

borrowed money at that. It is quite clear that the present position cannot be allowed to continue, but the Government propose to defer action until the report of the Railway Commission, which will probably have a bearing on the matter, is received.

Main Highways Account.

In the past the Highways Account, in addition to the proceeds of the petrol-tax, tire-tax, and other earmarked revenues, has also received from the Consolidated Fund an annual grant of £35,000, and from the Public Works Fund £200,000, of capital per annum free of interest. It may here be added that about £25,000 of the total petrol-tax and license fees is paid by Government Departments.

Adjustments of finances.

To assist in meeting the present large shortage in the Consolidated Fund it is proposed to make the following adjustments in connection with the finances of the Highways Account :—

- (a) Discontinue the annual grant of £35,000 from the Consolidated Fund.
- (b) Recover from the Highways Revenue Fund interest on the capital transfers from the Public Works Fund to the Main Highways Construction Fund. Transfers to date amount to £1,226,000, and interest at 5 per cent. on this amount will be recouped to the Consolidated Fund during this and future financial years. I may add that the loans from which the transfers were drawn cost on the average about £5 3s. 4d. per cent. No further transfers to the Highways Account will be made, and in future the whole of the loan capital required for main-highways construction will be raised specially for that purpose.
- (c) Transfer to the Highways Revenue Fund as from the 1st April last the charge for subsidies to local authorities on rates. These subsidies are at present paid out of the Consolidated Fund under the provisions of the Appropriation Act, 1916, and the Municipal Corporations Act, 1920. Subsidies paid last year amounted to approximately £220,000. These subsidies, which were first introduced nearly half a century ago, were intended to assist backward counties and boroughs to improve the roads of the country. The original intention was to pay the subsidies for a period limited to twenty-five years, but they have now become part and parcel of the normal finance of the local authorities. However, as the subsidies are given for roading purposes, and as the incidence for road construction and maintenance has been wholly altered by the advent of motor traction, it is quite appropriate that these subsidies should be a charge against the taxes earmarked for roading purposes.

These financial adjustments will assist the Consolidated Fund to the extent of £316,000 for this financial year. Incidentally, meeting that additional amount of the roading-costs out of the petrol-tax will also assist in the direction of putting road competition with the railways on a more equitable basis.

Total expenditure on roads.

Although the aggregate of the annual expenditure on roading is now approximately £3,600,000, it is considered that up to the present insufficient attention has been given to backblock roads, where more expenditure would greatly assist land-settlement, and be of much benefit to the settlers in outlying districts, who, be it said to their credit, are carrying on under great difficulties. Expenditure on such roads would help the production of the country to a far greater extent than much of the present expenditure. Accordingly, the Government proposes to arrange for a substantial amount out of the proceeds of the petrol-tax to be expended on subsidiary highways through outlying districts each year. This expenditure will assist rather than undermine the Railway revenue.

Increased petrol-tax.

To provide the necessary funds to enable the Highways Account to meet all these liabilities without disturbing the present financial arrangements of the Highways Board, a resolution has been passed increasing the petrol-tax from 4d. to 7d. a gallon. For the remainder of the financial year the additional 3d. a gallon will, it is estimated, bring in £450,000. Of this amount, £316,000 will be required for the liabilities taken over from the Consolidated Fund, leaving £134,000 for additional expenditure on subsidiary highways through outlying districts. In a full year about £350,000 should be available for the latter purpose.