

require to be provided from loan-money. The local loan, already raised, together with the amount to be raised under the National Saving Scheme, will provide a portion of the amount required. The £5,000,000 sterling credits for Government imports, arranged by the Hon. Mr. Nash in London, will account for a substantial portion of the balance, because the works involve the importation of a large amount of material from the United Kingdom.

1939-40 PROPOSALS.

All the various matters I have dealt with form the background of the Budget for the year and affect it in one way or another.

Debt charges. Dealing first with the expenditure, honourable members will find that the estimates provide for a continuation of existing services. Debt charges show an increase of £741,000, of which provision for interest for a full year on new borrowing for last year and anticipated borrowing to finance this year's capital expenditure programme accounts for £535,000. The balance, for the most part, arises from the automatic increase in the item for Repayment of Public Debt.

Social security. The coming into operation of the Social Security Act is reflected in some relatively large changes in the estimates. The items for pensions, apart from war pensions, have disappeared from the Consolidated Fund estimates, and have been replaced by a new vote providing for the transfer of £2,000,000 to the Social Security Fund.

The votes for education and health show an increase of £547,000, but, even so, for the reason stated, the aggregate for all the votes grouped under the heading of "Social Services" is approximately £2,300,000 less than for last year. Against this the disappearance of the Employment Promotion Fund has rendered it necessary to make some provision under the Consolidated Fund for promotion of employment, as these subsidies cannot be discontinued all at once. Accordingly, for that purpose, £2,500,000 has been provided under vote "Labour," and £400,000 under vote "Native." These adjustments involve a net increase of approximately £600,000 in the expenditure from the Consolidated Fund.

As I have already indicated, there is a heavy increase in the cost of defence, towards which the votes for the three Services on the Consolidated Fund have been increased by £1,114,000.

The various increases I have referred to have been offset to the extent of £185,000 by a net decrease of this amount in other votes, leaving a net aggregate increase in the estimated Consolidated Fund expenditure of £2,270,000.

On the revenue side of the account we are faced with a total net shrinkage estimated at £822,000. The importation of raw materials in preference to finished goods under the import selection policy will, it is anticipated, reduce Customs duties by £1,650,000 in comparison with last year's receipts. The yield from income-tax at the existing rates is estimated to return £705,000 less than for 1938-39, while the revenue from stamp and death duties is anticipated to be lower by £130,000. Against these reductions are offset an increase in railway interest of £500,000, while other items have been increased by £1,163,000, of which £990,000 represents the profit derived from the issue of our own silver coins. These, with other minor increases and decreases, are estimated to reduce the total revenue by the £822,000 referred to.

At this stage, allowing £200,000 for supplementary estimates and contingencies, the budgetary position is:—

						£
Expenditure	..	..	..	..	..	38,243,000
Revenue	..	..	..	..	..	35,760,000
Leaving a shortage of ..						<u>£2,483,000</u>