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REPAYMENT OF THE PUBLIC DEBT BILL.

COPY OF MEMORANDUM AS TO THE PUBLIC DEBT PREPARED BY THE TREASURY.

THE gross public debt at 31st March, 1923, amounted to £218,953,324, of which £12,562,950 was State Advances and £7,400,000 raised for Electric Power, State Coal, Westport Harbour Board, Nauru and Ocean Islands, &c., which accounts have special sinking-fund provisions. In addition, £26,000,000 of Imperial war debt has been funded, leaving the net present debt affected by the Bill £173,000,000.

The present provisions for reduction of the public debt are briefly as follows:—

- (1) The Public Debt Extinction Act, 1910, whereby an amount is set aside annually to accumulate at compound interest, so that in seventy-five years the accumulated fund will equal the debt. For the purposes of that Act, the debt does not include any debt in which provision is made for any other sinking fund.
- (2) The War Loans Sinking Fund under the Finance Act, 1918 (No. 2), whereby a sinking fund of 1 per cent. of the outstanding war debt is paid annually out of the Consolidated Fund to the Public Trustee. If invested at $4\frac{1}{2}$ per cent., this sinking fund should equal the amount of the war debt in about forty years.
- (3) The Naval Defence Act, 1909, whereby a sinking fund of 4 per cent. on the total cost of the battleship "New Zealand" (£1,795,166) was paid annually to the Public Trustee. In view of funding operations no further amounts are payable to the Public Trustee.
- (4) Other accounts (such as State Coal-mines, Westport Harbour Board, Electric Supply, and State Advances) have special sinking funds which are not affected by this Bill.

The funding operations concluded last year with the Imperial Government dealt with £26,000,000 of the war debt; a portion of the amount borrowed under the Naval Defence Act, 1909, amounting to £960,000; and other advances amounting to £230,000; these sums being repayable by half-yearly instalments. These loans, therefore, are now separated from the New Zealand Sinking Funds, and will not be affected by the present Bill.

There are other sinking funds—*e.g.*, Local Bodies' Loans, and old War and Defence Loans—which had accumulated with the Public Trustee up to 1910, when the Public Debt Extinction Act was passed. No further contributions to these sinking funds have been made, and the interest on them has since been paid to the Consolidated Fund by the Public Trustee.

The Bill proposes to substitute for the long-term sinking-fund system a method whereby the Dominion debt reduction resources may be available to purchase and cancel Government securities as the market price is advantageous, or pay them off at maturity, and so ensure an actual reduction in the public debt annually. For this purpose there will be issued annually out of the Consolidated Fund a sum equal to $\frac{1}{2}$ per cent. of the debt affected by this Bill (at present shown as £173,000,000 above). To this will be added a sum equal to interest at $3\frac{1}{2}$ per cent. per annum on the debt paid off under this scheme. By this means a portion of the savings in interest on debt paid off will be applied to further repayments of debt, and the whole debt will be liquidated in about sixty years.

A capital fund termed "The Public Debt Redemption Fund" will be created, consisting of (1) the present accumulation of sinking funds, amounting to £9,834,512 (leaving aside the State Advances, Westport Harbour Board, and State Mines Funds); (2) the amount advanced for Discharged Soldiers Settlement, £13,500,000. The capital of this fund will be held intact. The earnings therefrom will be credited to the Consolidated Fund and applied towards meeting the annual charge against the Consolidated Fund created by this Bill.

The Bill provides for an annual reduction in the amount of the Public debt, the amount of reduction increasing from year to year. There will be an annual saving to the Consolidated Fund, consisting of that portion of the interest in excess of $3\frac{1}{2}$ per cent., which would have been payable had the loans not been redeemed under the provisions of the Bill.

The Treasury,
Wellington, 13th July, 1923.

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Right Hon. Mr. Massey.

REPAYMENT OF THE PUBLIC DEBT.

ANALYSIS.

<p>Title.</p> <p>1. Short Title and commencement.</p> <p>2. Interpretation.</p> <p>3. Constitution of Public Debt Commission.</p> <p>4. Meetings of Commission.</p> <p>5. Chairman of Commission. Quorum.</p> <p>6. Minutes of meetings to be kept.</p> <p>7. Audit Office to furnish annual certificate as to amount of debt and as to redemptions.</p> <p>8. Public Debt Redemption Fund constituted.</p> <p>9. Transfer of certain moneys to Advances Office Sinking Fund Account.</p>	<p>10. Certain funds to be administered by Public Trust Office.</p> <p>11. Annual appropriation from Consolidated Fund for benefit of Repayment Account.</p> <p>12. Certain revenues to be paid to Consolidated Fund in compensation for foregoing charges.</p> <p>13. Moneys in Repayment Account to be applied towards repayment of public debt.</p> <p>14. Commission to keep accounts.</p> <p>15. Repeals.</p> <p>16. Consequential amendments.</p> <p>17. Regulations. Schedule.</p>
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A BILL INTITULED

AN ACT to make Better Provision for the Repayment of the Public Debt. Title.

BE IT ENACTED by the General Assembly of New Zealand in Parliament assembled, and by the authority of the same, as follows:—

1. This Act may be cited as the Repayment of the Public Debt Act, 1923, and shall come into operation on the first day of April, nineteen hundred and *twenty-four*. Short Title and commencement.

2. In this Act, unless a contrary intention appears,— Interpretation.

“ Commission ” means the Public Debt Commission constituted under this Act :

“ Minister ” means the Minister of Finance :

“ Moneys ” includes securities in which any moneys may for the time being be invested :

“ Public debt ” means all moneys borrowed by or on behalf of the Government of New Zealand, but does not include—

(a.) Moneys borrowed on the security of Treasury bills issued under section thirty-nine of the Public Revenues Act, 1910 ; or

(b.) Moneys borrowed in respect of the Advances to Settlers, Advances to Workers, or Advances to Local Authorities Branches of the State Advances Office ; or

(c.) Moneys borrowed in respect of the State Coal-mines Account, the Electric-supply Account, the Nauru and Ocean Islands Account, or the Westport Harbour Account ; or

(d.) Moneys borrowed under the New Zealand Loan Act, 1863 ; or

(e.) Loans funded by agreement with the Imperial Government under the authority of section eight of the Finance Act, 1922 ; or :

(f.) Moneys borrowed under the authority of section twenty-six of the Finance Act, 1921-22 :

“ Superintendent ” means the State Advances Superintendent.

3. (1.) For the purposes of this Act there shall be a Commission to be called the “ Public Debt Commission,” constituted as follows :—

(a.) The Minister of Finance :

(b.) The Speaker of the House of Representatives :

(c.) The Paymaster-General :

(d.) The Solicitor-General :

(e.) The Controller and Auditor-General :

(f.) The Public Trustee.

(2.) Subject to the provisions of this Act, the Commission shall be charged with the administration of the Repayment Account established by this Act, and shall determine when and how the moneys in that account shall be invested or used towards the redemption of the public debt.

4. (1.) In the absence of the Minister from any meeting of the Commission, any other Minister may attend such meeting in his stead, and while so attending shall be deemed to be a member of the Commission.

(2.) In the absence from any meeting of the Commission of any member being an officer of the Government service, any officer of his Department having authority to act in his place during his absence from office may attend such meeting in his stead, and while so attending shall be deemed to be a member of the Commission.

(3.) The fact that any such officer so attends and acts at any such meeting shall be conclusive proof of his authority so to do.

5. (1.) The Minister shall be the Chairman of the Commission.

(2.) In the absence of the Chairman from any meeting of the Commission, the members present shall appoint one of their number to be chairman of that meeting.

(3.) Three members shall form a quorum at any meeting of the Commission.

(4.) The Chairman shall have a deliberative vote, and, in case of an equality of votes, shall also have a casting vote.

6. (1.) The Commission shall at all times cause proper minute-books to be kept, in which shall be entered full and faithful minutes of its proceedings at any meeting.

(2.) The Commission may from time to time make rules regulating the conduct of its business and proceedings.

7. Within ninety days after the end of each financial year the Controller and Auditor-General shall furnish to the Commission a certificate showing—

(a.) The total amount of the public debt outstanding at the end of that financial year ; and

Constitution of
Public Debt
Commission.

Meetings of
Commission.

Chairman of
Commission.

Quorum.

Minutes of meetings
to be kept.

Audit Office to
furnish annual
certificate as to
amount of debt and
as to redemptions.

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(b.) The amount of the public debt repaid or redeemed under the provisions of this Act within the financial year aforesaid, and the aggregate amount that has been so repaid or redeemed since the commencement of this Act.

5 8. The following moneys are hereby declared to be capital moneys of the Public Debt Redemption Fund (hereinafter in this Act referred to as the fund), that is to say:—

Public Debt
Redemption Fund
constituted.

10 (a.) All moneys (together with the accumulated interest thereon held by the Superintendent at the commencement of this Act pursuant to section eleven of the Public Debt Extinction Act, 1910, less an amount equal to the moneys to be paid by the Superintendent to the Advances Office Sinking Fund Account pursuant to the *next succeeding* section :

15 (b.) All moneys heretofore transferred by way of loan from the Consolidated Fund to the Discharged Soldiers Settlement Account pursuant to section eight of the Discharged Soldiers Settlement Loans Act, 1920, and section thirty-one of the Appropriation Act, 1920 :

20 (c.) All moneys (together with the accumulated interest thereon held by the Public Trustee at the commencement of this Act pursuant to—

(i.) Section eighty-eight of the Local Bodies' Loans Act, 1908 :

25 (ii.) Section fifty-four of the New Zealand Loans Act, 1908 :

(iii.) Section seven of the Naval Defence Act, 1909 :

(iv.) Section six of the Finance Act, 1918 (No. 2) :

(v.) Subsections four, five, and six of section twenty-six of the State Advances Act, 1913.

30 (d.) Such other moneys as may, pursuant to any lawful authority, be declared to be capital moneys of the fund.

35 9. Forthwith after the commencement of this Act the Superintendent shall, out of moneys held by him under the Public Debt Extinction Act, 1910, pay into the Advances Office Sinking Fund Account, without further appropriation than this section, an amount, to be certified by the Controller and Auditor-General, equal to the moneys (together with the accumulated interest thereon) which at the commencement of this Act are held by him in respect of loans raised under section eighteen of the State Advances Act, 1913.

Transfer of certain
moneys to
Advances Office
Sinking Fund
Account.

40 10. (1.) The moneys referred to in paragraph (c) of section *eight* hereof shall constitute a separate account, and shall continue to be administered by the Public Trustee in accordance with regulations in that behalf to be made by the Governor-General in Council, and, in the absence of such regulations or so far as they do not extend, shall

45 be administered as if they were moneys in the Common Fund of the Public Trust Office.

Certain funds to be
administered by
Public Trust Office.

(2.) The amount of the said moneys shall be certified to by the Controller and Auditor-General as on the thirty-first day of March, nineteen hundred and *twenty-four*.

50 11. There shall in each financial year be paid, without further appropriation than this Act, from the Ordinary Revenue Account of the Consolidated Fund to the credit of a separate account within the Public

Annual
appropriation from
Consolidated Fund
for benefit of
Repayment
Account.

Account, to be called the Public Debt Repayment Account (hereinafter referred to as the Repayment Account) the amounts following :—

- (a.) A sum equal to *one-half of one* per centum of the total amount of the public debt outstanding at the end of the previous financial year, together with an additional amount of *one-half of one* per centum of the total amount of the public debt theretofore repaid or redeemed under the provisions of this Act: 5
- (b.) A sum equal to *three and a half* per centum of the total amount of the public debt repaid or redeemed under the provisions of this Act as at the end of the previous financial year, together with an amount computed at the rate of *three and a half* per centum per annum of the amount so repaid or redeemed during the current financial year for the period elapsing between the date of repayment or redemption and the end of the current financial year. 10 15

Certain revenues to be paid to Consolidated Fund in compensation for foregoing charges.

12. There shall without further appropriation than this Act be paid to the credit of the Ordinary Revenue Account of the Consolidated Fund, in reduction of the charge on that Fund created by the *last preceding* section,— 20

- (a.) All moneys derived from the investment of any capital moneys in the fund : 25
- (b.) Out of moneys (not being loan-moneys) in any separate account, an amount to be determined by the Minister of Finance, not exceeding the amount paid out of the Ordinary Revenue Account of the Consolidated Fund pursuant to the *last preceding* section in respect of so much of the public debt as has been incurred for the purposes of that separate account. 25

Moneys in Repayment Account to be applied towards repayment of public debt.

13. (1.) The moneys in the Repayment Account shall, as the Commission from time to time determines, be applied without further appropriation than this Act, in the purchase and redemption, at or before maturity, of debentures or other securities charged on the public revenues of New Zealand in respect of the public debt, and the Minister of Finance is hereby empowered to purchase and redeem any such securities accordingly. 30 35

(2.) All securities so purchased and redeemed shall forthwith be cancelled in accordance with section eighteen of the New Zealand Loans Act, 1908.

(3.) Any moneys in the Repayment Account not immediately required for the purposes aforesaid may, by direction of the Commission, be lodged on fixed deposit with any incorporated bank carrying on business in New Zealand or in London, or may be invested in Imperial Treasury bills, or other securities issued or guaranteed by the Imperial Government, save that no such securities shall be purchased except within three years of the date of their maturity and that no moneys shall be invested under this subsection unless the Commission is satisfied that greater benefit will accrue to the public funds by reason of such investment than would accrue from the application of those moneys to the reduction of the public debt as hereinbefore provided. 40 45

(4.) All revenues derived from any such investment as aforesaid shall be paid into the Repayment Account. 50

Commission to keep accounts.

14. The Commission shall cause to be kept full and accurate accounts showing the capital funds, the amount of public debt from time to time repaid in pursuance of this Act, and such other information as it may

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consider necessary. A statement of accounts shall be made up to the last day of each financial year, and shall, together with an account of the proceedings of the Commission and the Controller and Auditor-General's certificate, be laid upon the table of both Houses of Parliament within twenty-eight days if Parliament is then in session, and, if not, then within twenty-eight days after the commencement of the next ensuing session.

15. The enactments mentioned in the Schedule hereto are hereby repealed to the extent indicated in that Schedule. Repeals.

16. (1.) Section eight of the Discharged Soldiers Settlement Loans Act, 1920, is hereby amended by omitting from subsection four the words "within the meaning of the Public Debt Extinction Act, 1910." Consequential amendments

(2.) Section twenty-six of the State Advances Act, 1913, is hereby amended by omitting from paragraph (d) of subsection three the words "in the manner prescribed by section thirteen of the Public Debt Extinction Act, 1910," and substituting the words "in loans to settlers, to workers, and to local authorities under this Act."

(3.) The said section twenty-six is hereby further amended by repealing subsections one, five, and six thereof.

(4.) Section twenty of the State Advances Amendment Act, 1922, is hereby amended by omitting the words "and for the repayments to the Consolidated Fund to be made pursuant to the proviso to subsection one of section twenty-six of the principal Act."

17. The Governor-General may from time to time, by Order in Council, make regulations for all or any of the following purposes:— Regulations.

- (a.) The conduct of the business of the Commission :
- (b.) Prescribing what accounts, registers, and other books shall be kept by the Commission, and in what form :
- (c.) For the proper investment of the fund :
- (d.) Any purpose deemed to be necessary for the efficient administration of this Act.

SCHEDULE.

Schedule.

ENACTMENTS REPEALED.

Enactments affected.	Extent of Repeal.
1910, No. 8.—The Public Debt Extinction Act, 1910 ..	The whole Act.
1910, No. 44.—The New Zealand Loans Amendment Act, 1910	The whole Act.
1913, No. 58.—The Native Land Amendment Act, 1913	Subsection (5) of section 113.
1918, No. 4.—The Finance Act, 1918 (No. 2).. ..	Section 6.