(6) During periods 5th June to 20th June, and 5th December to 20th December in each year, commencing in 1940, holders of stock will have the option of converting such stock, in sums of £100, into one-half each of £3 10s.-per-cent. stock 1949–54 and 1955–60, at rates to be published from time to time.

To the extent that these options are exercised in any half-year the obligation to redeem in that half-year will be reduced.

(7) The New Zealand Government reserve the right on or at any time after 1st July, 1941, on giving not less than three months' notice, to redeem at par the whole or any portion of the stock, not being less than a nominal amount of £1,000,000 sterling, at any one time.

The list, for both cash and conversion applications, opened on the 26th July, and will close on the 5th August.

PUBLIC WORKS.

Public-works programme.

For the reasons I have already given, and to carry towards completion the large works already in hand, the public-works programme for the current year, apart from defence works, is approximately of the same magnitude as last year. It may be said that we have reached the peak so far as public works is concerned, and our job now is to concentrate on tapering the magnitude of the programme down to a more economic level by transfer of men to the primary and secondary industries.

Land settlement.

As a matter of fact, this year's programme includes £3,639,000 for expenditure on land-development, including settlement of new areas, improvement of existing areas, extensive assistance to the Maoris in establishing them in agricultural and pastoral pursuits, the expansion of afforestation, and the drainage of swamp lands. At 31st March last the aggregate area comprised in the numerous land-settlement projects was 1,071,000 acres, of which a large proportion is under actual cultivation or pasture. More than 2,400 settlers have been established within recent years, and 4,800 workmen are also employed on the development of general areas not yet subdivided into holdings. As some indication of the results now attained, the statistics for 1938–39 show that 101,000 dairy cows and other cattle together with 274,000 sheep were carried, while 5,260,000 lb. of butterfat and 5,540 bales of wool were produced. The cash returns from this and other produce totalled £474,000, a record amount, and this is apart from the increased production from privately-owned lands in the irrigation areas of Otago and Canterbury. With regard to the afforestation activities of the Government, a total of 8,355,000 acres is now comprised in the various forest areas, some 1,450 men are employed, and last year's cash receipts from the disposal of forest produce were £153,000, being £9,000 more than in the previous year.

Railway construction.

In regard to works in hand this year, a prominent place is occupied by construction of new railway-lines, and by improvements and additions to existing lines. Construction has been completed on the East Coast trunk line to Wairoa, and this has been opened for traffic. Further expenditure will be made on the South Island Main Trunk and other lines which were in hand last year.

The railway improvements and additions for the current year are anticipated to require £4,000,000, of which £700,000 will be provided from depreciation and renewal reserves. This expenditure will be devoted to a continuance of the enlarged scheme of rolling-stock upon which a commencement was made last year, and to further station, siding, and signalling improvements, as well as to deviations and grade easements. In this and other sections of public works careful consideration has been and is being given to the question of the call upon overseas exchange and to the relative merits of the demands of these works and of private industry.