

occasion strive for the preservation of peace. They are bound, however, to recognize the necessity for adequate defence preparations, the existence of which, under existing circumstances, they regard as an indispensable safeguard of peace.

Effect is already being given to plans for the development of the New Zealand Naval and Air Forces and, within the last few months, some of the frigates for the New Zealand Naval Forces have arrived on the New Zealand Station. Consideration has been given to the necessity for a system of compulsory military training to enable New Zealand to provide the land forces for the defence of her interests in the event of emergency. The detailed review of the position that has been made by my Government discloses that compulsory military training is the only effective means of producing the land forces which will be required immediately should an emergency arise. Legislation to provide for the taking of a referendum on the introduction of this form of training will be placed before you.

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

The finances of New Zealand have continued to increase in strength. As a result of the continued buoyancy in the revenue, the public accounts for the past financial year reveal a surplus of £2,631,000. Despite record disbursements of £44,400,000, the position of the Social Security Fund has been improved during the year by £1,400,000, bringing the balance of the Fund to £8,700,000, the highest since the Fund was set up in 1939. My Government propose to improve the conditions of war pensioners and of social security beneficiaries by increasing the monetary benefits of the aged, invalids, and widows.

A sum of £1,600,000 has been set aside in a special Air Force Trust Fund to provide for the re-equipment of the Royal New Zealand Air Force.

During the year New Zealand has endeavoured in all possible ways to aid the people of Great Britain in their economic difficulties. To this end, my Ministers have consistently followed policies of conserving dollar funds; of containing imports within the limits of New Zealand's current export income, while at the same time encouraging the highest proportion of imports from the United Kingdom; and of exporting to the United Kingdom the maximum amount of food. In pursuing these policies my Ministers have continued to act in the closest collaboration with the United Kingdom authorities.

It is gratifying to record that the beneficial effects of the revaluation of the New Zealand currency—by adjusting the exchange rate to parity with sterling—have been reflected in reductions in the prices of producers' and consumers' goods, depending, directly or indirectly, on imports.

HONOURABLE MEMBERS OF THE LEGISLATIVE COUNCIL AND MEMBERS OF THE HOUSE OF REPRESENTATIVES,—

The economic soundness of the country over the past year has been accompanied by high production in almost all important fields of industry, and many new records have been established. Meat and dairy production have been maintained at very high levels, and New Zealand has now become the chief supplier to Britain of meat as well as of butter and cheese.

Long-term contracts and stabilized marketing procedures have given economic security to primary producers, who have shared in the general prosperity with the rest of the community. My Advisers hold firmly to the view that the welfare of all sections of the people can only be maintained on the foundations of high production, together with economic stabilization, and they fully recognize their responsibility to promote conditions of prosperity in which all may share.

For this reason, equally with their desire to help the people of Britain, my Ministers have given close study to the measures required to achieve a still greater expansion of food exports, and plans are now being formulated to extend the area and productivity of pasture land and to encourage the increased production of fertilizer.