

My Government have further accelerated and enlarged the programme embarked upon for the organization of an adequate system of air defence. Construction and extension of stations are proceeding as rapidly as possible, and aircraft and other equipment immediately required are now coming to hand from overseas. The personnel of the Royal New Zealand Air Force has been largely increased, and as accommodation becomes available the Force is being built up to the establishment considered adequate to meet any emergency. In the course of the year my Ministers were pleased to have the opportunity of conferring with the British Air Mission, which visited New Zealand to report on the possibility of manufacturing aircraft in this Dominion. The recommendations of the Mission are being considered by His Majesty's Governments in the United Kingdom and in New Zealand.

I propose, next month, to visit the Cook Islands and the Mandated Territory of Western Samoa. It was my intention to make this visit last year, but, owing to health conditions here and elsewhere, and to the necessity of avoiding any risk of carrying infection, postponement of the cruise was deemed essential. I am anticipating with the greatest of pleasure the opportunity of meeting the people of those Islands, of whose admirable qualities I have heard so much, and of seeing for myself the conditions under which they live. I earnestly trust that my visit will have useful results.

MR. SPEAKER AND MEMBERS OF THE HOUSE OF REPRESENTATIVES,—

During the past year the prosperous condition of New Zealand has been maintained and consolidated. Exports for the year ended 31st March last reached the satisfactory total of £57,867,000, a figure which has been exceeded only twice in the Dominion's history. Compared with the immediately preceding year, there was a decline in total export values, due mainly to lower overseas prices.

The more stabilized conditions now obtaining in the dairy industry as a result of my Government's guaranteed price and marketing policy and the gradual improvement in conditions noticeable since 1935, both in manufacture and in commerce, are reflected very clearly in the country's revenues. While the rates of tax have remained unchanged, the yield from land and income tax during the financial year ended 31st March, 1939, amounted to £245,197 more than the sum received during the financial year ended 31st March, 1938, and £2,695,401 more than the sum received during the financial year ended 31st March, 1937, and these results reflect very intimately the prosperous conditions that have obtained in the Dominion. The Public Accounts for the year closed with a surplus of £809,000.

In order that the Dominion's overseas funds may be conserved and utilized to the best advantage, having regard to the necessity of meeting payments for imports and commitments in respect of overseas debts, my Ministers have found it necessary to institute control of external exchange, involving control of remittances abroad, control of credits accruing from exports, and control of imports.

To provide funds for public works and other developmental purposes, including capital expenditure on defence works, an internal loan of £4,500,000 has recently been raised in the Dominion. The issue was made in securities of different maturity dates—namely, 4 per cent. 1954–58 stock at 96, and 4 per cent. 1948 stock at 99. It is gratifying to record the fact that the issue was oversubscribed. My Minister of Finance is at present in London discussing matters arising in connection with the loan of £17,177,000, which falls due for repayment in January next. While abroad my Minister is also taking the opportunity of discussing trade, defence, and other matters affecting the well-being of the Dominion.