

It may perhaps be noted that these departmental revenues amounted in the aggregate to considerably less than was received in 1927–28, but the reason for this is that the 1927–28 total included the whole of the Post and Telegraph revenue, amounting to £3,323,260, whereas last year only interest on Post Office capital, amounting to £428,000, was included in the revenue. These changes arise from the Post and Telegraph Amendment Act, 1927, since consolidated, in terms of which the Post Office accounts have been separated from the Consolidated Fund and placed on a commercial basis. As honourable members know, the Consolidated Fund is kept purely on an annual cash basis, which is not suitable for a commercial undertaking which requires continuity of finance in order to build up depreciation and renewal funds, &c.

The change in system meant that the Ordinary Revenue Account received considerably less assistance from the Post Office last year than was the case in 1927–28, but the additional receipts formerly received and used for general purposes represented the Post Office Depreciation Reserve, which of course should have been held intact until such time as the moneys were required for the renewal of telephone and telegraph lines and apparatus, all of which are comparatively short-lived assets. Capital expenditure on telephones and automatic exchanges has been very heavy in the last few years, and if the change had not been made to enable a proper Depreciation Fund to be created it would have meant that the excess receipts being wrongly used to relieve the taxpayer in the interim would have had to be made good within a comparatively short period when renewals became necessary. The only other way would have been renewal out of loan-money, and that of course would be quite unsound. Under the circumstances the setting-aside of the Post Office revenue after meeting working-expenses and interest charges was the right and proper thing to do, notwithstanding the temporary inconvenience to the Consolidated Fund.

### EXPENDITURE.

The net expenditure out of the Ordinary Revenue Account for 1928–29 amounted to £24,176,928, an increase of £1,529,082 compared with the previous year after the Post and Telegraph expenditure has been deducted from the 1927–28 figure. It must be explained, however, that this increase includes £877,243 on account of the transfer to Main Highways Account and local bodies of the special taxation earmarked for highways purposes. As previously explained, the large increase under this heading is due to the fact that these items for 1927–28 represented only about three months' revenue. The net increase on other items was thus £651,839, of which £487,976 was under permanent appropriations and £163,863 under annual votes. Details will be found set out in Table No. 8 attached to this Statement. The principal items responsible for these increases are as follows :—

					£	Comparative increases.
Under permanent appropriations—						
Interest ..	..	..	..	..	278,147	
Debt-repayment ..	..	..	..	..	74,992	
Pensions ..	..	..	..	..	91,307	
Family allowances ..	..	..	..	..	17,300	
Samoan Military Police ..	..	..	..	..	27,374	
Under annual appropriations—						
Electoral Department ..	..	..	..	..	80,046	
Agriculture ..	..	..	..	..	86,316	
Education ..	..	..	..	..	92,681	

These last three items with certain other smaller increases are partly offset by decreases under other votes.

Concerning the increase in interest payments it may be explained that £156,393 of the increase is due to a change in interest dates, arising out of the recent conversion operations in London, which entailed the payment of interest for a broken period of four months. In the ordinary course this interest would not have been payable until this financial year. The balance of the increase in interest charges comes from the increase in the public debt.