

uncertainty brought about by the world-wide slump in prices seems to have made investors somewhat reluctant in the meantime to make further investments overseas. As evidence that the rate was by no means excessive under the circumstances, I may explain that the underwriters were left with approximately 68 per cent. of the loan, and that, after issue, the market price of the bonds fell temporarily to 97½ per cent., but later recovered to the issue price.

Long- and short-term borrowing.

It may have come as a surprise to some people that we had to pay such a high price for the loan, in view of the fact that the rates for Treasury bills and other short-term borrowing are so low at present. It may be explained, however, that long- and short-term borrowing are two different things, governed by different considerations. Arising out of the general slackness in trade, the supply of short-term loan funds is greater in relation to the demand, and so interest-rates have fallen. In the long-term market, however, the slump in trade has had the opposite effect. Savings, and consequently the amount available for permanent investments, have decreased, in addition to which the uncertainty of the outlook and general lack of confidence resulting from the tremendous fall in prices have tended to harden interest-rates for long-term loans, and in the meantime make investors somewhat chary of lending overseas.

The issue of short-dated bonds is a departure from the usual practice in issuing New Zealand loans in London, but in view of the present high cost of raising funds it was deemed advisable to make the period as short as possible, in the expectation that rates will tend to be reduced within the next three years.

The only alternative to raising an overseas loan, as it was not possible to obtain sufficient funds within the Dominion under present circumstances, would have been to close down the public works in respect of which the funds are to be expended. Such action, I feel sure honourable members will agree, would have been disastrous at the present time, and would, directly and indirectly, have resulted in many thousands of men being added to the present number of unemployed. Opinions may vary as to what works should be carried out, but I think it will be generally agreed that this is not the time to go to the extreme of a complete stoppage in one step.

Allocation of proceeds.

Of the proceeds of the loan, £3,000,000 was allocated to the general Public Works Fund, out of which is met the expenditure for railway-construction, telephones and telegraphs, roads, buildings, and £1,000,000 to the Electric Supply Account for carrying on the hydro-electric works at present under construction. Details of the proposed expenditure will be submitted in the public-works estimates.

In conjunction with the loan for new money, a further £1,000,000 was raised for redemption purposes. The amount will be applied in repayment of an equivalent amount of the Treasury redemption bills to which I have just referred. These bills were issued in redemption of securities held in New Zealand, so that the whole transaction represents a transfer of debt from New Zealand to London, which, while regrettable, was practically unavoidable except at a prohibitive cost in exchange.

PUBLIC DEBT.

Public debt.

The public debt as at the 31st March, 1931, amounted to £276,033,358, compared with £267,383,343 for the previous year, a net increase of £8,650,015.

Gross additions.

The gross additions to the debt during the year totalled £11,123,700, and the repayments amounted to £2,473,685, leaving a net increase, as I have just stated, of £8,650,015. The following are the purposes to which the gross additions were applied:—

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Public works	8,820,700
State advances	1,500,025
Land-settlement	514,000
State forests	285,000
Redemptions (unexpended as at 31st March, 1931) ..	3,975
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	£11,123,700