

An important factor influencing the Government was the desire to refrain from hampering the policy of reducing interest-rates by entering into competition on the loan market.

**Borrowing-policy
for public works.**

Certain types of constructional operations have diminished or ceased, while in other directions there has been increased activity. Projects are segregated into those that are or will be fully reproductive — such as hydro - electric extensions, buildings for office purposes — and, secondly, those from which an immediate and even ultimate total return to the country is likely to be appreciably less than the total charges (including redemption) if financed from borrowed money. Defence works have been entirely eliminated as an object of loan expenditure.

Reproductive works are still being financed from loan; but proposals that cannot be placed in this category are analysed and finance arranged partly from current revenue (including Unemployment Fund subsidies) in proportions varying mainly with the merit of the proposition but based also upon the need for meeting urgent demands for relief of unemployment. If this policy is maintained its result must be the entirely desirable one of keeping any increase in fixed debt charges approximately in balance with the increased net value of productivity.

Public buildings.

A considerable amount is still being expended on buildings and accommodation for Post and Telegraph needs. This expenditure may be regarded as entirely reproductive, as also will be the proposed expenditure on centralized and modern buildings for office purposes in Auckland and Wellington. To a small extent there has been some replacement of buildings, and provision is made for a contribution from the Consolidated Fund so that loan expenditure will not be duplicated. Incidentally this conservative policy of financing renewals as far as possible from revenue is being pursued in regard to other public works such as bridge renewals and replacement of wharves.

Roading.

Roadwork—formation, widening, metalling, deviations, &c.—involving as it does a substantial proportion of outlay for labour, has been a principal means for providing work for unemployed; but unemployment taxation has been utilized in addition to loan-money for the type of work which otherwise could not be wholly justified if financed entirely from borrowed money. Although a greater proportion of roadwork now comprises the metalling and improvement of existing routes rather than the formation of new roads the importance of opening up any land capable of economic development has not been overlooked, and in most such cases the metalling is done at the same time as formation. Metalled roads, providing swifter and more continuous means of communication, tend to reduce the cost of marketing and, apart from the social aspect of establishing closer contact with the amenities of civilization, are in that respect alone a desirable form of public work.

Main highways.

Main-highways improvement, necessitating a higher standard of work and relating to a much greater length of roads, calls for considerably more expenditure, and the expenditure on construction and maintenance for last financial year, including £325,483 of loan-money for constructional work, reached £1,322,592, the highest level for some years. With main-highways work, however, which consists more of the maintenance and improvement of existing lines of communication than the creation of new ones, it is desired to attain as soon as practicable the basis of meeting the annual works programme wholly from current revenues.

**Lands
improvement.**

Land improvement and development has become a very important part of the programme for public works and settlement of unemployed workers. It is considered that swamp drainage, flood-prevention, clearing and breaking in new land, mangrove-flat reclamation, and similar undertakings are a very useful and desirable avenue for the combined expenditure of low-interest loan-money and unemployment taxation. The number of men employed on works of this nature is now approximately 3,000. Irrigation is another phase of land-development which has been carried on fairly steadily for a considerable number of years. So far as Government works are concerned they were until recently confined wholly to Central Otago, but a considerable area is now being developed in Canterbury. From the financial point of view, the history of irrigation has not been entirely satisfactory, but few will

Irrigation.