1476. We feel that these facts should be brought home to the Government and the community generally, as the position is so serious that there should be no delay in effecting remedial measures.

1477. **We would again stress the following points :—**

(1) **That any alteration in the basis of calculation of future annuities should be accompanied by a review of existing annuities.**

(2) **That any relief obtained by the Funds as a result of the foregoing must not be taken as justifying a reduction in the subsidies payable by the Government to the three Funds.**

(3) **That the benefit of additional contributions from trading Departments herein recommended should accrue directly to the Funds concerned.**

1478. Before closing, we must refer to the superannuation schemes of local authorities and business firms which are arranged through the National Provident Fund. **It is a striking commentary that the Government subsidy to the National Provident Fund is sufficient to maintain the solvency of that Fund, and thus we see the Superannuation Funds of the State drifting into a hopeless position, due to insufficient Government subsidies in relation to the retirement conditions, while the obligations of the State in respect of subsidy to the National Provident Fund, which includes the superannuation schemes of local authorities and business firms, are met in full.**

1479. We are fully aware of the gravity of these proposals. They reflect the belief that the sums involved are so enormous that the State in the past has failed, and is now unable to face the position, and must now divest itself of a portion of its liability to its own servants ; but we believe that the public servants and present annuitants will accept a compromise in view of the very serious financial position of the Dominion. **With a full sense of responsibility, we urge that payments be never again allowed to fall into arrears. Whatever adjustments are made should be final and bear proper relation to the ability of the Funds to carry their liability. A second failure of the State to meet its obligations would shatter all faith in Government superannuation schemes.**

1480. Finally, we wish to place on record our indebtedness to the Secretary to the Treasury, the Public Service Commissioner, and the Government Actuary for their valuable assistance in dealing with this highly technical and difficult subject.

VOTE—STATE FIRE INSURANCE.

1481. We do not propose to examine in detail the expenditure of this Department, as no charge on the Consolidated Fund is involved. There is, however, one point to which reference should be made. When the State Fire Insurance Department was first constituted, authority was provided in the legislation for the raising of the sum of £100,000 as a Capital Fund for the Office, but the sum of only £2,000 was raised under this authority, and was repaid many years ago with interest.

1482. Since its inauguration, in 1903, the Department has thus functioned practically independently of State capital, and, to judge from the reserves which have been accumulated, the management has been successful. The balance-sheet as at the 31st December, 1930, disclosed that the Office had a Reserve Fund of £644,000 and an Investments Fluctuation Reserve Fund of £22,000, in addition to other specific reserves necessary in view of the nature of the business. It is satisfactory that these reserves have been built up in such a relatively short period, and at the same time that the Office has been largely able to fulfil the purpose for which it was inaugurated.

1483. It is a fact that, although the introduction of State capital has not been necessary, considerable benefit must have accrued to the management by virtue of the State guarantee, **and it is not unreasonable that the State should obtain some benefit from the operations of the Department.** The State guarantee is of some value in attracting business, and it is usual in commercial practice to make some charge for the giving of such a guarantee.

1484. Furthermore, the State is engaged in a number of enterprises of various kinds. As large losses are made in the operation of some of these enterprises, we are of opinion that these losses to the Consolidated Fund should be at least partly set off by contributions to the Fund from the profits of enterprises which prove successful.

1485. In view of the present depression and the urgent necessity for exploring every avenue to relieve the burden on the Consolidated Fund, **we recommend that the law be amended to provide for the payment of a part of the annual profits of the State Fire Insurance Department into the Consolidated Fund. We do not recommend that the legislation should provide for payment of an arbitrary portion of the profits into the Consolidated Fund, but suggest that it should be left to the discretion of the Minister of Finance to determine the amount, if any, which should be so transferred, having in mind the adequacy of reserves of the Office and other factors relating to insurance practice.** We do suggest, however, that the legislation should fix a maximum amount which may be taken from the profits in any year, and **suggest that one-third would be a fair maximum contribution.**

1486. The foregoing is dictated mainly by reason of present financial conditions, but there is another factor which makes the proposal an equitable one. In past years the Department has not always been liable for land and income tax and for the payment of an annual license fee, and it is evident that the Consolidated Fund has suffered a fairly large loss of taxation in this respect, with consequential benefit to the funds of the Department.

1487. In arriving at these conclusions we have not overlooked the fact that the Department is to a certain extent at a disadvantage with its competitors in the matter of investment of surplus funds. Its funds are invested in the Dominion mainly in Government stocks, and while private companies—whether mutual or otherwise—may purchase stock in the open market, oftentimes at a discount, the State Fire Insurance Department purchases from current issues at par.

1488. It is impossible to state definitely what benefit will accrue annually to the Consolidated Fund as a result of our recommendation, but it should be approximately £14,000 per annum.