

Modern long-range bombers for two squadrons will be delivered shortly, while 250 aircraft for training and other purposes have been ordered, and a number of these have already been delivered in New Zealand. Stocks of bombs and other munitions have been obtained.

As a result of the visit of the United Kingdom Air Mission, arrangements have been made for the establishment of an aircraft factory at Wellington, and an order is to be placed with the de Havilland Aircraft Co., Ltd., for the manufacture of one hundred Tiger Moth fighting planes at a cost of £155,000. The expansion of the flying training organization in New Zealand is being undertaken in consultation with the Imperial Government, who have agreed to accept and pay for 220 New Zealand-trained pilots per annum.

During last year approval has been given to the establishment of a Flying Training School at Blenheim capable of an output of 140 pilots a year, and to an increase in size of the Flying Training School, Wigram, to ensure a similar output. Good progress has been made with the development of the station at Ohakea, with the provision of additional accommodation at Wigram and Hobsonville, and with the establishment of the new station at Blenheim. The construction of the operational station at Whenuapai is proceeding satisfactorily, and it is anticipated that the expansion programme will be complete by December, 1940.

The Railway Workshops Scheme for the training of apprentice personnel is developing in accordance with the initial programme. The Instructional School at the Hutt Workshops commenced training thirty mechanics in July, 1939, and it is anticipated that instruction will commence in the other Railway Workshops in November.

Territorial squadrons have been formed at Auckland, Wellington, and Christchurch, and it is expected that the squadron at Dunedin will be formed in January, 1940.

Capital expenditure involved in the expanded programmes for the three Services will exceed £5,000,000, spread over the next two years. Maintenance costs will be in the vicinity of £3,000,000 per annum. For all purposes the expenditure during this financial year will be about £5,400,000.

Defence
expenditure.

PUBLIC ACCOUNTS.

The public accounts for the year ended 31st March, 1939, closed with a surplus of £809,000, for which buoyant revenue was mainly responsible. It is satisfactory to note that, although there were no increases in rates of taxation, the revenue received from taxation exceeded the previous year's receipts by £642,000.

Surplus 1938-39.

The following is the position :—

REVENUE.					£	£
Taxation ..	..	..	..	..	32,306,000	
Interest ..	..	..	..	..	2,127,000	
Other receipts ..	..	..	..	..	2,149,000	
						36,582,000
EXPENDITURE.					£	
Permanent appropriations—						
Debt services ..	..	..	..	..	9,311,000	
Exchange ..	..	..	..	..	1,422,000	
Highways ..	..	..	..	..	3,055,000	
Other services ..	..	..	..	..	545,000	
						14,333,000
Annual appropriations—						
Social services ..	..	..	..	..	12,946,000	
Other services ..	..	..	..	..	8,494,000	
						21,440,000
						35,773,000
Surplus ..	..	..	..	..		£809,000