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1947
NEW ZEALAND

FINANCIAL STATEMENT

(In Committee of Supply, 21st August, 1947)

By the Right Hon. Walter Nash, Minister of Finance

MR. CHAIRMAN,—

It is now two years since the military power of Germany and Japan was broken and hostilities ceased. Demobilization of our Armed Forces was completed quickly and successfully, and considerable progress has been made in rehabilitating our men and women in civilian life. We are still faced, however, not only with serious shortages in housing, equipment, and certain commodities, but with many other problems arising out of the wholesale diversion of manpower and productive capacity to war, in this and other countries, for a period of six years. We have many difficulties still to overcome, but in comparison with the problems facing many other countries we are fortunate indeed.

The whole world to-day is struggling with a maze of complex and baffling problems of vital importance to the standard of living and the general welfare and security of untold millions of people, all arising out of the colossal devastation, the vast accumulated loss of production for peacetime purposes, and the chaotic disorganization resulting from the war.

We watch with special interest and sympathy the struggles of our Mother-country, Great Britain, to repair the ravages of war, to reconvert her industries to peacetime production, and to rebuild and expand an international trade large enough to obtain the food and raw materials necessary to enable the standard of living of her long-suffering people to be restored at least to its former level. High prices for her imports and a set-back in production arising from a severe winter and a fuel shortage have involved drawing upon the United States and Canadian special loans at a much faster pace than was anticipated. It is now clear that these loans, granted to give Great Britain time to adjust her economy and her large overseas

debts arising out of the war, will be exhausted this year and much earlier than she can possibly complete the unprecedented task of reconstruction before her. Consequently, the economic position of Great Britain is very serious.

International Co-operation

Furthermore, as international trade is so vitally necessary to Great Britain, her welfare is interlocked to a considerable extent with that of other countries, and particularly those in Europe. Notwithstanding her straitened circumstances, Great Britain has already expended huge sums in assisting to feed and restore Germany and other countries. Germany and also Japan will continue to be a big strain on the economies of Allied countries until they become self-supporting. France, too, is unable to take her rightful place in international commerce until her economic and political position has been restored and stabilized.

Under what is generally referred to as the "Marshall Plan," great hopes are raised by the offer of the United States to give powerful assistance to an organized and co-ordinated reconstruction effort. The success of the plan would indirectly, if not directly, benefit Great Britain, but it is clear that help in this way cannot be expected in time to avoid the imposition of further austerity before the exhaustion of the United States and Canadian loans. In fact, the problems of all countries are accentuated by a dollar shortage which threatens to reduce trade with the United States and Canada drastically and thereby deprive the rest of the world of the invaluable assistance that otherwise could come from the huge productive resources of these countries.

These, briefly, are the outstanding factors in the present economies of world affairs. All nations are interdependent economically, and, as was stated at the 1944 International Labour Organization Conference in Philadelphia, "poverty anywhere constitutes a danger to prosperity everywhere." In our case it is certain that New Zealand cannot hope to be prosperous for long if the principal buyer of her exports is impoverished.

Whilst our attachment to Great Britain has stronger bonds than material self-interest, it is true to say that our material interests also are bound up with our people in the Homeland. Trade within the British Commonwealth as well as international co-operation is essential to the rehabilitation of a war-shattered world.

The reduction of barriers to international trade is a major objective in the solution of the world's economic problems, and the importance of co-operation in this direction is recognized by the eighteen nations at present meeting at Geneva under the auspices of the Economic and Social Council of the United Nations to prepare a draft charter for an International Trade Organization.

The purposes of the proposed Organization are to achieve higher standards of living, full employment, economic development, and expanded production of capital and consumption goods through the reduction of tariffs and other barriers to trade and the avoidance of circumstances which would impel nations to have recourse to drastic restrictive measures. Stability of supply and demand, especially for basic foodstuffs and raw materials, is essential if the world-wide economic depressions of the past are to be avoided. The organization will provide machinery for international co-operation to deal with surpluses and shortages through intergovernmental commodity agreements. These agreements are designed to ensure that an adequate supply of food and other commodities are available at a price fair to both consumers and producers and at the same time to remove the root causes of excessive fluctuations of supply and demand so as to prevent their recurrence.

The draft charter is to be considered at a world conference on trade and employment which is likely to be held about the end of this year.

The nations represented at the Geneva meeting, at which I had the honour to lead the New Zealand delegation for a time, are also taking part in a series of tariff negotiations. It is intended that all countries present at Geneva should receive the benefit of tariff reductions negotiated in this way through a multilateral tariff agreement to be prepared when bilateral negotiations between the various countries have concluded.

Loan to France

As a further practical contribution to the solution of the problems to which I have referred, an agreement has recently been concluded with the French Government whereby the New Zealand Government have agreed to provide credits of up to £5,000,000 sterling to purchase New Zealand produce during the five years ending 30th June, 1952. While the principal object of the loan is to facilitate the purchase of wool, other produce may be so financed if mutually agreed upon.

The agreement provides that the amount of the credit to be drawn each year shall not exceed one-half of the payments made during that year for purchases of wool or other produce. The rate of interest agreed upon is $2\frac{1}{2}$ per cent. per annum.

The loan has been granted in terms of the Finance Act (No. 2), 1946, and, it is hoped, will be of material assistance in the re-establishment of French industry.

Production and Trade

Fundamentally, the solution of the world's most pressing problems can come only from more production and more trade. It is available goods and services, and not money, that provide a standard

of living. We can best assist by expanding our primary production, in which we have so many natural advantages, to provide more food for the hungry people of Great Britain and by raising the output of our secondary and construction industries to help ourselves. There are many goods which we cannot make economically, and these we must import as they become available. Plant, machinery, railway rolling-stock, and vehicles to rehabilitate our transport system are in this category. In other directions a solution of our difficulties lies more within our own resources.

The Economic and Social Council of the United Nations, on which New Zealand is represented, has also done valuable work in drafting the constitution of the International Refugee Organization, convening an International Health Conference, and making arrangements for modified forms of relief consequent upon the termination of the activities of UNRRA on 31st December last.

Housing

Our major internal difficulty at the moment is housing. Construction is being pushed to the limit of available materials, the shortage of which is preventing a rapid solution of the whole problem. Special attention is accordingly being given to the supply problem, and it is satisfactory to note that last year timber-production was built up to a record output of 359 million board feet. Thus one serious difficulty is well on the way to being overcome. Other difficulties lie in the shortage of roofing-materials, bricks, cement, baths, stoves, and other essential items. In most cases the root of the trouble is shortage of labour and raw materials in the factories, accentuated at times by shortage of fuel and transport difficulties. Constant efforts are being made to eliminate these "bottlenecks" in supply, as only in this way can the housing-construction programme be accelerated. Meantime available supplies are being controlled in order to make the best possible use of them.

Hydro-electricity

The past year has been a difficult one in connection with the supply of hydro-electricity sufficient for all purposes.

To meet the whole of the demands would have taxed the resources of the country under normal conditions, but the increase in demand in recent years, accompanied by unusually dry weather during the late summer and autumn, left no alternative but the rationing of power in both Islands.

The position improved rapidly in the North Island, however, following good rains, and in June it was possible to remove the emergency rationing which had been introduced at the end of March. The position has also improved in the South Island since rationing commenced in June, but until the spring run-off some time this month or next some restrictions will have to continue,

A similar increase in demand and the same difficulty in obtaining plant to meet it has been experienced by other countries and restriction of supply has been necessary in many cases to an even greater extent than in New Zealand.

As an indication of the magnitude of the problem, it may be mentioned that the total pre-war capacity of State hydro-electric plants was 252,000 kilowatts, whereas at present the capacity exceeds 480,000 kilowatts, and there still remains a substantial unsatisfied demand.

Notwithstanding the continuing difficulty of obtaining machinery and equipment from overseas, it is estimated that indent commitments for items actually to arrive during the year will not be less than £2,750,000. Most of this plant will come from the United Kingdom. From these figures it is abundantly clear that hydro-electric development is being pursued with the utmost vigour.

Rehabilitation

In conformity with the Government's promise to ensure the successful rehabilitation into civil life of all ex-servicemen and servicewomen, very substantial progress has been made.

Demobilization, as recorded by the Rehabilitation Department, reached a total of 182,510 to 31st March last, which indicates that demobilization is now practically complete.

In addition to providing remunerative employment in industry for those who desired it, the Rehabilitation Board's comprehensive trade training and education schemes have proved of very material benefit to ex-service personnel to fit them for participation in the economic life of the country. To date, trade training has been provided in 10,796 cases, farm training in 3,147 cases, and educational assistance for 17,275.

As a further indication of the assistance provided by the State, it is mentioned that to date no less than £51,000,000 has been expended for rehabilitation purposes, as follows:—

| | £ |
|--|-------------|
| Loans for housing, farm-settlement, purchase of businesses, furniture, and tools of trade .. | 40,000,000 |
| Purchase and development of land for settlement .. | 7,000,000 |
| Trade training | 2,000,000 |
| Miscellaneous | 2,000,000 |
| | <hr/> |
| | £51,000,000 |
| | <hr/> |

Notwithstanding the progress indicated by these figures, a large actual and potential demand still exists for assistance, especially in respect of housing and land-settlement. This demand must be satisfied before the permanent re-establishment of all ex-service personnel

can be regarded as a completed task. Apart from assistance to the actual personnel concerned, the absorption of these men and women in industry is contributing very substantially towards overcoming the labour shortage.

Immigration

It is clear that New Zealand can support economically a much larger population, and having in mind the existing manpower shortages in most of our local industries, the Government have set in train a comprehensive immigration policy.

The scheme is at present restricted to single people between the ages of 20 and 35, selected for employment in the more important industries and services, e.g., men for coalmining and sawmilling and girls for mental and general public hospitals and various types of essential factory employment. Preference is given to discharged Service personnel. Free passages are provided by the New Zealand Government to ex-servicemen and women, while civilians are required to contribute £10 each towards the cost of the fare.

It is anticipated that by the end of 1949 some 10,000 immigrants will have been brought to New Zealand under the scheme.

Financial Position

At a time when purchasing-power is excessive relative to the supply of available goods and services, it is important that the public finances should be kept on a sound basis. It is accordingly very satisfactory to record a surplus in the Consolidated Fund of £4,611,000 from the operations of last financial year. This surplus was realized after making the tax reductions outlined in last year's Budget, which comprised part of the national security tax, more than half of the war surcharge on income-tax, reductions in sales tax, gold duty, and primage duty, and the complete remission of the excess-profits tax and the social security registration fee. In addition, there was a reduction in income-tax revenue of £1,300,000, resulting from the increase in the wife's exemption from £50 to £100. For a full year these involved a loss of revenue exceeding £21,000,000 and for the year then under consideration a loss of £18,000,000. The sales-tax reductions referred to were in operation for only part of last financial year, but will be effective for the whole of the current year. Consequently, there will be an added £3,200,000 loss of revenue on that account this year. A further £8,600,000 loss of revenue is involved in the abolition of the remaining 6d. in the pound of the national security tax from April, 1947. The total annual value of all these taxation reductions is approximately £30,000,000.

The Social Security Fund is in a sound position. Expenditure out of the Fund was £36,825,000, while revenue, together with the transfer of £18,000,000 from the Consolidated Fund, totalled £40,520,000.

The capital programme last year was arranged to cover an extensive range of activities, the larger items being housing, hydro-electricity, education buildings, and rehabilitation. The new borrowings totalled £26,635,000, but redemptions of earlier debt amounted to £16,395,000, so that the net increase in the public debt was £10,240,000.

The major points just mentioned clearly show a year of achievement, and considering that it was the first complete post-war year the results are all the more gratifying.

Standard Wages Increase

A major factor affecting the current year's finances is the recent pronouncement of the Arbitration Court fixing new standard rates of wages and provision has to be made in the Estimates for corresponding adjustments in the Public Services. The Court's award provides for increases in standard rates of approximately 3d. per hour or 10s. for a 40-hour week from 1st October next, and awards may be realigned on the new basis.

Where appropriate and necessary, adjustments will be made in the classification scales of the Public Services.

Social Security Benefits

On account of the increased costs arising out of the wage adjustments and the cancellation of certain subsidies, it is proposed to increase the basic rates of Social Security benefits from the 1st October next.

All adult beneficiaries, including Age Benefits, Widows' Benefits, Invalids' Benefits, Miners' Benefits, Sickness Benefits, and Unemployment Benefits will have the basic rate of benefit increased from £2 a week to £2 5s. a week. In cases where the benefit includes portion payable on account of a wife who is not otherwise qualified to receive a benefit in her own right, her portion will also be raised by 5s. a week.

Invalid beneficiaries under 20 years of age will receive £1 15s. a week instead of the former rate of £1 10s. a week.

Sickness and Unemployment beneficiaries under 20 years of age will have the basic rates of their benefits increased from £1 a week to £1 5s. a week.

The benefit payable in respect of orphan children, which is now 15s. 9d. a week, will be raised to £1 a week.

The existing Universal Family Benefit of 10s. a week for every child under 16 years of age will be maintained as at present.

The estimated additional cost of increasing these benefits for the remaining six months of this financial year is £1,000,000.

War Pensions

In regard to war pensions, the major portion of the ex-servicemen suffering minor disabilities for which they are receiving war pension, are following normal employment, and will benefit in any increase in the general wage level. The Government is concerned, however, about the pensioner whose disability is so severe as to prevent him from accepting suitable employment, and is obliged to apply for economic pension to supplement his disablement pension. Hitherto, the economic pension for an ex-serviceman has been £1 15s. a week, and it is proposed to increase that rate to £2 5s. a week. A single man who is totally disabled will therefore receive £3 a week disablement pension plus £2 5s. a week economic pension, making a total pension of £5 5s. a week.

A totally disabled married man with a wife and two children, will receive—

| | | Per Week. | | |
|--------------------------|----|-----------|----|----|
| | | £ | s. | d. |
| Disablement pension | .. | 3 | 0 | 0 |
| Economic pension | .. | 2 | 5 | 0 |
| Mothers' allowance | .. | 1 | 10 | 0 |
| Children's allowance (2) | .. | 1 | 0 | 0 |
| Total | | £7 | 15 | 0 |

as against £7 5s. a week formerly.

The war widow who is under 40 years of age and who has never had a child will have the basic rate of her war pension increased from £2 a week to £2 5s. a week. If she is unable to supplement her income by accepting suitable employment, she may claim in addition an economic pension of £1 a week, making a total pension of £3 5s. a week.

War widows over 40 years of age or widows who have ceased to qualify for a family benefit or mothers' allowance will have the basic rate of benefit increased from £2 a week to £2 5s. a week, and in addition the economic pension payable in cases where they are unable to work increased from £1 to £1 5s. a week, making a total war pension of £3 10s. a week.

War widows with dependent children in the home will receive an increase in the basic rate of war pension from £2 a week to £2 5s. a week, and in addition the economic pension is increased from £1 to £1 5s. a week.

Thus a war widow with two dependent children will receive a basic pension of £2 5s. a week, a mothers' allowance of £1 10s. a week, an economic pension of £1 5s. a week, and a children's allowance (2) of £1 a week, making a total of £6 a week.

The basic rate of war pension for the wholly dependent widowed mother of a deceased serviceman is increased from £2 a week to £2 5s. a week, and her economic pension is also increased from £1 a week to £1 5s. a week, making a total pension of £3 10s. a week.

The partially dependent widowed mother of a deceased serviceman will receive an increase in the basic rate of her pension from £1 a week to £1 5s. a week, in addition to which she may have an economic pension of £1 a week, making a total pension of £2 5s. a week.

The basic rate of war veterans' allowances, both for the war veteran and his wife, if married, will be increased from £2 a week to £2 5s. a week.

All increases in war pensions and war veterans' allowances will commence from 1st October next.

The estimated cost of these increases for the remaining six months of this financial year will be £140,000.

State Superannuitants

In regard to superannuated Government employees, it has been decided that the present bonus, which in most cases is 10s. per week, will be increased to 16s. 8d., or a total of £43 6s. 8d. a year. This will be paid in full to superannuitants receiving a personal income up to £335 per annum and above that amount the bonus will be reduced £1 for £2, so that no bonus is payable at £422 of income. As time passes, the increased levels of income for employees will be reflected in their superannuation allowances. In such cases the bonus will be paid at a reduced rate or not at all. Thus the financial position of superannuitants will be fully protected.

Income-tax adjustments

The question of granting a measure of relief to persons on small incomes from the imposition of the 33½ per cent. super-tax on unearned income has been given consideration and it has been decided to remove the super-tax on unearned income in cases where a person's total taxable income (that is income after deducting personal allowance of £200 and the other special exemptions for wife, children, and insurance premiums to which the taxpayer may be entitled) does not exceed £200. Where the taxable income exceeds £200, but does not exceed £400, the maximum amount of unearned income exempt from the 33½ per cent. super-tax will be £200 reduced by £1 for every £1 by which the taxable income exceeds £200, so as to leave no exemption from the 33½ per cent. unearned super-tax in cases where the total taxable income exceeds £400.

The following table shows the maximum amount of unearned income which may be exempt from the 33½ per cent. super-tax:—

| Total taxable balance. Earned + Unearned. | Amount exempt from 33½ per Cent. Super-tax. |
|--|--|
| £ | £ |
| 200 | 200 |
| 250 | 150 |
| 300 | 100 |
| 350 | 50 |
| 400 | Nil |

I will now deal with each of the main accounts in more detail, at the same time indicating the anticipated position of each for the current financial year.

CONSOLIDATED FUND

During 1946–47, trade and economic activities generally were somewhat better than was anticipated when the Budget was prepared. Consequently, the receipts of the Consolidated Fund totalled £108,294,000, or £7,912,000 in excess of the Budget estimate. The buoyancy was reflected in all headings of taxation, particular items contributing to the excess being as follows: income-tax, £1,335,000; national security tax, £1,404,000; Customs, £1,219,000; sales tax, £1,300,000; and stamp duties (which includes racing revenue), £1,550,000.

On the other side of the account, expenditure exceeded the aggregate estimate of £100,382,000 by £3,301,000. The main reason for this rise in expenditure was a transfer of £3,000,000 to War Expenses Account to assist in providing funds for the gift of £12,500,000 to the United Kingdom. Otherwise the expenditure generally was fairly closely in accord with the estimate. It was, however, found necessary to pay an additional subsidy of £170,000 to the Teachers' Superannuation Fund. Another new item was £500,000 transferred to Land for Settlements Account as part of the finance for the rehabilitation of our returned servicemen. It is the policy not to load men settled on farms with more capital liability than the productive value of their properties. When areas are purchased and subdivided, any additional costs above productive value of fully equipping individual units is borne by the State. To provide for losses of this nature is the purpose of the transfer of £500,000 from the Consolidated Fund.

As already indicated, the year's transactions resulted in a surplus of £4,611,000, and, exercising an authority contained in the War Expenses Act, 1939, this has been transferred to War Expenses Account to assist in meeting the costs of maintaining the J Force in Japan and other remaining war commitments. With this assistance it is expected that further borrowing for war purposes during 1947–48 will be obviated.

Estimates for 1947–48

Total revenue of the Consolidated Fund during the current financial year is estimated at £108,860,000, and expenditure, which is supported in detail by the estimates, at £105,516,000. The balance of £3,344,000 will be available for the supplementary estimates, much greater provision than usual being necessary to provide for wage and salary increases and other adjustments in expenditure arising out of the Arbitration Court's recent decision on basic rates of wages.

Receipts

Revenue from taxation as a whole is estimated at £89,710,000, as compared with the corresponding figure of £90,715,000 last year. As regards Customs revenue, import licences issued for the 1947 period were in excess of previous year's figures and more imports can be expected. Although production in Great Britain suffered from a severe winter, combined with a shortage of coal, and imports from the United States of America and Canada are complicated by the dollar shortage, evidence as to availability of goods formerly unobtainable supports the view that this year's imports should be appreciably greater than for last year. Consequently, Customs revenue has been estimated at £20,300,000, compared with £15,719,000 received last year.

It is proposed to make a minor adjustment in the method of assessing beer duty, for the purpose of correcting an existing anomaly. It has been found that certain brewers have been more or less consistently brewing beer from worts substantially below the maximum specific gravity allowed, and as a result there has been a substantial loss of revenue to the State without any commensurate gain to the consumer or to the public in general. It is therefore proposed to abolish the provision whereby a reduction in duty is allowed in respect of beer brewed below the specified maximum specific gravity. It is not expected that this proposal will result in any significant increase in the alcoholic strength of the beer, nor will the retail price be affected by this alteration. The additional revenue involved has been taken into account in the current year's estimates.

Sales tax receipts, £15,300,000, are based on an anticipated expansion in volume of imports and locally produced goods. Income tax revenue continues to increase as a result of improved trading and industrial conditions, and for the current year the estimate is £35,500,000, compared with the £32,085,000 collected last year.

National security tax ceased as from April last, and £760,000 has been credited in the accounts from this source for the current year as compared with £9,404,000 last year. The difference of £8,644,000 exceeds the additional tax returns expected to accrue under other heads.

The remaining credits to the Consolidated Fund include interest on the investment of public moneys, profits from State trading undertakings, departmental receipts (representing payment for goods and services supplied by departments), and stabilization recoveries, which are reimbursement of subsidies mainly from the primary industries accounts. These combined are expected to realize £19,150,000.

Summarizing the position, it may be stated that total receipts into the Consolidated Fund are estimated at £108,860,000 for this year, which represents an increase of £566,000 over actual receipts credited last year.

Expenditure

As to expenditure, debt services, which cover interest on the public debt, provision for debt redemption and administration costs, will amount to £22,782,000 this year. The comparable sum for debt services last year was £22,515,000. Payments under Civil List and other permanent appropriations are estimated at £740,000, whereas expenditure under the corresponding headings during 1946–47 was £6,415,000. There are two reasons for this large variation. In the first place, the £3,000,000 transferred to the War Expenses Account last year as part of the monetary gift to Britain is non-recurring. Secondly, it is no longer necessary to provide under this item for the transfer of funds to the Main Highways Account, because the cost of maintaining highways will, in future, as I will explain later, be paid directly from a new vote, Highways Maintenance, in the Consolidated Fund.

The amount provided in the annual appropriations or departmental votes this year is £81,994,000.

£16,000,000 is being transferred to the Social Security Fund, this being £2,000,000 less than the previous year's contribution from the Consolidated Fund. Other social services such as public and mental hospitals, education, and war pensions administration will account for £18,986,000 this year, the additional cost of nearly £2,000,000 mostly representing increased subsidies to hospital boards and provision of further educational facilities.

Nearly all Armed Services costs will be paid henceforth from Consolidated Fund, whereas last year War Expenses Account met a much larger proportion of the cost of maintaining our Navy, Army, and Air Forces. Hence estimated expenditure at £10,134,000 is about £3 million higher than in 1946–47. Actually, as could be expected from the reduction of the Forces, the combined expenditure from Consolidated Fund and War Expenses Account on the Armed Services is much less this year.

Other votes show an increase from £18,060,000 to £23,415,000. The new vote for highways maintenance accounts for £3,427,000 of the difference between current estimates and last year's expenditure in this group of Departments, and is offset by a corresponding saving under the Permanent Appropriations. Provision has also been made on a number of votes for extension of existing services such as

milk marketing facilities, improvement to tourist resorts, and assistance to industry by procurement of critical materials like jute sacks. Whilst minor increases under most headings are anticipated all estimates have been carefully reviewed and non-essentials eliminated.

In total, the expenditure shown in detail in the Main Estimates is £105,516,000, but special provision must be made to cover the situation resulting from the recent Court of Arbitration ruling on wage increases. Such items as additional hospital subsidies and war pensions must be provided for, also increased wages and cost of stores and equipment to be paid for by the Government Services as a whole for the rest of the financial year. These items will absorb £2,350,000, and £994,000 has been allowed for the normal supplementary expenditure which has to be provided to meet those costs which cannot be foreseen when the Main Estimates are being compiled.

The increased cost of benefits out of the Social Security Fund following the rise in wages recently announced will be met in part from increased revenue from the Social Security charge and the balance has been allowed for in the transfer of £16,000,000 from the Consolidated Fund as set out in the Main Estimates.

Stabilization

As recently indicated, some of the stabilization subsidies paid to hold down the prices of certain commodities included in the wartime prices index are to be reduced or withdrawn. The time of withdrawal will vary for different products, having regard to seasonal factors, rationing periods, and when the necessary administrative arrangements can be made for review of prices. In the meantime, subsidies will continue on the present basis and any alteration in prices will be subject to the issue of the necessary orders by the Price Tribunal.

Even though the cost of subsidies this year for bread, butter, and milk will amount to about £3,600,000, the Government have decided to continue holding the prices of these commodities at the present levels. The existing subsidy on eggs will be continued. On the other hand, subsidies on fresh fruits, meat and bacon, oatmeal, sugar, and imported raw leaf tobacco will be discontinued.

The price of tea in overseas markets has risen substantially during recent months. In part at least the higher cost is likely to continue, as it arises from higher wages paid to employees in the tea

plantations. It has accordingly been determined to meet part of the increased cost by additional subsidy and take the remainder into account in fixing retail prices.

Coal is such a basic commodity that it has been decided to continue production subsidies on the present basis, but to adjust prices where that is necessary to meet any further increases in costs. A suitable opportunity will be taken to bring coal prices into proper relationship and grade with one another. At present some good coals are sold more cheaply than inferior grades.

During last financial year subsidy to the amount of £264,000 was paid to meet the operating loss incurred by the Railways. For this year it was estimated that if no other action had been taken the subsidy would have risen to £1,800,000. If £3,000,000 for interest is added the cost to the taxpayer for the Railways would have amounted to £4,800,000. Railway fares and freights have not been altered since 1938 and since then operating costs have increased by 45 per cent. A new schedule of fares and freights will shortly be issued, increasing fares (other than for suburban tickets) by 15 per cent. and freight rates generally by 20 per cent. Over a full year's operations these changes will, it is estimated, raise Railway revenue sufficiently to cover operating costs, but will provide little towards interest on capital.

Shipping freights have been subsidized at the rate of 25 per cent. Concurrently with the increases mentioned in Railway freights, this subsidy will be withdrawn and shipping freight rates adjusted accordingly.

With one or two exceptions where special factors are involved, it is also intended to eliminate subsidies on materials and commodities associated with primary production. If present arrangements had continued it is estimated that expenditure on this class of subsidy, apart from any further increase in wage costs, would have amounted to £6,450,000, of which about £4,400,000 would have been recoverable during this and next financial years from the Dairy and Meat Industry Stabilization Accounts. To the extent that subsidies are recoverable from these accounts, the cancellation of the subsidies and a compensatory increase in payments to the farmer will not involve altering the aggregate charges against these accounts, nor adversely affect the dairy or sheep farmer. Subsidies on fertilizers is by far the

largest item concerned. To obviate any injustice it is proposed that orders for fertilizer on account of last year's ration which are still undelivered at the time the change is made, because of transport difficulties, will be supplied at the old subsidized price. The whole procedure has been agreed in principle with representatives of the major export industries.

It should be clearly understood that making these adjustments does not in any way mean that the Government is abandoning its stabilization policy, which has served this country well since it was first introduced in the emergency conditions of 1942. A special war-time prices index was established covering a wide range of essential cost of living goods and services, the prices of which, as a group, were to be kept stabilized. This has been accomplished, but, because of rising overseas prices and upward movements in wages and other internal factors, the cost in subsidies has been heavy. For last financial year the expenditure on subsidies, including both consumer and farm cost subsidies, amounted to £14,500,000. But for the adjustments now being made it is estimated that the figure for this year would have risen to £19,600,000. Subsidies of this magnitude are a severe strain on the public finances.

Owing to the shortage of goods, stabilization is still very necessary, but it is now two years since the war finished and conditions have changed greatly since 1942. It is now clear that a great deal of the costs met by subsidy is not a passing phase, and it is considered that, as part of the post-war readjustment, the time has come to make a move towards normal peacetime procedures by withdrawing or reducing some of the subsidies. Furthermore, with heavy subsidies, prices are so far separated from real values based on cost that many, and often absurd, anomalies exist in the price structure.

Even though prices are altered as a result of reducing or cancelling subsidies they will still be subject to review and control by the Price Tribunal and Stabilization Commission. Table No. 12 attached to this statement shows the annual value of the subsidies to be cancelled or reduced. All must be provided for in this year's Estimates up to the time of cancellation. Reference to the Estimates will show that for these and other subsidies a total vote of £13,459,000 is required for this financial year.

Allowing for all the adjustments referred to, the following table gives estimated receipts and expenditure under main headings for 1947-48:—

| RECEIPTS | | | | | | £ | £ |
|--|----|----|----|----|----|------------|---------------------|
| <i>Taxation—</i> | | | | | | | |
| Customs | .. | .. | .. | .. | .. | 20,300,000 | |
| Beer duty | .. | .. | .. | .. | .. | 4,370,000 | |
| Sales tax | .. | .. | .. | .. | .. | 15,300,000 | |
| Film hire | .. | .. | .. | .. | .. | 130,000 | |
| Highways | .. | .. | .. | .. | .. | 3,300,000 | |
| Stamp duty | .. | .. | .. | .. | .. | 9,000,000 | |
| Land-tax | .. | .. | .. | .. | .. | 950,000 | |
| Income-tax | .. | .. | .. | .. | .. | 35,500,000 | |
| National security tax | .. | .. | .. | .. | .. | 760,000 | |
| Miscellaneous | .. | .. | .. | .. | .. | 100,000 | |
| | | | | | | | 89,710,000 |
| Interest | .. | .. | .. | .. | .. | 5,500,000 | |
| Profits of trading undertakings | .. | .. | .. | .. | .. | 2,160,000 | |
| Departmental receipts | .. | .. | .. | .. | .. | 11,490,000 | |
| | | | | | | | 19,150,000 |
| | | | | | | | <u>£108,860,000</u> |
| | | | | | | | |
| EXPENDITURE | | | | | | £ | £ |
| <i>Permanent Appropriations—</i> | | | | | | | |
| <i>Debt services—</i> | | | | | | | |
| Interest and management | .. | .. | .. | .. | .. | 18,215,000 | |
| Repayment | .. | .. | .. | .. | .. | 4,567,000 | |
| | | | | | | | 22,782,000 |
| Other special Acts | .. | .. | .. | .. | .. | 740,000 | |
| | | | | | | | 23,522,000 |
| | | | | | | | |
| <i>Annual votes—</i> | | | | | | | |
| Social Security | .. | .. | .. | .. | .. | 16,000,000 | |
| Other Social Services | .. | .. | .. | .. | .. | 18,986,000 | |
| Armed Services | .. | .. | .. | .. | .. | 10,134,000 | |
| Stabilization | .. | .. | .. | .. | .. | 13,459,000 | |
| Other votes | .. | .. | .. | .. | .. | 23,415,000 | |
| | | | | | | | 81,994,000 |
| | | | | | | | |
| Total expenditure as per Main Estimates | .. | .. | .. | .. | .. | | 105,516,000 |
| <i>Additional costs arising out of Arbitration Court's decision—</i> | | | | | | | |
| Increased subsidy to Hospital Boards | .. | .. | .. | .. | .. | 210,000 | |
| Increased war pensions | .. | .. | .. | .. | .. | 140,000 | |
| Increases in departmental votes for wage and salary increases and for stores | .. | .. | .. | .. | .. | 2,000,000 | |
| | | | | | | | 2,350,000 |
| Supplementary Estimates and contingencies | .. | .. | .. | .. | .. | | 994,000 |
| | | | | | | | <u>£108,860,000</u> |

SOCIAL SECURITY FUND

The economic security emanating from the social security scheme is now so much a part of our national life that it is no longer necessary to stress its advantages. The major achievement last year was the introduction as from the 1st April, 1946, of the universal family benefit of 10s. per week for each child up to the age of sixteen years. It was anticipated that for the first year the cost would be £12,620,000, and in the accounts already published it will be seen that the actual cost was £12,681,000.

The total expenditure out of the Fund last year was £36,825,000, which was approximately £1,000,000 in excess of the Budget estimate. Revenue into the Fund from the social security charge, however, was also in excess of the estimate and more than offset the increased expenditure. As provided for in last year's Budget, £18,000,000 was transferred from the Consolidated Fund. As was intended, the net result of the year's operations on the Fund increased the working balance, which was slightly over £5,000,000 at the end of the year. The contribution from the Consolidated Fund for the current year has been fixed at £16,000,000 to ensure the stability of the Fund by maintaining approximately the level reached at the 31st March last.

The following figures give the over-all picture of the Fund for the current year (1947-48):—

| EXPENDITURE | | | | £ |
|---|----|----|----|--------------------|
| Monetary benefits other than family benefits .. | | | | 19,368,000 |
| Family benefits | .. | .. | .. | 13,195,000 |
| Medical benefits | .. | .. | .. | 6,493,000 |
| Administration expenses | .. | .. | .. | 775,000 |
| Emergency benefits | .. | .. | .. | 208,000 |
| | | | | <u>£40,039,000</u> |

| RECEIPTS | | | | £ |
|---|----|----|----|--------------------|
| Social security charge | .. | .. | .. | 23,700,000 |
| Miscellaneous receipts | .. | .. | .. | 27,000 |
| Transfer from Consolidated Fund | .. | .. | .. | 16,000,000 |
| | | | | <u>£39,727,000</u> |

The transfer from the Consolidated Fund, of course, provides the balancing figure, and, having rebuilt the Fund as I indicated last year, it has now been possible to reduce this contribution during the current year.

The expenditure out of the Social Security Fund is, of course, only one aspect of the Government's record of improved social amenities, which include substantial increases in the Consolidated

Fund Votes for Health, Mental Hospitals, Education, and War Pensions. Taking all these together and ignoring the transfers between the two Funds we find that the expenditure on all Social Services has risen from £7,756,000 in 1935-36 to £53,871,000 in 1946-47.

NATIONAL DEVELOPMENT PROGRAMME

The main portion of our loan expenditure is now reflected in the National Development Loans Account. Two other accounts were involved during the past year, but I will deal with them when considering the public debt as a whole. The Budget last year envisaged a capital programme requiring £21,000,000 of loan-moneys, but, although much was achieved, the continued shortage of both labour and materials prevented the full programme being carried to completion.

Consequently these funds were not all spent, and in addition some of the replacement costs and expenditure on non-productive works were financed from revenue. Examples of these are police stations, prisons, mental hospitals, and schools. £250,000 had been provided for these purposes on the Consolidated Fund Vote, Maintenance of Works and Services, and when it was found, after a review of the accounts in February last, that this Vote would not be fully committed, a further £500,000 was devoted to reducing loan expenditure on non-revenue earning buildings. This made a total contribution of £750,000 from revenue towards the cost of the works programme. The net result was that only £15,600,000 of loan-money was required for national development purposes, and this was more than covered by the loan receipts from the "tap" issue of 3 per cent. Government stock which was open for subscription for the whole of the 1946 calendar year.

Housing, electric supply, and rehabilitation were again responsible for most of the expenditure, the amount applied under each of these headings being considerably in excess of what had been spent the previous year.

A similar position obtains for the current year, and the estimates now before Parliament show the extent to which these essential programmes are being accelerated. Part of the loan expenditure involves purchase of existing assets such as land and coal-mines or new assets from overseas such as railway rolling-stock or hydro-electric machinery. The greater portion, however, is in respect of works within the Dominion, and I will deal with that aspect first.

1947-48 Works Programme

The existing phenomenal demand, both State and private, on the building and construction industry, resulting, in the main, from the necessary drastic curtailment of works during the war, is far beyond the Dominion potential of the industry. Therefore, prior to deciding

the amount which should be included in the Budget for the 1947-48 works programme, and to ensure that State and State-subsidized works would be programmed realistically, a detailed survey on a regional basis of current works, manpower, and materials was undertaken. This survey has materially assisted in determining more accurately the amount of money required for these works during the current financial year and thereby also provides a better balance between finance, manpower, and materials.

For reasons already stated and as a means of implementing the ten-year schedules of works for all districts as announced by my colleague, the Hon. Minister of Works, all Government Departments and local bodies submitted to the Ministry of Works schedules of works which would involve the expenditure of Government funds and which they desired to undertake during the present year. The Government are fully aware that the programme of works for each year must be closely associated with long-term planning, which is vital to the future development and prosperity of the Dominion.

Although it can be claimed that, excepting for the man-power absorbed by our Armed Services in Japan and those incapacitated by war injuries, the whole of our manpower previously engaged in war duties has been rehabilitated to peacetime occupations, there still remains an acute shortage of labour for State and State-subsidized works. The total manpower at present available for such works is estimated at 18,500, and though this is well below the pre-war level, it is appreciated that this position may continue for some time to come. With a shortage of some 33,000 in various branches of industry, many of which are producing essential requirements for our housing programme, it is recognized that State works must be kept down to the barest minimum. Apart from housing, school buildings, and hydro-electric works, all of which are of first priority, the aim is to restrict capital works as much as possible so as to free the maximum amount of labour for industry. This is vitally necessary at present as, in addition to providing the components for the housing scheme, we must look to industry to produce the consumer goods so essential to maintain a balanced economy.

The proposals submitted by Government Departments and local bodies included works estimated to cost £37,500,000. The availability of manpower and materials is at present far short of such a programme; therefore, all proposals were closely examined and rated so that the more urgent projects would take priority over works of lesser importance. It is estimated that the approved programme for this year, including works financed from loans and from revenue, will absorb public funds to the extent of £25,400,000.

The programme envisages accelerated progress on the most essential works—viz., housing, hydro-electric development, and land-development, including State forests, rehabilitation of ex-servicemen

on the land, and Maori land-development. Of these, housing must still be regarded as having priority of demand on the available resources. The Government's policy in this direction will not be fulfilled until every family is properly housed. A considerable sum is being provided in this year's estimates for Maori housing.

The Government already have under way a comprehensive hydro-electric development programme which is being vigorously proceeded with. The necessity for maximum progress on these works is fully realized by the Government, and for this reason Cabinet has approved of four senior Engineers, two each from the Public Works and State Hydro-electric Departments visiting the United States and Canada to study the most modern methods of construction being used in those countries.

There is provision in the programme for essential expenditure on other works including defence, civil aerodromes, highways, roads, irrigation and water supply, soil conservation, river control, educational and hospital buildings, public buildings, railway improvements, &c. However, expenditure on these works is necessarily limited to the extent to which manpower and materials are available.

Loan Requirements

Expenditure on capital works which will be financed out of loan-moneys is as follows (for comparative purposes I also quote the amounts expended in 1946-47 for similar projects):—

| | Expenditure, 1946-47. £ | Estimated, 1947-48. £ |
|------------------------------|-------------------------------|-----------------------------|
| Housing | 6,200,000 | 7,500,000 |
| Electric supply | 4,000,000 | 6,100,000 |
| Land for settlement | 1,500,000 | 2,500,000 |
| Education buildings | 992,000 | 1,250,000 |
| Railway improvements | 750,000 | 3,000,000 |
| Coal-mines | 120,000 | 2,500,000 |
| State forests | 750,000 | 1,200,000 |
| Other public works | 1,288,000 | 2,825,000 |
| | <u>£15,600,000</u> | <u>£26,875,000</u> |

The total new loan-moneys required under all headings is thus £26,875,000, and it is anticipated that the major portion of this will be found from the new "tap" issue which was opened in January of this year and which is still current. Any amounts required in excess of the receipts from the tap issue, which are coming to hand freely, will be provided from departmental issues.

State Coal-mines

The policy of the Government is to nationalize the coal measures of the country and provide for their working under the authority of the State. This will mean that all the principal coal-mines will eventually be operated by the State itself. It is not, however, the intention of the Government to acquire or to operate small mines, and the practice of leasing small blocks of coal to private or co-operative parties will be continued.

As at 31st March, 1947, the State coal-mines were operating thirteen underground mines and seven opencast mines. Since that date, however, offers to sell the following underground mines have been received and have been accepted by the Government:—

Paparoa Mine (West Coast).

Star Mine (Ohai).

Black Diamond Mine (Ohai).

In addition, after an approach to the Government, the Westport Coal Co., Ltd., which operates three mines—Millerton and Denniston on the West Coast and Birchwood at Ohai—has recently advised shareholders to accept the Government's offer to purchase all the shares in the company at the price of £2 per share. The Kamo Mine (North Auckland) is also under offer to the Government.

The Government are prepared at any time to discuss terms for the acquisition of the larger mines, because it believes that the experiences of the past have proved conclusively that the utilization of the coal resources of the country is not an undertaking which should be left to the profit-earning motives of private enterprise.

Financial provision has been made in the National Development Loans Account for the purchase of those mines referred to, together with an additional sum which will be available to buy other coal-bearing properties if required. The total amount set aside for this purpose is £2,500,000.

Main Highways Finance

In the Budget last year provision was made for the writing-off of arrears of interest payable out of main highways funds, the amount involved being approximately £2,000,000 and covering a period of four years from 1st April, 1943. The Main Highways Account was also relieved of loan liability to the extent of £1,226,000, and after allowing for new loan-moneys expended during 1946–47 the total debt of the Main Highways Account at 31st March, 1947, stood at £12,159,000.

The intention was, as stated last year, that full interest would again be payable by the account as from the 1st April, 1947. The position regarding our whole highways system, has, however, been further reviewed by the Government, and it has been decided that to

maintain this national asset in a proper state additional relief will be necessary. This could be given in one of two ways, either by allocating further funds out of the common pool to the Main Highways Account so that it could pay back the same moneys into the Consolidated Fund as interest and capital repayments, or alternatively by giving relief from payment of interest and loan repayment. The latter is obviously the more straightforward method and has been adopted by the Government. This will mean a relief in interest alone of over £486,000 per annum on the existing debt, apart from the cumulative effect of interest on loan-moneys required for new capital works.

The transfer of the capital liability from the main highways funds largely disposes of the necessity for maintaining the separate account known as the "Main Highways Account", and with the concurrence of the Main Highways Board this account will be closed. In future, highways will be maintained by funds provided by a vote out of the Consolidated Fund and moneys will be provided by a separate vote out of the Public Works Account for capital works. Any surplus in the maintenance vote would, of course, be available for capital works at the discretion of the Main Highways Board, thus relieving the Government's loan programme to that extent. This is particularly desirable where construction work is in fact simply a desirable improvement to an existing thoroughfare as distinct from an entirely new arterial highway. A portion, if not the whole cost, of such improvements should be financed from revenue. The two new votes will operate from the 1st April, 1947, and details are included in the estimates now before Parliament. Legislation making the necessary accounting adjustments will be introduced later in the session.

In submitting its recommendation regarding the change in procedure, the Board stipulated that the amount to be provided each year out of the general revenues should be not less than the amount that would have been available under the present system. This is a reasonable proposition and will be written into the amending legislation. In other words, though the funds to be provided will not be tied to any particular form of taxation, the formula for fixing the minimum amount to be voted each year will be the same as that now used under the existing law for determining the amount to be transferred into the separate account.

The powers of the Main Highways Board regarding control of expenditure out of the two new votes will not be varied in any way.

Railways

In the case of the railways, as with most other aspects of our economy, the long years of war have been responsible for many desirable works being held in abeyance. This applies particularly

to rolling-stock, where serious shortages now exist. To relieve the position, arrangements have been made to import three thousand railway wagons from the United Kingdom, with spread deliveries, the first shipment being already in New Zealand. The £2,000,000 required for this rolling-stock is the major item in the increased vote for "Improvements and Additions to Open Lines." Line duplication, grade easements, station buildings, &c., go to make up the balance of the total of £4,000,000 anticipated capital expenditure on the existing railway undertaking. One million pounds will be charged to the Depreciation Fund, and the balance will be financed out of new loan capital raised through the National Development Loans Account.

War Expenses Account, 1946-47

This account has now reached a stage where the only current transactions are in respect of the J Force in Japan and certain categories of rehabilitation activities. Some residual liabilities, however, are still coming to charge.

Receipts into the War Expenses Account during 1946-47 totalled £39,600,000. These were derived mostly from sale of surplus assets and investments by the public in national savings, which latter reached the satisfactory sum of £7,900,000. War Assets Realization Board sales exceeded £11,000,000, while Armed Services disposals of surplus military equipment to overseas Governments and miscellaneous receipts accounted for a further £12,500,000. We also received £3,269,000 from the U.S.A. Government in reimbursement for war supplies outside the scope of reciprocal-aid arrangements while £3,000,000 was transferred from the Consolidated Fund as part of the gift of £12,500,000 to Great Britain. This gift represented a relatively slight adjustment of war costs and was a tangible acknowledgment by New Zealand of the tremendous effort made by the Mother-country in winning the war.

The Budget estimate of expenditure from the Account was £32,000,000 and, apart from the unforeseen item for the gift to Britain, the actual expenditure amounted to £31,700,000, as follows:—

| | £(m.) |
|--|-------|
| Cost of J Force | 4.1 |
| Pay and allowances and transport.. .. | 6.2 |
| Payment for war stores and other commitments | 6.8 |
| Rehabilitation and Gratuities | 6.5 |
| UNRRA | 3.6 |
| Miscellaneous | 4.5 |
| | <hr/> |
| | £31.7 |
| | <hr/> |

Armed Services expenditure covered cost of pay, equipment, and transport of returning men and that of maintaining J Force. Rehabilitation expenses met from this source were for farm, trade, and educational training schemes, tools, materials, &c., and gratuities. The remaining items financed from War Expenses Account largely represented the winding-up of undertakings such as UNRRA and reverse lend-lease, wartime shipbuilding, and defence-construction programmes.

At the close of the financial year substantial receipts mainly from the United Kingdom Government for war equipment supplied from New Zealand built up the cash balance in the Account to nearly £4,000,000. In accordance with accepted policy, the bulk of this sum (£3,500,000) was applied in reduction of war debt.

War Expenses 1947-48

Further rehabilitation expenditure and the cost of maintaining J Force have to be provided for, and these are the main items of expenditure out of the War Expenses Account for this year. Estimated Services expenditure is principally for J Force pay, provisioning, &c., but also includes some war commitments still uncleared. Examples are repairs to and reconversion of vessels requisitioned during the war, arrears of pay to personnel due to back-dated pay increases, and payment for some stores still required by Eastern Group Supply Council.

As compared with £107,100,000 in 1945-46 and £31,700,000 last year, the estimated net expenditure for this year is £13,600,000, as follows:—

| | | | | |
|------------------------------------|----|----|----|-------|
| Armed Services (including J Force) | .. | .. | .. | £(m.) |
| Rehabilitation— | | | | 5.9 |
| Gratuities | .. | .. | .. | £(m.) |
| Land-settlement | .. | .. | .. | 1.9 |
| Training schemes, &c. | .. | .. | .. | 2.5 |
| | | | | 3.3 |
| | | | | 7.7 |
| | | | | £13.6 |

This will be financed by—

| | | | | |
|--|----|----|----|-------|
| Transfer from Consolidated Fund of last year's surplus | .. | .. | .. | £(m.) |
| Disposal of surplus assets | .. | .. | .. | 4.6 |
| Miscellaneous receipts | .. | .. | .. | 5.8 |
| | | | | 3.2 |
| | | | | £13.6 |

On the above basis no further borrowing for the War Expenses Account will be required. It is a good thing to reach the end of borrowing for war purposes.

PUBLIC DEBT

While the public debt has increased considerably, mainly as a result of war borrowing, the management of the debt in recent years has placed it in such a position that the burden is not such a serious handicap to our expanding economy as was previously the case. The most vital factor is the decreased proportion of the debt domiciled overseas, and I covered this aspect very fully last year, indicating the substantial progress which the present Government had made in this direction. As no overseas loans were due for repayment during the past year the position in that respect remains unchanged. Similarly, the floating debt, represented by short-term Treasury bills, remains unchanged at £55,000,000. The only alteration during the past year was an increase of £10,240,000 in the long-term debt domiciled in New Zealand.

The present position of the total debt is—

| | | | | | |
|-----------------------|----|----|----|----|--------------|
| External debt— | | | | | £ |
| London | .. | .. | .. | .. | 150,900,000 |
| Australia | .. | .. | .. | .. | 861,000 |
| Internal debt— | | | | | |
| Long-term | .. | .. | .. | .. | 427,990,000 |
| Floating debt | .. | .. | .. | .. | 55,000,000 |
| | | | | | <hr/> |
| | | | | | £634,751,000 |
| | | | | | <hr/> |

It will be noticed that less than one-quarter of the total debt is now held overseas. The debt domiciled in New Zealand is distributed over a very wide range of stock and bond holders. Thus the benefit of interest payments is spread over an increasing proportion of the population who are also taxpayers and, as such, meeting their share of the burden of the debt.

Reverting to the past year's debt transactions, the total new issues I mentioned previously were £26,635,000, and these were used for the following purposes:—

| | | | | | |
|------------------------------------|----|----|----|----|-------------|
| | | | | | £ |
| National development loans | .. | .. | .. | .. | 15,600,000 |
| War expenses | .. | .. | .. | .. | 7,964,000 |
| Bank of New Zealand shares | .. | .. | .. | .. | 3,071,000 |
| | | | | | <hr/> |
| | | | | | £26,635,000 |
| | | | | | <hr/> |

The national development loans have already been dealt with.

War-expenses—National Savings

The war-expenses borrowings were for rehabilitation, gratuities, &c., the moneys being provided by national savings receipts, which have again been at a high level. These investments through national

savings played an important part in our war finance and, during the past year, an equally important part in the post-war settlement. For the future it is hoped to avoid any increased borrowings for war purposes, and national savings, which are coming in at an even better rate than last year, are now being applied in repayment of earlier war borrowings. Apart from the direct advantage the individual obtains from storing up his purchasing-power through national savings till more goods are available, the scheme generally provides a strong weapon for combating inflation.

Bank of New Zealand Shares

The third item responsible last year for increases in the public debt was completion of purchases of Bank of New Zealand shares. The major portion of the expenditure had come to charge the previous year, and what was dealt with last year was mainly the overseas holdings. All the shareholders overseas have accepted the Government's offer except five on the Australian register and forty-two on the London register. The State has thus acquired a valuable asset, from which dividends received into the Consolidated Fund last year totalled £375,979.

Debt Repayment

Debt redemptions last year played an important part in keeping the total debt at a reasonable figure but without unduly restricting the programme of essential works. Repayments, totalling £16,395,000, were effected from the following sources:—

| | £ | | |
|-------------------------------------|----|----|-------------|
| Public Debt Repayment Account | .. | .. | 7,170,000 |
| Loans Redemption Account | .. | .. | 5,725,000 |
| War Expenses Account | .. | .. | 3,500,000 |
| | | | <hr/> |
| | | | £16,395,000 |
| | | | <hr/> |

In the Public Debt Repayment Account is recorded the use made of the annual statutory contribution from revenue, which is now over £4,000,000 per annum. In addition, over £3,000,000 had been carried forward from the previous year and was held ready to meet securities due on the 1st April and 15th April, 1946.

Moneys credited to the Loans Redemption Account for redemption of securities come from various sources, and were largely used in reduction of war debt. Similarly with the £3,500,000 which was available in the War Expenses Account when the accounts for the year were closed. This was applied, as has been done previously, in reducing the dead-weight burden of war debt.

1947-48 Loan Maturities

During the present financial year substantial parcels of existing debt will have to be dealt with, and these comprise:—

| | | | £ |
|--------------------------|----|----|----------------------------------|
| Domiciled in New Zealand | .. | .. | 8,010,030 (maturing 15/9/47). |
| Domiciled in Australia | .. | .. | 82,300 (maturing 15/9/47). |
| Domiciled in London | .. | .. | 150,000 (maturing 15/9/47). |
| | | | <hr/> |
| | | | 8,242,330 |
| Domiciled in London | .. | .. | 14,027,000 (maturing 1/11/47). |
| Domiciled in London | .. | .. | 24,031,000 (maturing 1/3/48-58). |
| | | | <hr/> |
| | | | <u>£46,300,330</u> |

The loans maturing in September, whether domiciled in New Zealand or overseas, will all be paid off, but New Zealand holders will be able to reinvest in the present 3 per cent. tap issue maturing 15th July, 1962-64.

Of the two London loans totalling £38,000,000 in New Zealand currency, the first one for £14,000,000 has a fixed maturity date of 1st November, 1947, while the other loan of £24,000,000 matures on 1st March, 1958, but we have the option to repay on or after the 1st March, 1948, on giving three months' notice. As these loans carry interest at $4\frac{1}{2}$ per cent. it is obviously to our advantage to deal with both loans this year, and arrangements are now in train for this purpose.

New Zealand Coinage

Since 1933 New Zealand silver coins have consisted of 50 per cent. pure silver and the balance of alloy. Since that date there has been a considerable advance in the price of silver, and, following the introduction in the United Kingdom in 1946 of a cupro-nickel standard, it has been decided to adopt the same basis here. A further factor which has influenced the Government in deciding to make the change is the fact that during World War II the United Kingdom Government borrowed silver from the United States Government for the purpose of minting coins. Portion of the silver so borrowed is included in the coins which the Royal Mint struck for New Zealand, and consequently we are responsible for the replacement of our share of such silver. The price of silver in the meantime has advanced by over 50 per cent.

The new cupro-nickel coins will be of the same design, size, and weight of the existing "silver" coins and, both æsthetically and practically, should be just as attractive.

It is not proposed to replace the existing issue immediately, but only as supplies of the new coins are received from the Royal Mint. The first consignment is expected towards the end of 1947.

The Coinage Act, 1933, authorizes the adoption of a cupro-nickel standard, and amending legislation was passed this session enabling such coins to be offered as legal tender.

Sterling Funds

At the end of June last our sterling balances had reached a total of £105,068,000 as follows:—

| | | | | |
|---------------|----|----|----|--------------|
| Reserve Bank | .. | .. | .. | £ 92,644,000 |
| Trading Banks | .. | .. | .. | 12,424,000 |
| | | | | <hr/> |
| | | | | £105,068,000 |
| | | | | <hr/> |

This accumulation of funds has arisen because of our inability to import necessary goods; at present import licences outstanding amount to £123,000,000. Moreover, it is estimated that about £150,000,000 is required to provide for the accumulated needs for capital goods necessarily postponed on account of war circumstances.

Great Britain has indicated that it would assist her materially in her present difficulties if we were to limit our current imports to the extent of our current earnings from exports, so that she may have more goods available to export to scarce currency areas. A large part of New Zealand's dollar needs are supplied through Great Britain and thus any transfer of import licences to North America or other scarce currency countries would obviously only accentuate Great Britain's difficulties, and our own. The New Zealand Government, therefore, plans to assist Great Britain in this direction as far as possible.

Perhaps the most urgent of Great Britain's problems is obtaining sufficient food. The maintenance of the health and welfare of her people is fundamental to the solution of all her difficulties. Recent press announcements have emphasized the seriousness of the position. Although of necessity Great Britain has had to make substantial reductions in her imports from certain countries, she is prepared to take all the foodstuffs which we can produce, and I feel sure our farmers will do their utmost.

To meet the crisis which has come upon her, Great Britain is making various special arrangements all with one object in view; to increase production and exports. More production is the only solution to Great Britain's difficulties, and it is the only way out of ours.

Standard of Living

Our standard of living depends upon the quantity of goods and services available for consumption. Adequate purchasing power is required to enable the people to obtain goods, but at present it is clear that purchasing power is excessive, relative to the available supply of goods. On this point it is interesting to note that between 1938-39 and 1946-47, total wage and salary payments, when corrected to show "real" earnings after allowing for changes in the cost of living, increased as follows: 37 per cent. in the United Kingdom; 41 per cent. in Australia; 45 per cent. in New Zealand.

In the circumstances, it is the quantity or volume of production that is the vital factor. Statistics show that while there has been a substantial increase in the value of production in recent years there has been a falling-off in volume, as shown by the following statistics:—

| Year ended 30th June, | Production. | Exports. | Imports. | Goods available for Consumption in New Zealand. | |
|--------------------------|-------------|----------|----------|--|-------------------------|
| | | | | Total. | Per Head of Population. |
| 1938-39 | 100 | 100 | 100 | 100 | 100 |
| 1939-40 | 105 | 106 | 84 | 96 | 95 |
| 1940-41 | 112 | 112 | 69 | 95 | 94 |
| 1941-42 | 110 | 109 | 58 | 88 | 88 |
| 1942-43 | 109 | 116 | 58 | 85 | 84 |
| 1943-44 | 107 | 128 | 68 | 83 | 82 |
| 1944-45 | 110* | 146 | 69* | 78* | 76* |
| 1945-46 | 105* | 115 | 78* | 89* | 83* |

* Advance Estimates.

It will be observed that while production is now slightly above that for 1938-39, it has fallen over the last few years, and this applies particularly to factory production, the index figures for which were 129 for 1943-44 and only 111 (estimated) for 1946-47. Exports have generally been maintained and imports have increased, but, as everyone is aware, they have been well down throughout the war, and for 1945-46 they were only about three-quarters of the volume of 1938-39. The consequence is that in the aggregate, goods available for consumption in New Zealand during 1945-46 were only 89 per cent. of what was available in 1938-39, and on a per head of population basis the percentage is only 83 per cent. This means that on the average each person could obtain only about four-fifths of the goods available to him or her in 1938-39. Whatever might be done in the way of increasing money incomes cannot alter that fact, which is the real measure of our general standard of living. A considerable factor in our present lower standard lies in our inability to obtain

necessary imports. At this point our troubles are directly linked with those of Great Britain, with whom we mostly trade. We can, however, materially assist in restoring and maintaining our living standards by increasing production in New Zealand.

As there is now virtually no unemployment in New Zealand, but on the contrary about 33,000 vacant jobs, this objective can be attained only by making better use of our available resources, and above all by increased output per unit of labour, whether it is in the mines, on the farms, in the factories, on the wharves, in transportation, or in the offices. Ways and means must be found, and found quickly, of galvanizing our people into greater activity.

A better understanding of the real position and a realization that in general every worker's standard of living is determined by his own output would, I feel sure, be very helpful and this could best be emphasized by some system of incentive payments, that is, payment by results. Whatever method, or combination of methods, is in fact adopted must have the objective of increased output per worker, which I would again stress is the only way in present circumstances of maintaining our own standard of living.

Economic Policy

Basic objectives in the Government's economic policy are full employment and a rising standard of living in terms of real wealth. To achieve these objectives it is our policy—

- (a) To bring about a development of our natural resources through an economic and efficient expansion of production to serve local and overseas requirements:
- (b) To organize marketing of export produce and goods for local consumption on a basis of reasonable price security for producer and consumer:
- (c) To avoid depreciating the purchasing power of money through inflation:
- (d) To ensure reasonable stability of individual incomes.

Salient features in the present situation are—

1. Wages and salaries, savings, and money supply generally, all show substantial increases above pre-war levels.
2. The quantity of goods available for consumption is appreciably below pre-war levels.
3. While aggregate production is slightly above pre-war levels it has shown a falling tendency over the last few years.
4. Imports have risen over the last few years, but are still substantially below pre-war levels.
5. Great Britain, with whom we conduct most of our trade, is going through a serious economic crisis.
6. Trade with United States and Canada is hampered by a world shortage of dollars.

7. The only real solution to our difficulties is to produce more food to aid Great Britain's recovery, and more of other goods to maintain our own standard of living.
8. As we have full employment and many vacant jobs, more production can come only from greater efficiency, and more output per production unit and per worker, in every field of economic activity.
9. The general standard of living comes from the sum total of every person's contribution to the supply of goods and services, and to ensure that the person who contributed more can draw more, payment for work should be linked with output by incentive pay, payment by results, or other means as may be appropriate in particular cases.

The war has shown what the country can achieve when it is united in pursuing a definite objective. We in New Zealand have the skill and the resources. Let us combine with these a determination by each of us to increase his or her contribution to the national pool of goods and services, for by so doing we will not only be assisting materially to relieve the position overseas, but benefiting ourselves as well.

Never in the history of the world has it mattered so much to others what we think, what we do, or what we leave undone; never has it mattered so much to us what others think, plan, and do.

The fundamental needs of human beings do not change much through the ages. We need security, food, shelter, liberty (both personal and community), self-respect, faith in ourselves, faith in our fellow-men, and faith in our future.

Through the application of our inborn gifts of brain and physical energy to the material environment to which each successive generation has been born, we have changed that environment.

We have progressively made the world yield up more of its wonders, more of its bounty, more of its productivity. This has been made possible by two basic developments—

(i) The increase in practical scientific knowledge of industrial techniques;

(ii) The increase in individual and collective interdependence.

The part played by scientific and industrial methods in contributing to our modern standards of living is not questioned or doubted, because it is tangible and measurable.

The no less fundamental part played by interdependence (individually, nationally, and internationally) is less fully appreciated because it is intangible and immeasurable.

In time of peace the issues do not show up in such sharp relief as during war, because the consequences are slower moving and less spectacular.

Nevertheless, the enemies of prosperity and security are all the while quietly waiting all along our economic ramparts.

Those enemies are not now armed men and machines. They are thoughtlessness, selfishness, non-cooperation, and short-sightedness.

They are unobtrusive because they move slowly; they are insidious because their work is not always recognizable at first but inexorably makes itself felt in a falling standard of living, and a gradually growing feeling of frustration and discontent.

So far as New Zealand is concerned, we are dependent on the rest of the world—

(i) To take our exports;

(ii) To supply us with imports.

As we take pride of place in all the world as a trading nation (*i.e.*, per head of population) two facts are clear—

(i) People in New Zealand are greatly dependent on what is produced by people elsewhere.

(ii) People elsewhere (millions of them) are dependent on the work and production achieved in New Zealand.

Therefore, we should never look at interdependence as one-sided from New Zealand's point of view. The major objective of the next year is the maintenance of the high status of the United Kingdom and the British Commonwealth in the world of Nations.

It is a practical, businesslike proposition that the people of New Zealand should do all they can to foster prosperity and relieve distress in the country which is the home of their best customers.

But we should do more; we should treasure in our memory all that Britain's indomitable bravery and matchless endurance and faith have meant to us in our time of direst peril.

From the well-springs of our prosperity, our comfort, our security, and the priceless natural endowments of this country of ours, let us therefore with one accord hold out to the Mother-country a hand all the more strong to help her in her greatest need, because our natural self-interest is ennobled by a deep sense of appreciation, gratitude, and respect for a great nation and a great people.

Table No. 1

REVENUE OF THE CONSOLIDATED FUND, SOCIAL SECURITY FUND, AND WAR EXPENSES ACCOUNT FOR THE YEAR ENDED
31ST MARCH, 1946, AND FOR THE YEAR ENDED 31ST MARCH, 1947

| | 1946. | | | | 1947. | | | |
|--------------------------------------|--------------------|-----------------------|-----------------------|--------------|--------------------|-----------------------|-----------------------|--------------|
| | Consolidated Fund. | Social Security Fund. | War Expenses Account. | Total. | Consolidated Fund. | Social Security Fund. | War Expenses Account. | Total. |
| Taxation— | | | | | | | | |
| Income-tax .. | £ 26,465,912 | £ .. | £ 8,821,971 | £ 35,287,883 | £ 32,085,057 | £ .. | £ .. | £ 32,085,057 |
| Land-tax .. | 937,395 | .. | .. | 937,395 | 939,559 | .. | .. | 939,559 |
| National security tax .. | .. | .. | 21,737,527 | 21,737,527 | 9,404,220 | .. | .. | 9,404,220 |
| Social security charge .. | .. | 14,557,460 | .. | 14,557,460 | .. | 22,383,884 | .. | 22,383,884 |
| Registration fees .. | .. | 585,713 | .. | 585,713 | .. | 15,287 | .. | 15,287 |
| Customs duties .. | 8,800,016 | .. | 2,861,443 | 11,661,459 | 15,718,983 | .. | .. | 15,718,983 |
| Beer duty .. | 2,308,600 | .. | 1,712,578 | 4,021,178 | 4,251,509 | .. | .. | 4,251,509 |
| Sales tax .. | 4,505,443 | .. | 10,558,975 | 15,064,418 | 15,550,547 | .. | .. | 15,550,547 |
| Highways tax .. | 2,324,068 | .. | .. | 2,324,068 | 2,972,036 | .. | .. | 2,972,036 |
| Stamp duties .. | 2,802,089 | .. | 5,024,014 | 7,826,103 | 9,549,709 | .. | .. | 9,549,709 |
| Postage .. | .. | .. | 600,000 | 600,000 | .. | .. | .. | .. |
| Other .. | 227,195 | .. | 100,339 | 327,534 | 243,772 | .. | .. | 243,772 |
| Loan Moneys .. | 48,370,718 | 15,143,173 | 51,416,817 | 114,930,738 | *90,715,393 | 22,399,171 | .. | 113,114,564 |
| Reciprocal Aid .. | .. | .. | 37,182,884 | 37,182,884 | .. | .. | 7,964,695 | 7,964,695 |
| Interest receipts .. | .. | .. | 26,836,516 | 26,836,516 | .. | .. | 1,710,170 | 1,710,170 |
| Disposal of surplus assets .. | 5,857,264 | .. | .. | 5,857,264 | 4,714,100 | .. | .. | 4,714,100 |
| Amount received from U.S.A. Govt. .. | .. | .. | 11,269,753 | 11,269,753 | .. | .. | 11,071,364 | 11,071,364 |
| Other receipts .. | 4,277,833 | 143,020 | 1,774,377 | 6,195,230 | †12,864,980 | .. | 12,571,278 | 25,556,906 |
| Transfers from Consolidated Fund .. | 58,505,815 | 15,286,193 | 128,480,377 | 202,272,385 | 108,294,473 | 22,519,819 | 36,586,711 | 167,401,003 |
| | - 7,000,000 | 7,000,000 | .. | .. | - 21,000,000 | 18,000,000 | 3,000,000 | .. |
| | 51,505,815 | 22,286,193 | 128,480,377 | 202,272,385 | 87,294,473 | 40,519,819 | 39,586,711 | 167,401,003 |

* Includes taxation previously credited to War Expenses Account.

† Includes amounts previously shown as Credits-in-aid, and receipts previously credited to War Expenses Account.

Table No. 2

STATEMENT OF THE ACTUAL NET EXPENDITURE OF THE CONSOLIDATED FUND (ORDINARY REVENUE ACCOUNT) FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 1947, COMPARED WITH THAT OF THE FINANCIAL YEAR ENDED 31ST MARCH, 1946.

| | Year ended 31st March, 1947. | Year ended 31st March, 1946. | Increase. | Decrease. |
|---------------------------------------|------------------------------------|------------------------------------|-------------|-----------|
| Permanent Appropriations— | £ | £ | £ | £ |
| Under special Acts of Legislature— | | | | |
| Civil List | 97,083 | 95,441 | 1,642 | .. |
| Debt Services— | | | | |
| Interest | 17,558,876 | 18,584,434 | .. | 1,025,558 |
| Repayment of Public Debt Act, 1925 .. | 4,048,499 | 3,914,184 | 134,315 | .. |
| Transfers to Loans Redemption Account | 700,000 | 50,000 | 650,000 | .. |
| Administration and management .. | 207,994 | 247,760 | .. | 39,766 |
| Total—Debt Services .. | 22,515,369 | 22,796,378 | 784,315 | 1,065,324 |
| Other Services— | | | | |
| Highways | 2,955,611 | 2,319,130 | 636,481 | .. |
| Other special Acts | *3,362,648 | 288,942 | 3,073,706 | .. |
| Total—Other Services .. | 6,318,259 | 2,608,072 | 3,710,187 | .. |
| Total—Permanent Appropriations | 28,930,711 | 25,499,891 | 4,496,144 | 1,065,324 |
| Annual Appropriations— | | | | |
| Vote,— | | | | |
| Legislative | 138,675 | 126,994 | 11,681 | .. |
| Prime Minister's Department .. | 119,262 | 41,346 | 77,916 | .. |
| External Affairs | 395,570 | 208,670 | 186,900 | .. |
| Finance— | | | | |
| Treasury | 179,175 | 73,787 | 105,388 | .. |
| Stabilization | 14,539,431 | .. | 14,539,431† | .. |
| Customs | 247,807 | 176,307 | 71,500 | .. |
| Land and Income Tax | 543,828 | 328,226 | 215,602 | .. |
| Stamp Duties | 148,067 | 177,965 | .. | 29,898 |
| Audit | 105,962 | 90,977 | 14,985 | .. |
| Total—Finance | 15,764,270 | 847,262 | 14,946,906 | 29,898 |
| General Administration— | | | | |
| Public Service Commission .. | 41,130 | 27,190 | 13,940 | .. |
| Internal Affairs | 1,154,957 | 649,887 | 505,070 | .. |
| Island Territories | 430,801 | 384,873 | 45,928 | .. |
| Printing and Stationery | 423,959 | 352,726 | 71,233 | .. |
| Marine | 418,526 | 231,948 | 186,578 | .. |
| Labour | 222,882 | 132,983 | 89,899 | .. |
| Native | 429,248 | 275,345 | 153,903 | .. |
| Valuation | 131,976 | 75,345 | 56,631 | .. |
| Electoral | 158,293 | 28,283 | 130,010 | .. |
| Census and Statistics | 137,135 | 71,233 | 65,902 | .. |
| National Service | 619 | .. | 619 | .. |
| National Employment Service .. | 671,018 | 182,020 | 488,998 | .. |
| Rehabilitation | 398,645 | 293,346 | 105,299 | .. |
| Total—General Administration | 4,619,189 | 2,705,179 | 1,914,010 | .. |

* Includes transfer of £3,000,000 to War Expenses Account.

† Previously paid from War Expenses Account.

Table No. 2—*continued*STATEMENT OF THE ACTUAL NET EXPENDITURE OF THE CONSOLIDATED FUND, ETC.—*ctd.*

| — | Year ended 31st March, 1947. | Year ended 31st March, 1946. | Increase. | Decrease. |
|---|------------------------------------|------------------------------------|------------|-----------|
| — | £ | £ | £ | £ |
| Annual Appropriations— <i>continued</i> | | | | |
| Vote— <i>continued</i> | | | | |
| Law and Order— | | | | |
| Justice and Prisons | 480,980 | 311,186 | 169,794 | .. |
| Crown Law Office | 12,662 | 9,841 | 2,821 | .. |
| Police | 1,044,953 | 730,973 | 313,980 | .. |
| Total—Law and Order .. | 1,538,595 | 1,052,000 | 486,595 | .. |
| Defence— | | | | |
| Navy | 1,309,869 | .. | 1,309,869 | .. |
| Army | 2,840,749 | .. | 2,840,749 | .. |
| Air | 2,955,930 | .. | 2,955,930 | .. |
| Total—Defence | 7,106,548 | .. | 7,106,548† | .. |
| Maintenance of Public Works and Services | 5,281,124 | 1,942,344 | 3,338,780 | .. |
| Development of Primary and Secondary Industries— | | | | |
| Organization for National Development .. | .. | 14,742 | .. | 14,742 |
| Lands and Survey | 726,342 | 509,144 | 217,198 | .. |
| Agriculture | 1,450,342 | 1,067,463 | 382,879 | .. |
| Scientific and Industrial Research .. | 580,882 | 331,275 | 249,607 | .. |
| Mines | 118,233 | 67,651 | 50,582 | .. |
| Transport | 184,455 | 114,330 | 70,125 | .. |
| Industries and Commerce | 513,074 | 998,539 | .. | 485,465* |
| Tourist and Health Resorts .. | 359,767 | 258,240 | 101,527 | .. |
| Total—Development of Primary and Secondary Industries | 3,933,095 | 3,361,384 | 1,071,918 | 500,207 |
| Social Services— | | | | |
| Health | 3,409,844 | 2,692,389 | 717,455 | .. |
| Mental Hospitals | 1,072,130 | 863,808 | 208,322 | .. |
| Education | 7,712,490 | 6,460,623 | 1,251,867 | .. |
| War and other pensions | 4,735,185 | 4,172,633 | 562,552 | .. |
| Social Security | 18,000,000 | 7,000,000 | 11,000,000 | .. |
| National Provident and Friendly Societies | 117,118 | 112,448 | 4,670 | .. |
| Total—Social Services .. | 35,046,767 | 21,301,901 | 13,744,866 | .. |
| Unauthorized Expenditure— | | | | |
| Services not provided for | 809,649 | 164,694 | 644,955 | .. |
| Total—Annual Appropriations | 74,752,744 | 31,751,774 | 43,531,075 | 530,105 |
| | | | 48,027,219 | 1,595,429 |
| | | | 1,595,429 | .. |
| Total Expenditure | 103,683,455 | 57,251,665 | 46,431,790 | .. |

* Mainly subsidy on wheat now included under Vote Stabilization.

† Previously paid from War Expenses Account.

Table No. 3
SOCIAL SECURITY FUND

| | Year ended 31st March, 1944. | Year ended 31st March, 1945. | Year ended 31st March, 1946. | Year ended 31st March, 1947. | Estimate for Year ending 31st March, 1948. |
|---|------------------------------------|------------------------------------|------------------------------------|------------------------------------|---|
| <i>Receipts</i> | £ | £ | £ | £ | £ |
| Registration fees | 551,064 | 574,436 | 585,713 | 15,287 | 500 |
| Social security charge | 12,796,108 | 13,663,858 | 14,557,460 | 22,383,884 | 23,700,000 |
| Miscellaneous receipts | 44,913 | 38,112 | 143,020 | 120,993 | 27,000 |
| Balance from previous year .. | 3,086,801 | 2,945,139 | 2,389,701 | 1,716,303 | 5,410,976 |
| Transfer from Consolidated Fund .. | 4,100,000 | 4,500,000 | 7,000,000 | 18,000,000 | 16,000,000 |
| | 20,578,886 | 21,721,545 | 24,675,894 | 42,236,467 | 45,138,476 |
| <i>Expenditure</i> | | | | | |
| Administration expenses | 509,294 | 563,667 | 721,587 | 704,194 | 775,484 |
| Emergency benefits | 115,573 | 105,843 | 121,959 | 134,287 | 208,000 |
| Hospital benefits, &c.— | | | | | |
| Maternity benefits | 513,939 | 530,734 | 600,209 | 672,989 | 679,000 |
| Hospital benefits | 2,133,389 | 2,266,688 | 2,173,460 | 1,986,288 | 1,995,000 |
| Medical benefits | 1,179,331 | 1,287,023 | 1,427,309 | 1,760,574 | 1,862,800 |
| Pharmaceutical benefits | 762,198 | 980,237 | 1,133,366 | 1,439,686 | 1,451,000 |
| Supplementary benefits | 137,823 | 170,032 | 229,971 | 352,043 | 505,000 |
| Monetary benefits— | | | | | |
| Age | 8,101,669 | 8,492,015 | 9,817,615 | 11,881,119 | 13,393,000 |
| Widows | 949,099 | 985,451 | 1,043,593 | 1,529,010 | 1,787,000 |
| Orphans | 22,442 | 23,253 | 24,178 | 22,905 | 22,000 |
| Family | 876,858 | 1,405,112 | 2,611,759 | 12,680,778 | 13,195,000 |
| Invalids | 1,067,409 | 1,072,619 | 1,183,537 | 1,328,485 | 1,447,000 |
| Miners | 76,653 | 74,367 | 88,359 | 105,416 | 109,000 |
| Maori War | 118 | 78 | 101 | 104 | 106 |
| Unemployment | 32,316 | 27,822 | 31,661 | 24,332 | 9,500 |
| Sickness | 376,878 | 351,866 | 565,420 | 853,328 | 1,006,000 |
| Universal superannuation | 778,758 | 995,036 | 1,185,508 | 1,349,689 | 1,594,500 |
| Social Security Amendment Act, 1943, section 13 (8) (c): Main- tenance Moneys | .. | .. | .. | 263 | .. |
| Balance | 2,945,139 | 2,389,702 | 1,716,302 | 5,410,977 | 5,099,086 |
| | 20,578,886 | 21,721,545 | 24,675,894 | 42,236,467 | 45,138,476 |

Table No. 4

WAR EXPENSES ACCOUNT

STATEMENT SHOWING THE NET EXPENDITURE FOR THE YEAR ENDED 31ST MARCH, 1947, COMPARED WITH THE YEAR ENDED 31ST MARCH, 1946

| | Year ended 31st March, 1947. | Year ended 31st March, 1946. | Increase. | Decrease. |
|---|------------------------------------|------------------------------------|------------|-------------|
| Navy— | £ | £ | £ | £ |
| Pay and allowances | 896,878 | 3,527,039 | .. | 2,630,161 |
| Accommodation, victualling, and clothing | 206,033 | 561,315 | .. | 355,302 |
| War and other stores | 1,565,143 | 182,947 | 1,382,196 | .. |
| Medical services | 19,041 | 16,044 | 2,997 | .. |
| Educational and vocational services | Cr. 78 | 4,262 | .. | 4,340 |
| Land, buildings, and ships | 435,536 | 744,833 | .. | 309,297 |
| Docking, repairs, maintenance, and rent | 453,880 | 346,802 | 107,078 | .. |
| Transport | 129,345 | 285,454 | .. | 156,109 |
| Miscellaneous effective services | 22,095 | 108,316 | .. | 86,221 |
| Non-effective services | 258,108 | 237,481 | 20,627 | .. |
| | 3,985,961 | 6,014,493 | 1,512,898 | 3,541,430 |
| Army— | | | | |
| Pay and allowances | 4,930,783 | 23,183,540 | .. | 18,252,757 |
| Accommodation, victualling, and clothing | 441,132 | 2,398,504 | .. | 1,957,372 |
| War and other stores | 3,495,590 | Cr. 7,022,410 | 10,518,000 | .. |
| Medical services | 506,183 | 558,400 | .. | 52,217 |
| Educational and vocational services | 4,841 | 19,195 | .. | 14,354 |
| Land, buildings, and fortifications | 189,257 | 307,952 | .. | 118,695 |
| Repairs, maintenance, and rent | 45,150 | 295,513 | .. | 250,363 |
| Transport | 827,595 | 3,871,426 | .. | 3,043,831 |
| Miscellaneous effective services | 101,536 | 368,525 | .. | 266,989 |
| Non-effective services | 4,106 | 36,879 | .. | 32,773 |
| | 10,546,173 | 24,017,524 | 10,518,000 | 23,989,351 |
| Air— | | | | |
| Pay and allowances | 1,458,183 | 9,297,772 | .. | 7,839,589 |
| Accommodation, victualling, and clothing | 390,705 | 1,595,862 | .. | 1,205,157 |
| War and other stores | 237,909 | 15,515,117 | .. | 15,277,208 |
| Medical services | 43,975 | 66,641 | .. | 22,666 |
| Educational and vocational services | 408 | 2,401 | .. | 1,993 |
| Land, aerodromes, and other buildings | 212,492 | 484,623 | .. | 272,131 |
| Repairs, maintenance, and rent | 39,692 | 97,405 | .. | 57,713 |
| Transport | 137,087 | 465,442 | .. | 328,355 |
| Miscellaneous effective services | 26,921 | 4,532,257 | .. | 4,505,336 |
| Non-effective services | 55,888 | 64,909 | .. | 9,021 |
| | 2,603,260 | 32,122,429 | .. | 29,519,169 |
| Ancillary— | | | | |
| Primary producers' subsidies | Cr. 9,702 | 1,498,296 | .. | 1,507,998 |
| Stabilization subsidies | 21,324 | 3,033,057 | .. | 3,011,733 |
| Grants and subsidies for promotion and expansion of war production | 207,744 | 362,288 | .. | 154,544 |
| E.P.S. and other security measures | 106,868 | 354,903 | .. | 248,035 |
| Services for Armed Forces (recoverable) | Cr. 1,087,158 | Cr. 877,036 | .. | 210,122 |
| Reserve stocks, indents, and manufactured goods (recoverable) | Cr. 472,111 | Cr. 4,066,041 | 3,593,930 | .. |
| Soldiers' financial assistance, patriotic, and similar grants | 3,632 | 379,869 | .. | 376,237 |
| Bulk purchase and sales by Food Controller | 560,780 | Cr. 1,761,899 | 2,322,679 | .. |
| National Service Department | .. | 297,277 | .. | 297,277 |
| UNRRA | 3,612,000 | 1,078,443 | 2,533,557 | .. |
| Miscellaneous (recoverable in part and whole) | 334,412 | 221,720 | 112,692 | .. |
| Miscellaneous (non-recoverable) | 2,381,087 | 1,119,364 | 1,261,723 | .. |
| | 5,658,876 | 1,640,241 | 9,824,581 | 5,805,946 |
| Rehabilitation advances, &c. | 4,742,478 | 2,572,967 | 2,169,511 | .. |
| Reciprocal aid : Reverse lend-lease | 1,249,865 | 22,777,672 | .. | 21,527,807 |
| Gratuities | 1,776,595 | 18,000,000 | .. | 16,223,404 |
| Gift of food to Britain | 1,072,964 | .. | 1,072,964 | .. |
| Gift to British Government as part of cost of World War II | 12,500,000 | .. | 12,500,000 | .. |
| Allied military currency repaid to Allied financial agency | 56,511 | .. | 56,511 | .. |
| Transfer to Loans Redemption Account | 3,500,000 | 27,500,000 | .. | 24,000,000 |
| | 24,898,414 | 70,850,639 | 15,798,986 | 61,751,211 |
| | | | 37,654,465 | 124,607,107 |
| | | | | 37,654,465 |
| Total | 47,692,684 | 134,645,326 | .. | 86,952,642 |

Table No. 5
PUBLIC DEBT

MATURITY AND DOMICILE OF DEBT OUTSTANDING, 31ST MARCH, 1947

| Loans maturing in Financial Year ending 31st March.* | Due in | | | | Total Debt (Nominal Amount). |
|---|---|------------|--------------|---------------|------------------------------------|
| | London (in New Zealand Currency). | Australia. | New Zealand. | | |
| | | | Public. | Departmental. | |
| | £ | £ | £ | £ | £ |
| Overdue .. | .. | .. | 15,485 | .. | 15,485 |
| Treasury bills .. | .. | .. | 10,000 | 54,990,000 | 55,000,000 |
| Funded debt† | 30,125,249 | .. | .. | .. | 30,125,249 |
| Interest free‡ | .. | .. | 10,787 | .. | 10,787 |
| 1948 .. | 14,177,011 | 82,300 | 6,170,560 | 1,839,470 | 22,269,341 |
| 1949 .. | .. | .. | 6,989,560 | 268,705 | 7,258,265 |
| 1950 .. | 9,375,000 | .. | 11,508,925 | 7,667,400 | 28,551,325 |
| 1951 .. | 1,562,500 | 779,000 | .. | .. | 2,341,500 |
| 1952 .. | .. | .. | 2,608,575 | 10,703,980 | 13,312,555 |
| 1953 .. | .. | .. | 11,352,445 | 1,126,635 | 12,479,080 |
| 1954 .. | 9,153,224 | .. | 9,353,335 | 346,295 | 18,852,854 |
| 1955 .. | 2,613,636 | .. | 6,115,770 | 357,680 | 9,087,086 |
| 1956 .. | 15,000,000 | .. | 17,483,720 | 1,734,915 | 34,218,635 |
| 1957 .. | .. | .. | 29,995,495 | 7,451,500 | 37,446,995 |
| 1958 .. | 24,031,831 | .. | 20,537,200 | 135,294,645 | 179,863,676 |
| 1959 .. | .. | .. | 10,003,090 | 62,478,420 | 72,481,510 |
| 1960 .. | .. | .. | 7,216,245 | 1,309,200 | 8,525,445 |
| 1961 .. | 7,889,599 | .. | 19,020,385 | 2,178,680 | 29,088,664 |
| 1964 .. | 9,174,570 | .. | 23,415,380 | 10,998,900 | 43,588,850 |
| 1965 .. | .. | .. | 2,186,725 | 250,000 | 2,436,725 |
| 1966 .. | 21,547,734 | .. | .. | .. | 21,547,734 |
| 1972 .. | 6,250,000 | .. | .. | .. | 6,250,000 |
| Totals .. | 150,900,354 | 861,300 | 183,993,682 | 298,996,425§ | 634,751,761 |

* In respect of many of the loans the Government has the option to redeem the securities at an earlier date. For particulars, see B-1 (Pt. I).
 † Imperial Government advances funded in terms of section 8, Finance Act, 1922.
 ‡ Interest-free loans are for various periods, the bulk being for the duration of the war and stipulated periods thereafter.
 § Includes holdings by Reserve Bank previously shown under "Public."

SUMMARY OF DEPARTMENTAL INVESTMENTS

| | £ |
|---|---------------------|
| Investments held by accounts within the Public Account .. | 25,470,995 |
| National Broadcasting Service .. | 1,950,000 |
| Marketing Department .. | 20,453,510 |
| Government Life Insurance .. | 5,427,075 |
| Native Trustee .. | 376,830 |
| Post Office .. | 148,393,650 |
| Post Office : National Savings .. | 38,400,000 |
| Public Trustee .. | 20,860,680 |
| Reserve Bank .. | 36,045,335 |
| State Advances Corporation .. | 10,250 |
| State Fire Insurance Office— | |
| Accident Branch .. | 572,500 |
| Fire Branch .. | 1,035,600 |
| | <u>£298,996,425</u> |

Table No. 6

IMPROVEMENT IN NEW ZEALAND ECONOMIC CONDITIONS

MOST RECENT INFORMATION COMPARED WITH EARLIER PERIODS

| | Unit. | Depression low. | | 1935-36. | | 1938-39. | | Latest Figure. | |
|---|--------------|------------------------|---------|------------------------|---------|------------------------|---------|------------------------|--------------------|
| | | Year ended 31st March. | Amount. | Year ended 31st March. | Amount. | Year ended 31st March. | Amount. | Year ended 31st March. | Amount. |
| | | | | | | | | | |
| <i>Production—</i> | | | | | | | | | |
| Value of total production | £(m.) .. | 1932 ¹ | 83.3 | 1936 ¹ | 113.8 | 1939 ¹ | 136.1 | 1946 ¹ | 186.5 ⁶ |
| Volume of total production (1938-39 = 100) | Index No. .. | .. | .. | 1936 ¹ | 93 | 1939 ¹ | 100 | 1946 ¹ | 105 ⁵ |
| Value of farm production | £(m.) .. | 1932 ¹ | 49.2 | 1936 ¹ | 72.5 | 1939 ¹ | 82.6 | 1946 ¹ | 114.0 ⁶ |
| Volume of farm production (1938-39 = 100) | Index No. .. | .. | .. | 1936 ¹ | 101 | 1939 ¹ | 100 | 1946 ¹ | 107 |
| Value of gross farming income .. | £(m.) .. | 1933 ¹ | 38.1 | 1936 ¹ | 57.8 | 1939 ¹ | 69.0 | 1946 ¹ | 95.5 ⁶ |
| Wool production (bales) | (000) .. | .. | .. | 1936 ¹ | 717 | 1939 ¹ | 921 | 1947 ¹ | 1,050 ⁵ |
| Butter production (tons) | (000) .. | .. | .. | 1936 ¹ | 168 | 1939 ¹ | 146 | 1947 ¹ | 146 ⁵ |
| Cheese production (tons) | (000) .. | .. | .. | 1936 ¹ | 89 | 1939 ¹ | 83 | 1947 ¹ | 90 ⁵ |
| Meat production (tons) | (000) .. | .. | .. | .. | .. | 1939 ¹ | 470 | 1947 ¹ | 555 ⁵ |
| Value of factory production ² .. | £(m.) .. | 1933 ¹ | 17.7 | 1936 ¹ | 23.2 | 1939 ¹ | 30.5 | 1946 ¹ | 44.0 ⁵ |
| Volume of factory production ² (1938-39 = 100) | Index No. .. | .. | .. | 1936 ¹ | 76 | 1939 ¹ | 100 | 1946 ¹ | 111 ⁵ |
| Total factory employees | (000) .. | 1934 | 86.0 | 1936 | 102.3 | 1939 | 123.7 | 1947 | 153.0 |
| Electric-power production (units) | Million.. | .. | .. | 1936 | 1,031.7 | 1939 | 1,413.5 | 1946 | 2,365.0 |
| Gas production (coal-gas sold) (cubic feet) | Million.. | .. | .. | 1936 | 3,324.4 | 1939 | 3,591.4 | 1946 | 4,572.1 |
| Coal production (tons) | (000) .. | 1933 ¹ | 1,821 | 1935 ⁴ | 2,115 | 1938 ⁴ | 2,222 | 1946 ¹ | 2,794 |
| Timber production (superficial feet) | Million.. | 1932 | 154.2 | 1936 | 293.1 | 1939 | 316.7 | 1946 | 344.7 |

For footnotes see end of table.

Table No. 6—*continued*
 IMPROVEMENT IN NEW ZEALAND ECONOMIC CONDITIONS—*continued*
 MOST RECENT INFORMATION COMPARED WITH EARLIER PERIODS—*continued*

| | Unit. | Depression low. | | 1935-36. | | 1938-39. | | Latest Figure. | |
|--|-----------|------------------------|---------|------------------------|---------|------------------------|---------|------------------------|---------|
| | | Year ended 31st March. | Amount. | Year ended 31st March. | Amount. | Year ended 31st March. | Amount. | Year ended 31st March. | Amount. |
| <i>Production—continued</i> | | | | | | | | | |
| Building permits issued in urban districts— | | | | | | | | | |
| Total value all buildings | £(m.) .. | 1933 | 2.5 | 1936 | 5.9 | 1939 | 12.1 | 1947 | 21.2 |
| Private dwellings | Number | 1933 | 1,496 | 1936 | 4,140 | 1939 | 8,093 | 1947 | 9,516 |
| Government housing construction : Dwellings commenced (included above) | Number | .. | .. | .. | .. | 1939 | 3,432 | 1947 | 2,603 |
| Membership of workers' unions | (000) .. | 1933 ⁴ | 71.9 | 1935 ⁴ | 80.9 | 1938 ⁴ | 249.2 | 1946 ⁴ | 247.5 |
| <i>Transport and Communication—</i> | | | | | | | | | |
| Value of exports (excluding specie) | £(m.) .. | 1932 | 33.9 | 1936 | 49.7 | 1939 | 57.9 | 1947 | 103.8 |
| Volume of total exports (excluding specie), (1936-38 = 100) | Index No. | .. | .. | 1935 ⁴ | 96 | 1938 ⁴ | 97 | 1946 ⁴ | 112.6 |
| Value of imports (excluding specie) | £(m.) .. | 1932 | 24.8 | 1936 | 37.4 | 1939 | 54.4 | 1947 | 81.8 |
| Volume of total imports (excluding specie), (1936-38 = 100) | Index No. | .. | .. | 1935 ⁴ | 72 | 1938 ⁴ | 105 | 1946 ⁴ | 75.6 |
| Post and telegraph : Volume of business handled | £(m.) .. | 1933 | 153 | 1936 | 220 | 1939 | 286 | 1947 | 661 |
| Radio-receiving licences | (000) .. | .. | .. | 1936 ³ | 192.3 | 1939 ³ | 317.5 | 1947 ³ | 415.2 |
| <i>Railways—</i> | | | | | | | | | |
| Passenger journeys | Million.. | 1933 | 18.4 | 1936 | 20.4 | 1939 | 23.3 | 1947 | 28.9 |
| Net ton-miles run | Million.. | 1933 | 363.4 | 1936 | 443.6 | 1939 | 574.5 | 1947 | 833.7 |
| Motor-vehicles licensed | (000) .. | 1933 ³ | 195.0 | 1936 ³ | 228.2 | 1939 ³ | 307.9 | 1947 ³ | 330.9 |
| <i>Finance—</i> | | | | | | | | | |
| Aggregate private income | £(m.) .. | 1933 | 91.8 | 1936 | 124.6 | 1939 | 185.8 | 1946 | 326.1 |
| Salaries and wages payments (included above) | £(m.) .. | 1933 | 58.9 | 1936 | 72.5 | 1939 | 109.5 | 1947 | 189.0 |
| Trading bank deposits (excluding Government) | £(m.) .. | 1932 | 51.0 | 1936 | 62.1 | 1939 | 64.1 | 1947 | 151.8 |
| Weekly bank debits (excluding Government) | £(m.) .. | 1933 | 10.4 | 1936 | 13.8 | 1939 | 18.0 | 1947 | 33.9 |
| Net bank-note circulation | £(m.) .. | 1932 | 5.8 | 1936 | 6.6 | 1939 | 10.4 | 1947 | 38.8 |
| Net overseas funds of banks (New Zealand business only) | £(m.) .. | .. | 7 | 1936 ⁸ | 44.1 | 1939 ⁸ | 9.3 | 1947 ⁸ | 99.5 |

Finance—continued

[illegible]

¹ Production year—approximately twelve months ended June.

⁴ Calendar year.

⁷ Not available.

purchasing power on basis of wartime price index linked to retail prices index set

THE UNIVERSITY OF CHICAGO

Table No. 7
TAXATION AND PRIVATE INCOME

| Year ended 31st March, | Average per Head of Population. | | | Reconciliation with Retail Price Index. | | | |
|------------------------|---------------------------------|-----------|---------------------|---|-----------------------|-----------|---------------------|
| | Private Income. | Taxation. | Net Private Income. | Retail Prices Index Number* (1931-32 = 1000). | Gross Private Income. | Taxation. | Net Private Income. |
| | £ | £ | £ | | £ | £ | £ |
| 1932 | 65·7 | 11·5 | 54·2 | 1000 | 65·7 | 11·5 | 54·2 |
| 1933 | 60·0 | 12·9 | 47·1 | 915 | 65·6 | 14·1 | 51·5 |
| 1934 | 65·7 | 13·9 | 51·8 | 896 | 73·3 | 15·5 | 57·8 |
| 1935 | 68·6 | 15·9 | 52·7 | 913 | 75·1 | 17·4 | 57·7 |
| 1936 | 79·6 | 16·3 | 63·3 | 944 | 84·3 | 17·3 | 67·0 |
| 1937 | 99·8 | 19·8 | 80·0 | 983 | 101·5 | 20·1 | 81·4 |
| 1938 | 108·7 | 23·1 | 85·6 | 1047 | 103·8 | 22·1 | 81·7 |
| 1939 | 115·3 | 23·5 | 91·8 | 1072 | 107·5 | 21·9 | 85·6 |
| 1940 | 122·6 | 27·3 | 95·3 | 1126 | 108·9 | 24·2 | 84·7 |
| 1941 | 132·3 | 37·5 | 94·8 | 1172 | 112·9 | 32·0 | 80·9 |
| 1942 | 141·5 | 41·8 | 99·7 | 1210 | 116·9 | 34·5 | 82·4 |
| 1943 | 161·2 | 53·6 | 107·6 | 1257 | 128·2 | 42·6 | 85·6 |
| 1944 | 178·5 | 61·6 | 116·9 | 1267 | 140·9 | 48·6 | 92·3 |
| 1945 | 182·3 | 65·3 | 117·0 | 1270 | 143·5 | 51·4 | 92·1 |
| 1946 | 190·6 | 67·2 | 123·4 | 1271 | 150·0 | 52·9 | 97·1 |

* Wartime price index linked on to Census and Statistics Department's retail prices series.

Table No. 8

AGGREGATE PRIVATE INCOME — TOTALS

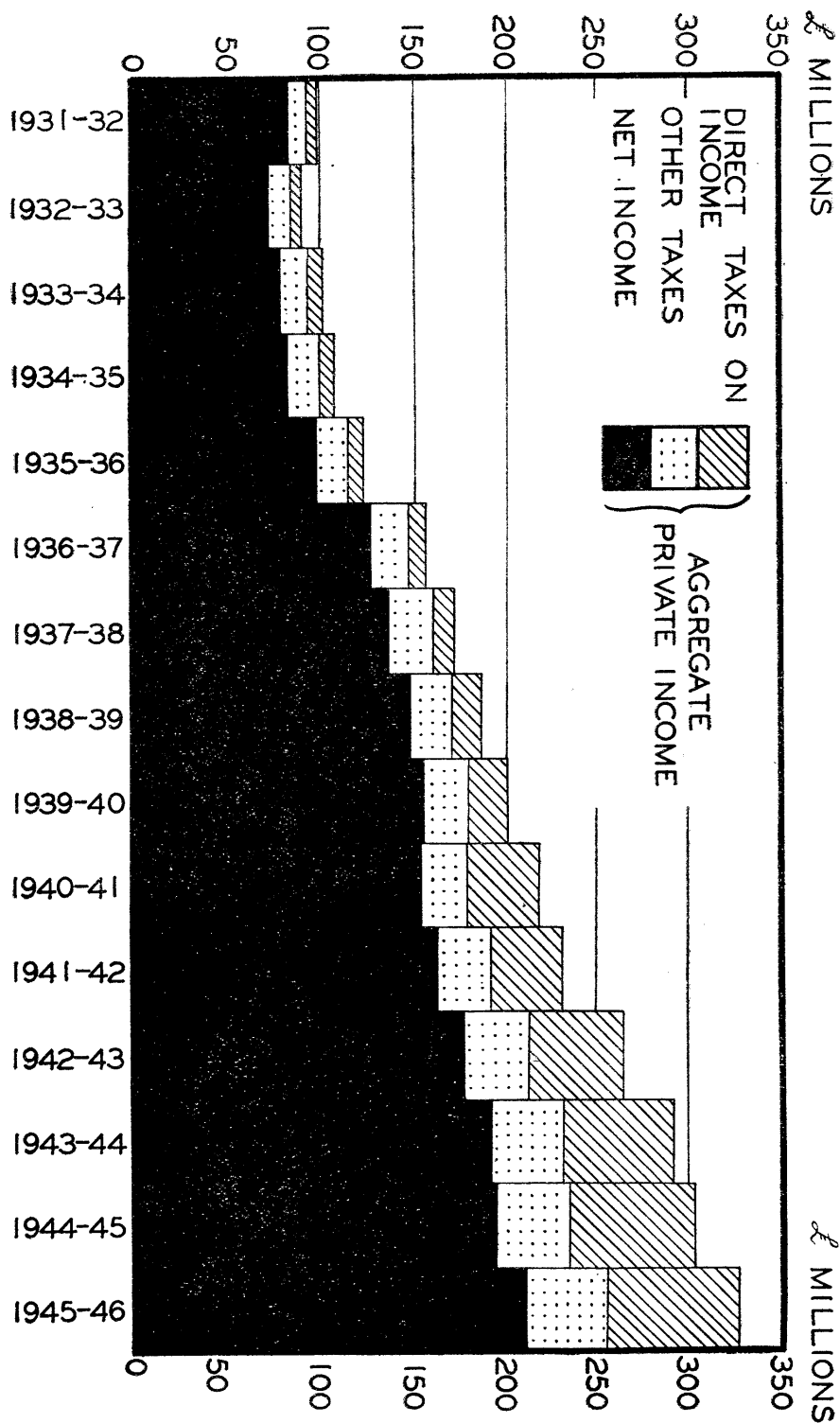


Table No. 9

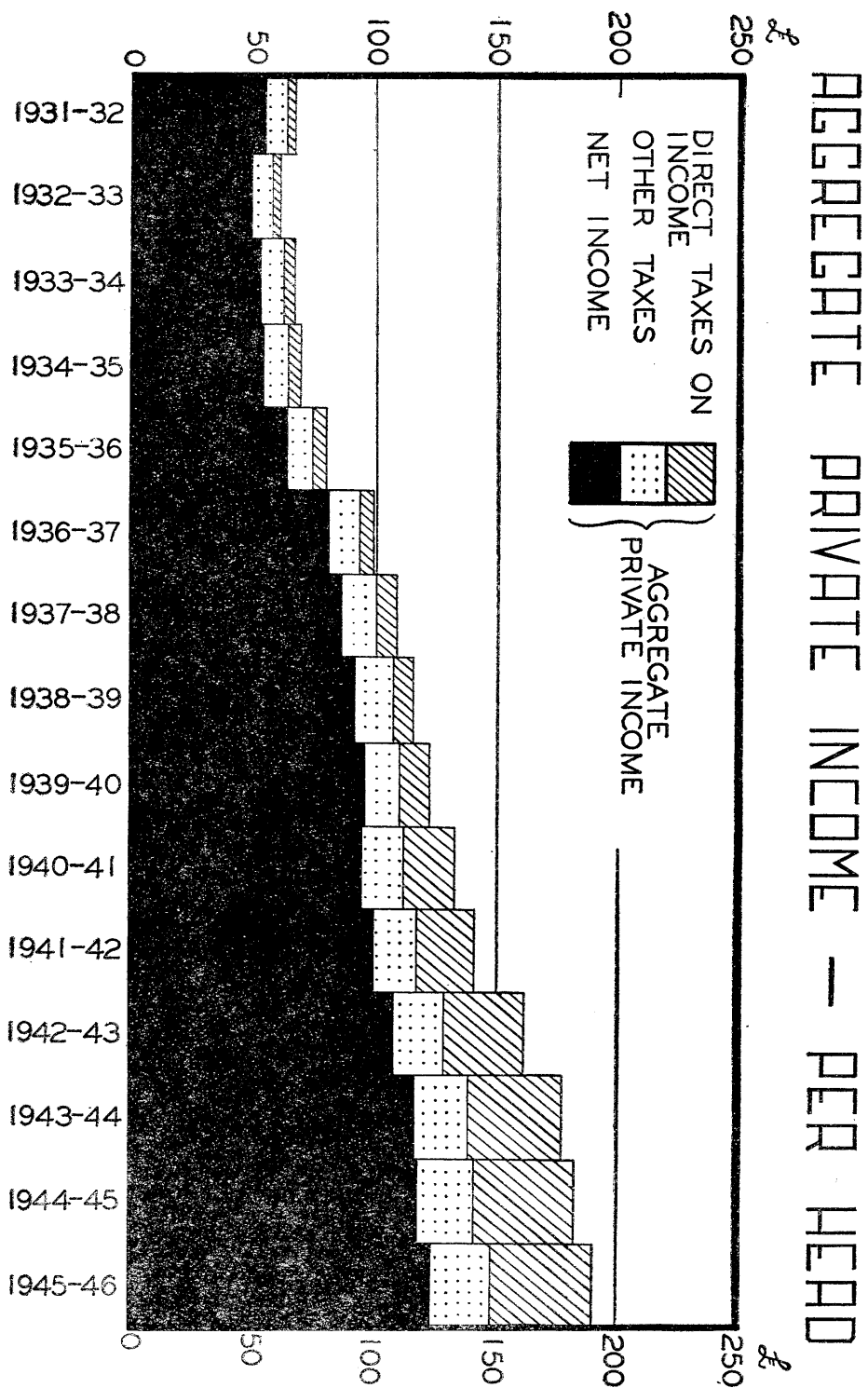


Table No. 10
RETAIL PRICES OF BASIC FOODSTUFFS

| Commodity. | Unit of Quantity. | Retail Price (in New Zealand Currency). | | | | | |
|---------------------|-------------------|---|----------------------------------|--|------------------------------|-----------------------|--|
| | | New Zealand (Wellington), (June, 1947). | Australia (Sydney), (May, 1947). | South Africa (Cape Town), (May, 1947). | Great Britain (April, 1947). | Canada (March, 1947). | United States of America (February, 1947). |
| | | s. d. | s. d. | s. d. | s. d. | s. d. | s. d. |
| Bread.. | 2 lb. .. | 0 5½ | 0 5½ | 0 8½ | 0 6½ | 0 10½ | 1 5½ |
| Flour .. | 25 lb. .. | 4 3½ | 5 4½ | 8 10½ | 6 6½ | 6 4½ | 13 3 |
| Tea .. | lb. .. | 3 11 | 2 9 | 5 8½ | 3 6½ | 5 5½ | 6 0½ |
| Coffee.. | lb. .. | 3 10 | .. | 2 0 | .. | 3 1 | 2 10½ |
| Sugar .. | lb. .. | 0 4 | 0 4 | 0 4½ | 0 5 | 0 6½ | 0 7½ |
| Milk (fresh) | Quart .. | 0 7 | 0 7½ | 1 0½ | 0 11½ | 0 11½ | 1 2½ |
| Butter .. | lb. .. | 1 6 | 1 8 | 2 11 | 1 10½ | 2 9½ | 4 9 |
| Cheese .. | lb. .. | 1 0 | 1 5½ | 2 3½ | 1 0½ | 2 10½ | 3 10 |
| Bacon .. | lb. .. | 1 6½ | 1 10 | 3 5½ | 2 4½ | 3 7 | 4 3½ |
| Raisins .. | lb. .. | 0 11 | 1 1 | 1 6 | 1 0½ | 1 7 | .. |
| Prunes .. | lb. .. | 1 3 | .. | 2 2½ | 1 0½ | 1 2½ | 1 7½ |
| Canned peaches | 30 oz. tin | 2 3½ | 1 2½ | .. | 1 11½ | 2 4½ | 2 0 |
| Beef (rib roast) .. | lb. .. | 0 8½ | 0 8 | 0 10 | 1 7½ | 2 8½ | 3 5½ |
| Mutton (leg) .. | lb. .. | 0 10 | 0 10½ | 1 3 | 1 10 | .. | .. |
| Pork— | | | | | | | |
| Loin .. | lb. .. | 1 0 | 1 5½ | .. | .. | 2 11½ | .. |
| Chops .. | lb. .. | 1 2 | 1 6 | 1 10½ | .. | .. | 3 11½ |

Table No. 11
MARRIED TAXPAYER—DEPENDENT WIFE AND TWO CHILDREN

| Fixed Gross Income per Annum. | Tax Payment during Financial Year ended 31st March, 1946: Residue includes Family Benefit paid subject to Means Test. | | Tax Payment during Financial Year ended 31st March, 1947: Residue, including universal family benefit £52. | | Increase in Residue. |
|-------------------------------|---|--------------|---|--------------|----------------------|
| £ | Tax £ | Residue £ | Tax £ | Residue £ | £ |
| 400 | 58 | 342 | 40 | 412 | 70 |
| 500 | 87 | 413 | 64 | 488 | 75 |
| 600 | 120 | 480 | 90 | 562 | 82 |
| 800 | 188 | 612 | 146 | 706 | 94 |
| 1,000 | 263 | 737 | 207 | 845 | 108 |
| 1,500 | 480 | 1,020 | 391 | *1,161 | 141 |
| 2,000 | 738 | 1,262 | 613 | *1,439 | 177 |
| | Income-tax at basic rate, plus 33½ per cent. Combined charge at 2s. 6d. Income-tax based on income derived during year ended 31st March, 1945, and paid in February, 1946. Wife exemption, £50. Child exemption, £50. | | Income-tax at basic rate, plus 15 per cent. Combined charge assumed at 2s. for whole of year. Income-tax based on income for year ended 31st March, 1946, and payable in February, 1947. Wife exemption, £100. *Maximum rebate in tax, £26. Child exemption, £50. | | |

Table No. 12

ANNUAL VALUE OF SUBSIDIES CANCELLED OR REDUCED

| | £ | £ |
|---|-----------|-------------|
| Tea | 500,000 | |
| Sugar | 945,000 | |
| Meat | 1,100,000 | |
| Bacon | 250,000 | |
| Apples and Pears | 241,000 | |
| Lemons | 2,500 | |
| Cheese | 190,000 | |
| Oatmeal and Rolled Oats | 39,000 | |
| | <hr/> | 3,267,500 |
| Tobacco | .. | 500,000 |
| Shipping subsidy | 800,000 | |
| Rail fares and freights | 2,335,000 | |
| | <hr/> | 3,135,000 |
| <i>Primary production subsidies—</i> | | |
| Carriage of fertilizers and farm produce | 375,000 | |
| Fertilizer bags, cornsacks, and woolpacks | 1,464,700 | |
| Fertilizers other than superphosphate | 476,000 | |
| Superphosphate | 2,800,000 | |
| Stock and poultry foods | 164,000 | |
| Other primary production subsidies | 254,500 | |
| | <hr/> | 5,534,200 |
| | | <hr/> |
| | | £12,436,700 |
| | | <hr/> |

NOTE.—Recoveries from the primary industries accounts would have amounted to £3,928,000, and would have been a set-off against the total of the subsidies shown above.

Copy of Prospectus of Internal Loan
 DOMINION OF NEW ZEALAND
 NEW ZEALAND GOVERNMENT LOAN

Issue at par of

3-PER-CENT. STOCK MATURING 15TH JULY, 1962-64

Interest payable 15th January and 15th July

Authorized to be raised in accordance with the provisions of the New Zealand Loans Act, 1932, whereby the interest and principal are a direct charge upon the public revenues of the Dominion.

Trustees may invest in this Loan under the powers of the Trustee Act, 1908, unless expressly forbidden by the instrument (if any) creating the Trust.

The RESERVE BANK OF NEW ZEALAND gives notice that, on behalf of the Minister of Finance, it is authorized to receive applications for the issue of stock in terms of this Prospectus.

The proceeds of this issue will be used partly for repaying existing loans and partly for National Development purposes.

1. *Applications.*—Applications, which must be accompanied by a cheque for the full issue price of the stock, may be lodged at the Reserve Bank of New Zealand, Wellington, at any Branch of any bank in New Zealand, including trustee savings-banks, at the District Treasury Offices at Auckland, Christchurch, or Dunedin, or at any postal money-order office in New Zealand. All cheques should be drawn in favour of the Reserve Bank of New Zealand, Wellington.

Applications must be for a multiple of £10, with a minimum of £50.

2. *Securities.*—New Zealand Government Stock will be issued in either of the following forms, as may be directed by the applicant in the form of application :—

(a) *Ordinary Stock* transferable by Memorandum of Transfer without payment of any fee and free of stamp duty unless the transfer is by way of gift. Ordinary Stock may be exchanged for Stock Certificates to Bearer free of charge :

(b) *Stock Certificates* with interest coupons annexed. When issued, Stock Certificates will be payable to bearer and will be transferable by delivery. The first or any subsequent holder may insert the name of a nominee, after which the Stock Certificate will not be transferable. Stock Certificates payable to bearer or to a person named in the Certificate may at any interest date be converted into ordinary Stock without the payment of any fee.

(c) *Death Duty Stock*, which in terms of section 40 of the New Zealand Loans Act, 1932, may be tendered at par by the executor or administrator of a deceased stockholder in payment of Death Duties in the estate of the deceased Stockholder. Death Duty Stock is not transferable as such but may be exchanged for Ordinary Stock.

3. *Registration.*—The Register of Stock will be kept at the Reserve Bank of New Zealand, Wellington, where transfers will be registered free of charge. Any minor of the age of ten years or upwards is entitled to be registered as the holder of Stock and to execute transfers thereof. Ordinary Stock and Death Duty Stock will be registered in the name of the applicant, and Registration Certificates will be issued as soon as registration has been effected. If a Certificate of Title is required, application should be made on the prescribed form.

4. *Interest.*—Interest will be paid half-yearly on the 15th January and 15th July in each year, and the first payment, representing interest from the date of the lodgment of the application moneys up to the 15th July, 1947, will be made on that date.

The first payment will in every case be made to the original subscriber and will be paid by means of warrants forwarded by post from the Reserve Bank of New Zealand.

Subsequent payments on Ordinary Stock and Death Duty Stock will be made by means of interest warrants forwarded to the stockholder as at the due date of payment. The Reserve Bank of New Zealand, however, will accept directions from stockholders for payment of interest to any agent in the Dominion, and existing instructions for the payment of interest will apply to stock issued in terms of this Prospectus.

Interest on Stock Certificates, other than the first payment which will be paid in accordance with the provisions outlined in the second paragraph of this section, will be paid by means of coupons annexed to the Certificates.

5. *Repayment.*—The Minister of Finance reserves the right to repay the 3 per cent. 1962-64 Loan at par at any time during the period 15th July, 1962, to the 15th July, 1964, on giving at least three months' notice in the *New Zealand Gazette* of his intention to repay.

If not previously redeemed, the Loan will be repaid at par at the Reserve Bank of New Zealand on the 15th July, 1964.

6. *Exchange on Remittances.*—Cheques in payment of amounts subscribed to this Loan will be accepted free of inland Exchange.

7. *Commission.*—Commission at the rate of 5s. per £100 of Stock issued will be allowed to Bankers and registered Sharebrokers.

Copies of this Prospectus and forms of application may be obtained at the Reserve Bank of New Zealand, Wellington; at any branch of any bank in New Zealand, including trustee savings-banks; at the District Treasury Offices at Auckland, Christchurch, or Dunedin; at any postal money-order office in New Zealand; or from a member of any Stock Exchange in the Dominion.

The list of applications will be opened forthwith and may be closed at any time determined by the Minister of Finance.

Reserve Bank of New Zealand, Wellington, 23rd January, 1947.