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THE First Session of the Twenty-sixth Parliament of New Zealand was on the twenty-seventh day of June opened by Commissioners under the authority of Letters Patent, and His Excellency was this day pleased to make the following statement of the causes of the calling of this Session of Parliament together:—

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

My term of office as Governor-General of this Dominion is due to expire early next year and, as this may be the last occasion upon which I shall have the privilege of addressing you in Parliament assembled, I should like to express to you, and through you, to the people of New Zealand, my deep appreciation of the good will which has been consistently extended to me as His Majesty's Representative, and also to Lady Galway. On all sides we have received nothing but kindness and consideration, and the friendly and generous way in which we have been welcomed on our journeys through the country will remain with us always as a happy memory. We are deeply sensible of these many expressions of good will—from people of all classes and both races—and we shall, on our return to the Mother-country, try to repay in some measure our debt to them by endeavouring, whenever the opportunity offers, to further the interests of this Dominion and its people.

It is with deep regret that I must call your special attention to the international situation, which continues to give rise to grave and increasing anxiety.

My Ministers remain firmly attached to the principles of the Covenant of the League of Nations, holding, as they do, that a just and stable international peace can never be fully attained by any other method, and they will continue to support these principles by all the means in their power. But in the

circumstances of to-day my Advisers have most reluctantly been forced to recognize the fact that a full and effective application of the Covenant is, for the time being, impracticable. My Ministers fervently trust, and still believe, that peace can be maintained, without injustice and without sacrificing those ideals of freedom and democracy which are the essential basis of the national life of this Dominion and of the whole British Commonwealth, and, while they are determined to resist aggression, they will always be ready to assist in any peaceful discussion of existing difficulties.

My Advisers fully realize the duty incumbent upon them to prepare against all possible contingencies, and to put this country into a condition to defend itself against the possibility of attack. They have accordingly, for a lengthy period past, been much preoccupied with the problems involved in this connection. Extensive preparations, both civil and military, have been undertaken to enable this Dominion, should the need arise, to turn, without unnecessary confusion, from a peace to a war basis, and the situation of the three armed services has been constantly under review.

For the consideration of the wider problems involved, the Pacific Defence Conference, which was called at the invitation and suggestion of my Government, and at which representatives of His Majesty's Governments in the United Kingdom, in the Commonwealth of Australia, and in New Zealand, and of the Government of Fiji, conferred upon their common problems, has recently completed most useful deliberations in Wellington. My Advisers are at present in communication with the other Governments concerned as to the practical implementation of the recommendations of this Conference, and they readily recognize the debt of gratitude they owe to those distinguished experts whose advice was so fully and freely placed at their disposal.

My Ministers have inaugurated a further programme of naval development, including the provision of a post-recruit training-centre in connection with which three seagoing training-vessels of modern type are to be built, and will be available in war for mine-sweeping and anti-submarine duties. Dockyard-repair facilities are being further strengthened, and reserves of oil fuel and stores increased.

Special attention continues to be directed to the strengthening of the Dominion's land Forces, and to the provision of the necessary armaments, ammunition, and equipment. My Government have decided to increase the establishment of the Territorial Force from a total of 9,500 to 16,000 and at the same time to establish a National Reserve, and my Prime Minister has made a public appeal for recruits for these purposes. It is the intention of my Government to do everything in their power to make the land Forces of New Zealand worthy of the pride and the confidence of the country. The people of this Dominion, my Advisers believe, will readily realize the necessity for defence and the impossibility of taking adequate steps for this purpose unless those who are fit and competent look upon it as a privilege to share this burden and voluntarily come forward in sufficient numbers. My Advisers urge this duty upon all.

Special efforts are being made to improve the conditions of the Territorial Force, and serious attention is being paid to bringing its training into line with modern development. Armoured motor-vehicles are now arriving in the Dominion, together with supplies of the latest type of machine gun. With the exception of the Horsed Mounted Rifle Regiments, the mobile portion of the Forces is now fully motorized, and it is hoped that within a short time it will be fully mechanized. Opportunity was taken of the visit to New Zealand, as a representative of the United Kingdom at the Pacific Defence Conference, of Major-General P. J. Mackesy, C.B., D.S.O., M.C., to obtain from him a detailed and most valuable report on the land Forces of New Zealand, and this report is now receiving the careful consideration of my Ministers.

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.

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

The passing of the Social Security Act last session brought into being the machinery for the inauguration of the most comprehensive scheme of social insurance so far attempted in any British country, providing on a contributory basis for the contingencies of unemployment, old-age, widowhood, orphanhood, sickness, and invalidity, as well as for the supplementation of the incomes of breadwinners where this is necessary. The whole of the monetary benefits provided for in the Act were made available from 1st April last. Maternity Benefits have been made available since 15th May last, and following the inauguration of Hospital Benefits on 1st July next arrangements will be proceeded with for bringing into operation the Medical Benefits, under which general medical practitioner services will be available, and Pharmaceutical Benefits, under which will be available medicines, drugs, materials, and appliances.

With the adoption of the procedure of import selection within the system of import control, my Advisers have decided vigorously to encourage the development of secondary industries with a view primarily to facilitating a more balanced economy in the Dominion. The need for such a policy has been accentuated during recent months by the threat of war overseas and the possibility that, should such an eventuality unfortunately arise, New Zealand may find difficulty in obtaining supplies of manufactured goods, the lack of which would not only tend to disorganize our economic life but would render the Dominion less able to undertake its share of the responsibilities of the British Commonwealth. A wide range of opportunities has now been provided for industrial expansion, and it is very gratifying to my Ministers that the efforts of local manufacturers to supply the Dominion's requirements have proved so successful. Existing manufacturing units have enlarged their productive capacity by the installation of additional plant and machinery and by the employment of many more workers, and many have expanded the range of their products. Overseas manufacturers have, in many cases, made arrangements for their goods to be made locally; some have erected their own factories, and others have arranged for existing manufacturing units to make their products. Definite progress has been made with the rationalization of a number of trades and industries during the past year under the provisions of the Industrial Efficiency Act, 1936, and there are now twenty-one industries subject to the licensing provisions of this Act.

During the year my Ministers have closely watched movements in prices, and have paid particular attention to those items which figure largely in the household expenditure of families. While the control measures adopted have exercised an effective influence, experience has indicated the necessity for some adjustments to the machinery available, and accordingly my Ministers have established a Price Investigation Tribunal, with powers of judicial inquiry, to make detailed investigations.

Employment in the Dominion continues at a high level. The upward movement in the number of registered factories and in the number of factory workers is still being maintained, the figures reaching a new record level, and the development of manufacture has actually created a shortage of skilled employees in certain industries. My Advisers are continuing their efforts to arrange for employment of a useful nature for all fit unemployed persons, and with this end in view all possible steps are being taken to encourage the absorption of labour in secondary industries and in productive work on the land. It is also the intention of my Ministers to give every encouragement to the development and settlement of unused areas of land in order to stimulate as far as possible the primary production of the Dominion, and to that end attention is being given to methods of land clearance by modern machines.

My Ministers have again arranged for New Zealand to take part in the International Labour Conference which opened at Geneva this month. On this occasion my Government are represented by my Minister of Lands.

The mining industry continues to play an important part in the life of the Dominion, and it is anticipated that the current year's workings will result in an increase in gold-production. It is pleasing to record that as a result of the special legislation passed in 1937 the search for petroleum oil in the Dominion is being vigorously prosecuted in several districts.

Widespread activities in connection with public works have been continued throughout the past year. Substantial progress has been made towards the completion of many major projects, including the construction of new railway connections, of aerodromes, and of irrigation schemes, and a wide programme of road-work. Roading facilities for settlement purposes have been improved by the construction of bridges and the extension of metalled access in isolated localities.

The necessity for my Government's housing programme and the widespread approval of the measures taken to cope with the serious shortage of dwellings are strikingly demonstrated by the numbers of applications received for State rental houses. Up to the present date tenders have been called for some 8,000 houses, 6,200 have been actually commenced, and of these, 3,800 have been completed and are in occupation.

The policy of granting advances on favourable terms to borrowers requiring finance for the purpose of erecting houses for themselves has been continued during the past year, and it is pleasing to record that the business handled by the State Advances Corporation in this branch of its organization has shown a steady increase. For the twelve months just closed 2,123 new building loans for a total amount of £2,062,275 were granted, and the number of applications on hand and inquiries received show evidence of continued activity in this sphere of the country's progress. My Government, in their efforts to create a better balance between primary and secondary industries, are not overlooking the need of improving conditions within each of those main divisions of our economic life, and proposals are now in course of preparation whose object will be to facilitate not only the improvement of farm lands, but also the raising of the standard of housing available both to farmers and to their employees. The latter aspect of the proposals in contemplation represents an important new phase in State assistance to farmers.

The agricultural and pastoral industry has been adversely affected by unusual seasonal conditions which have extended over practically the whole Dominion and which have been reflected in the diminished yield of the farming industries. These unfavourable conditions, added to lower overseas prices, have given rise to problems which it has been the duty of my Advisers to consider, and a Commission of inquiry is being appointed to investigate all aspects of the sheep industry. With a view to overcoming troubles among our flocks and herds and the lessened fertility of our soils, my Government have authorized new and extensive measures for the furtherance of scientific research and instruction in agricultural problems, and a fully co-ordinated investigation of the relationship between the quality of the soil on the one hand and of plant and animal health and the quality of primary products on the other will be undertaken.

The work of mortgage adjustment, including the disposal of all appeals lodged against the orders of Adjustment Commissions, has been completed during the year. A total of 34,602 applications were dealt with, and the concessions granted under the Mortgagors and Lessees Rehabilitation Act, 1936, amounted to more than £9,500,000. Of this sum over £8,200,000 was in respect of farm applications.

The vigorous school-building programme, which has been a feature of my Government's administration, will be pressed forward strongly, as will also the policy of consolidation of schools and the provision of transport to enable country children to receive an education equal to any given in the towns. A new salary scale for primary-school teachers, introduced since last session,

has not only raised the level of salaries, but has also made possible a greater stability of teaching service and has been designed to attract teachers to country districts. A committee has under consideration the devising of improved salary and staffing scales for post-primary schools.

My Government have continued to give close attention to matters affecting the welfare of the Maori race. The policy of developing Native lands, and thus affording the Maori people the means of becoming self-reliant members of the community, is producing beneficial results, and efforts will be made during the year to expand still further these land-settlement projects. Special attention has been given to the housing of the Maori people, with particular reference to pure water-supplies and sanitation, and good progress has been made in improving their living-conditions.

I am happy to say that the scenic and recreational advantages of New Zealand continue to be a source of attraction to people from overseas, and for the first time in any year more than twenty thousand visitors have been recorded, who are estimated to have brought into the Dominion approximately £1,500,000. The contemplated opening this year of the Trans-Tasman air-service and the Centennial Celebrations and Exhibition must, it is felt, attract still larger numbers of tourists in the near future.

Arrangements are well in hand for the celebration in a fitting manner of the first one hundred years of organized settlement and Government in the Dominion, and my Minister of Internal Affairs has been actively co-operating in this matter with all sections of the community. Adequate provision is being made for national, provincial, and local celebrations, and there is every evidence that this historic event will be celebrated, by pakeha and Maori alike, in a manner worthy of the occasion. An outstanding feature of the celebrations will be the New Zealand Centennial Exhibition, an undertaking the magnitude of which is now apparent in the great buildings now approaching completion at Rongotai in the City of Wellington.

Bills will be placed before you dealing with law reform, with statutes amendment, with workmen's and contractors' liens, with the law of husband and wife, with taxation, with town-planning, with the control of river erosion, and with the reorganization of fire-control; for an amendment to the laws relating to health, to hospitals and charitable institutions, to the training and registration of nurses and midwives, and to the payment of fines; and for a consolidation of the law relating to pharmacies.

All these matters I commend to your careful consideration, and I pray for Divine guidance in your deliberations.