

Part I of the Local Authorities Interest Reduction and Loans Conversion Act, 1932-33, operated from the 1st April, 1933, then by Part II of the same Act the necessary machinery was set up to enable local authorities to formulate conversion schemes applicable to their particular circumstances.

When discussing this matter in 1933 an appeal was made to all local bodies to give serious consideration to this important phase in the scheme of national reconstruction with a view to a permanent rearrangement of that portion of their debt which was subject to the conversion legislation—namely, the New-Zealand-domiciled debt on which the interest rate was in excess of $4\frac{1}{4}$ per cent. The response to that appeal has been extremely gratifying.

Of a total convertible debt of £48,340,586 as at the 1st April, 1933, conversion of £40,930,760 had been approved up to 30th June last by the Local Government Loans Board, while a further portion involving over £2,750,000 had been dealt with by way of renewal loans, leaving only £4,650,597 subject to the conversion legislation. The greater portion (approximately £2,500,000), of this latter amount represents loans raised by County Councils, and it is here that the major difficulties affecting local-body conversions have been encountered in that numerous loans had been raised on the security of rates over special areas. Legislation to overcome such difficulties was passed last session in the Local Authorities Interest Reduction and Loans Conversion Amendment Act, which opened the way for complete consolidation of special area loans. The essential features of that legislation dealt with the spreading of the charges on non-convertible loans over the whole county and the providing of an alternative method of opening up back country by means of loans secured over the whole county.

Honourable members will be interested to learn that, largely as a result of the amending legislation, county debt totalling £3,500,000, out of a convertible debt of £6,000,000, has already been dealt with.

The original legislation relating to conversion of local-body securities limited to the 31st March, 1935, the period within which the Governor-General's consent to conversion might be obtained, but, in view of the circumstances relating to special-area loans as mentioned above, it was deemed advisable to extend the period to the 31st December, 1935, such extension having been provided by the amending Act of last session. It is confidently anticipated that the bulk of the outstanding loans will have been dealt with before expiry of the legislation, and, having regard to the magnitude of the conversion scheme generally, it can be said that the results achieved have been of inestimable value to the country as a whole.

I would here stress the desirability of total conversion, and to the local authorities which have not yet moved in this direction would point out the duty devolving on them to obtain the benefit of the legislation enacted not only to afford a measure of relief to ratepayers, but also to obviate the recurring difficulties of refinancing loans, especially as, in many cases, adequate provision for repayment does not exist.

Until the conversion operations are completed it is not possible, however, to give accurate figures relating to the savings effected. The 20-per-cent. reduction in interest provided a saving to local bodies of approximately £400,000 per annum, and as a result of the conversion operations further reduction in annual charges to the extent of £117,000 has been effected, bringing the saving to local bodies to a total in excess of £500,000 per annum.

In addition, local-body finance has been placed upon a much sounder basis in that under the terms of conversion provision has been made, in one way or another, for the repayment of the whole debt over a period of years, thus obviating the necessity for further renewals.

CAPITAL EXPENDITURE.

For the reasons already indicated, both the volume and the character of the expenditure on public works have undergone considerable change in recent years. This will be clear to any honourable member who cares to compare the estimates for the current year with those for 1931-32 or financial years prior to then. When prices fell so disastrously the whole outlook was changed, and immediate steps were taken to bring the programme of public works into accord with the new conditions.