

It will be observed that £3,159,960 was applied in redemption of securities of a nominal value of £3,160,030, which were cancelled and discharged from the public debt. I propose to apply a further £500,000 to meet redemption of loans maturing during the coming year. Legislation will also be submitted to you authorizing the transfer of £1,000,000 to the Public Works Fund, and £100,000 to Education Loans Account for school buildings, thus providing funds for capital expenditure without borrowing.

The total interest-bearing investments from the surpluses amount to £17,260,000, giving an annual income of £712,870, which is permanently relieving taxation to that extent.

The advantages of applying the accumulated surpluses to capital purposes in preference to borrowing moneys at high rates of interest, will, I think, be recognized by honourable members. Some objection has been taken to the use of the surplus for soldier-settlement purposes, but owing to the embargo on the London market it was practically impossible at the time the money was most urgently required, to float loans on anything like reasonable terms, if at all.

The following statement shows how the accumulated surpluses have been applied :—

STATEMENT SHOWING HOW ACCUMULATED SURPLUSES HAVE BEEN APPLIED.

To	Accumulated surpluses at	£	By Transfers to—	£	£
	31st March, 1920	.. 17,538,976	Discharged Soldiers Settlement Account—		
	Surplus for financial year		1920-21	13,330,000	
	1920-21	6,132,233	1921-22	170,000	
	Surplus for financial year				13,500,000
	1922-23	1,315,683	Discharged Soldiers Settlement Depreciation Fund		
	Excess Customs revenue		Account —		
	restored from Ordinary		1920-21	50,000	
	Revenue Account ..	2,129,420	1921-22	50,000	
			1922-23	50,000	
					150,000
			Public Works Fund, 1920-21	500,000
			Reserve Fund Securities Account, 1920-21	..	1,200,000
			Loans redemption, 1921-22	560,011	
			Loans redemption, 1922-23	3,159,960	
					3,719,971
			Ordinary revenue (excess Customs revenue) —		
			To balance revenue and expenditure,		
			1921-22	279,831	
			To provide for estimated shortage in		
			revenue, 1922-23	2,129,420	
					2,409,251
			Balance, 31st March, 1923	5,637,090
		<u>£27,116,312</u>			<u>£27,116,312</u>

PUBLIC WORKS FUND.

The expenditure upon public works amounted to £3,912,886, or £1,548,521 less than the expenditure for the year 1921-22. Full details will be furnished by my colleague the Hon. Minister for Public Works in his annual statement. The requirements of the current year should be adequately met by the loan of £3,000,000 recently raised in London and by the transfer of £1,000,000 from the Surplus Revenue.

The obligations imposed by the war make it essential that the country should be developed and expanded and its production increased by a progressive policy of works and settlement. To do this it is necessary to provide outside capital, but our borrowing must be confined to directly and indirectly productive purposes, and in view of the increased interest and debt-reduction charges, its extent must be a matter for very careful consideration. If the war debt be considered apart from the ordinary debt, a considerable portion of which provides its own interest, the public debt is by no means excessive. If the weight of debt has increased during recent years there are normal forces in operation which tend to diminish the burden. Our prosperity depends almost entirely on our primary products, and in the matter of productivity this favoured land continues to show a wonderful response to all demands.