

- (3.) The Naval Defence Act, 1909, whereby a sinking fund of 4 per cent. on the total cost of the battleship "New Zealand" (£1,795,166) was paid annually to the Public Trustee. In view of the funding operations with the Imperial Government no further amounts are payable to the Public Trustee.
- (4.) Other accounts (such as State Coal-mines, Westport Harbour Board, Electric Supply, and State Advances) have special sinking funds which are not affected by the Bill.

The funding operations concluded with the British Government dealt with £26,000,000 of the war debt; a portion of the amount borrowed under the Naval Defence Act, 1909, amounting to £960,000; and other advances amounting to £230,000. These sums (balance outstanding is now £26,600,000) are repayable by half-yearly instalments, and are therefore separated from the New Zealand sinking funds, and will not be affected by the Bill.

There are other sinking funds—viz., local bodies' loans, and old war and defence loans—which had accumulated with the Public Trustee up to 1910, when the Public Debt Extinction Act was passed. No further contributions to these sinking funds have been made, and the interest on them has since been paid to the Consolidated Fund by the Public Trustee.

The Bill proposes to substitute for the long-term sinking-fund system a method whereby the Dominion debt-reduction resources may be available to purchase and cancel Government securities as the market-price is advantageous, or pay them off at maturity, and so ensure an actual reduction in the public debt annually. For this purpose there will be issued annually out of the Consolidated Fund a sum equal to $\frac{1}{2}$ per cent. of the debt affected by the Bill (at present shown as £174,000,000 above). To this will be added a sum equal to interest at $3\frac{1}{2}$ per cent. per annum on the debt paid off under this scheme. By this means the bulk of the savings in interest on debt paid off will be applied to further repayments of debt, and the present debt will be liquidated in about sixty years, while all future loans will be liquidated within a similar period from the date of their inception.

A capital fund termed "The Public Debt Redemption Fund" will be created, consisting of (1) the present accumulation of sinking funds, amounting to about £11,226,000 (leaving aside the State Advances, Westport Harbour, and other special sinking funds); (2) the amount advanced for discharged soldiers settlement, £13,500,000, less any amounts written off as a result of the revaluation of the properties of discharged soldiers. The capital of this fund will be held intact. The earnings therefrom will be credited to the Consolidated Fund and applied towards meeting the annual charge against the Consolidated Fund created by the Bill.

The Bill will provide for an annual reduction in the amount of the public debt, the amount of reduction increasing from year to year. There will be an annual saving to the Consolidated Fund on the amount of debt redeemed, consisting of that portion of the interest and sinking fund in excess of 4 per cent. which would have been payable had the loans not been redeemed under the provisions of the Bill.

PURCHASE OF NEW ZEALAND STOCK.

Purchase of New Zealand stock.

Last year's Financial Statement referred to the purchase at a profitable discount of £250,000 New Zealand 4-per-cent. Stock maturing 1929. A further £100,000 was subsequently obtained on advantageous terms, and the whole cancelled on the 31st March. This reduction in the debt represents a saving in principal and interest of about £94,000.

DEATH-DUTY STOCK REDEMPTIONS.

Death-duty stock redemptions.

Death-duty stock issued under the authority of the War Loans and Discharged Soldiers Settlement Acts amounted to £1,848,200, and to the 31st March last such stock to the amount of £561,090 had been presented in payment of duty.

Further reductions in this form of security to the amount of £219,340 have also been effected by conversion into ordinary inscribed stock at the request of the holder, and by the replacement by ordinary inscribed stock in such cases where the whole of the death-duty stock has not been required in satisfaction of the duty payable.