

finance, while justifiable and beneficial under certain circumstances, has obvious limitations during the current year. In fact, it must be clear to anybody who studies the position that we are not suffering from a shortage of money in New Zealand, but from a shortage of what money will buy.

Accordingly, in May last a Government loan of £4,500,000 was offered to the public in New Zealand. The nominal rate of interest was 4 per cent., and the issue price 96 for stock maturing in 1958, but in respect of which there is an offer to redeem at par at any time after 31st May, 1954. Alternatively, investors were offered stock to mature in 1948 at an issue price of 99.

Local loan.

The loan, I am pleased to say, was substantially oversubscribed. The proceeds are being applied, in terms of the prospectus, to public works and general developmental purposes, including capital expenditure on defence works.

The terms of issue for that loan were fixed on a basis designed to enable as large a section of the community as possible to invest. It was recognized, however, that many people of limited means, though willing to help, would not have a lump sum available for investment during the short period the loan was open for subscription.

As a corollary to the main loan, therefore, the Government proposes to inaugurate a scheme specially designed to enable the wage and salary earners and persons of small means to invest portions of their incomes.

Full particulars of this scheme will be made available at an early date, but, briefly, the proposal is to open up an avenue of investment in Government funds for sums of money, however small. The investment can be built up by small payments over a period bearing interest at a rate comparable with that of the recent loan. The term will be for a fixed period of four or five years. Each individual's contributions will be accumulated in a separate National Investment Account in his name and, if desired, will be convertible into National Savings Bonds. As the most convenient means of bringing this scheme within reach of the public the organization of the Post Office Savings-bank will probably be utilized to handle the details. Legislation will be brought down at an early date to give effect to these proposals.

National Savings Scheme.

I have already referred briefly to the important negotiations in London in connection with the conversion of the Dominion's £17,172,000 sterling loan which falls due for repayment in January next. Applications are now being invited in London for a £16,000,000 sterling cash and conversion loan bearing interest at 3½ per cent. per annum and issued at £99 per cent. The balance of the total of £17,172,000 outstanding is held by New Zealand institutions, and other arrangements will be made for its conversion on due date.

London Conversion loan.

Further details regarding the loan are as follows:—

- (1) Holders of the £3 10s.-per-cent. stock, due to be repaid on 1st January, 1940, have the right to receive, in exchange for each £100 stock surrendered, £100 £3 10s.-per-cent. conversion-stock 1939-45 together with a cash payment of one pound.
- (2) Cash applications will be accepted to an amount sufficient to make up, with the stock issued in conversion, a total of £16,000,000.
- (3) The proceeds of the cash receipts will be applied towards redemption at par on 1st January, 1940, of the £3 10s.-per-cent. stock 1940, which has not been converted.
- (4) The new stock will be redeemed by purchase at or under par, exclusive of accrued interest, or by half-yearly drawings at par in sums of £100, commencing 1st July, 1940.
- (5) The New Zealand Government have undertaken to provide for redemption of this stock by making available in London, out of funds accruing from exports from the Dominion or otherwise, sufficient sterling to repay the whole of this issue by 1st January, 1945, by half-yearly instalments of £1,000,000 during 1940, and £1,750,000 thereafter, payable on or before 30th June and 31st December in each year.