys following expenditure on Public Works not only increases the purchasing-power of the people directly, but supplies a stimulus to secondary employment, which is most desirable and necessary to the process of recovery.

Nature of
works.

Many of the works which have been or will be placed in hand are of such a nature as to ensure a full and immediate return of the annual costs attaching to the loan funds utilized. Into this category fall such works as hydro-electric extensions, erection of postal and other office buildings, railway improvements and additions in the more heavily trafficked localities. Other works represent an immediate and probably full return of costs to the community, but not necessarily to Government accounts; I refer here to works of improvement to main highways, new schools, various schemes of land-development, and the completion of certain main lines of railway. A third class of works is that which is undertaken now in the knowledge that a full return, direct or indirect, is not obtainable immediately but in full anticipation that the continuance of recovery and the normal development of the country will bring such a return within a reasonable term. Such works comprise tourist roads and the development of tourist resorts, harbour works, and afforestation. There is a final type of work, however, which provides a great deal of employment, but for which a full return, direct or indirect, seems so little likely of realization within a reasonable number of years that it is considered desirable to finance it in the main from current revenue. The works of this type are grading and constructional work on aerodromes and landing-grounds and the settlement on farm lands of unemployed workers, and a substantial contribution for these works is being made out of the Consolidated Fund. Mainly for this reason, vote "Maintenance of Works and Services" has increased from £145,000 for last year to £1,182,000 for this year.

Railways.

In the programme of substantial works to be executed by economical methods, using local plant and equipment to the full and even importing a small proportion of plant where necessary, railway-construction occupies an important place. A commencement was made some months ago on the connection between Napier and Gisborne. Operations on the incomplete length between Westport and Inangahua