

BUDGET SHOWS SHORTAGE IN STATE'S ACCOUNTS

Expenditure Cut By £858,408

£70,000 MORE FOR PUBLIC RELIEF: £80,000 LESS FOR EDUCATION

Further Fall In Revenue

In his Budget speech in the Assembly yesterday, the Treasurer (Mr. Hill) announced an estimated deficit of £1,489,507 in the State's accounts. There is to be no increase in taxation.

The amended scale of taxation was introduced in July, thus robbing the Budget speech of one of its usually most important features. Revenue, Mr. Hill said, was estimated at £10,191,753, and expenditure at £11,681,260. Expenses had been cut by £858,408 compared with the last financial year. It was estimated that this year's revenue would be £534,000 less than last year. It was proposed to omit from expenditure £203,000 for depreciation on wasting assets, and £113,000 for sinking fund on funded deficiencies.

"We have put into operation the whole of the reductions set out in the report of the economic experts," said Mr. Hill, "and although we are still confronted with a heavy deficit, we have made all the adjustments that we are expected to make."

Fall in Wheat Prices Unforeseen

Mr. Hill said that an economic blizzard had enveloped nearly every nation, and it must be obvious that South Australia's efforts in the direction of reconstruction could have very little effect on the major problems which confronted the world.

"The economists' report, after outlining the remedies to be put into operation to stem the financial drift, clearly indicated that it was impossible in one year to get back to complete Budget equilibrium," he said.

Compared with 1929-30, the estimated reduction in expenditure for South Australia was 30 per cent.—the highest in the Commonwealth. New South Wales was lowest with an estimate of 16 per cent. reduction on the expenditure of the year before last.

The cost of public relief was estimated at £950,000—an increase of £70,000 on the expenditure under this head for last financial year.

The estimate for education was £870,000, compared with £950,000 last year.

Australian Wide Questions

The Treasurer said that finance had become an Australian-wide question, and one that must be tackled from a national point of view. A State might do its best to improve its position and straighten out its financial affairs, but its efforts might be considerably hampered, if not nullified, by the effect of Federal policy. The Premiers' Plan marked a definite turning point in arresting the drift in Australian finance, and the South Australian Government was entitled to claim that it was due to its efforts that the Plan was brought into being and was ultimately adopted by every Government throughout Australia. For the past four or five years Government finances had been drifting. The year before last the accumulated deficits of Governments were approximately £12,000,000; on June 30 last they were £31,000,000; and the estimated deficits of all the Governments this year had risen to more than £40,000,000.

Mr. Anthony (Lib.)—How can you say you have arrested the drift in deficits?

The Treasurer said that in the Premiers' Plan the deficits were limited to £16,000,000. If they had not been arrested they would have reached £41,000,000.

Mr. Davies—Parliaments would have arrested it without a Premiers' Plan, and the banks would have arrested it without Parliament.

The Treasurer said that that might have been so, but the banks did not stop the drift with a £31,000,000 deficit.

Mr. Laffer—I think the time to talk definitely will be June 30 next.

The Treasurer said that it was on the revenue side that most of the Governments had slipped back. No Government had any control over that.

The leader of the Opposition (Mr. Butler)—The States were not justified in submitting those inflated revenues to

the operation of the Plan. Governments would not have been able to finance deficits, thus causing complete dislocation of all public services; the farmers would have been denied that assistance which was so essential to them at the present time, and the stoppage of loan works would have resulted in the dismissal of approximately 20,000 employees. It was accepted by the conference that South Australia had done more in the way of economy and reduction of expenditure than any other Government in Australia. Consequently, less remained to be done in this State than in any State in order to secure the full 20 per cent. reduction in adjustable expenditure agreed upon in the Premiers' Plan.

Mr. Cameron (C.P.)—Are the banks included in the Plan?

The Treasurer—Yes. The critics are trying to strangle the Plan at birth.

Mr. Cameron—You are endeavoring to make a vital alteration in the Premiers' Plan.

The Treasurer—No, I am not. Mr. Cameron has been harping on that string for some time. He knows he is wrong, and is referring to legislation before the House to relieve the banks from the provisions of the Financial Emergency Act.

Drop in Salaries and Wages

Referring to certain matters which, he said, had a vital bearing upon our finances, the Premier said:—"The total salaries and wages bill accounts for approximately 30 per cent. of the total Government expenditure. In 1930-31 salaries in the public service were reduced by approximately 10 per cent. all round, the percentage rising on salaries above £1,000 to a maximum deduction of 16 per cent. The basic wage, as fixed by the Federal Arbitration Court, was reduced by approximately 23 per cent., while the living wage, was reduced by the South Australian Arbitration Court from 14/3 a day to 12/6 a day.

"The South Australian Court has recently further reduced the living wage to 10/6 a day, and a new classification and consent award has recently been made under which all salaries in the public service (including teachers), are reduced by 20 per cent., compared with the 1929-30 standard. In terms of the Financial Emergency Act, salaries of Ministers will be reduced by 20 per cent., salaries of Members of Parliament will be reduced from £400 to £360—a reduction of 10 per cent.—and other salaries fixed by Statute have been reduced by varying percentages.

"The Governor has agreed to a voluntary reduction in salary of 20 per cent., and the judges have agreed to voluntary reductions in salary of 20 per cent. in the case of the Chief Justice, and 15 per cent. in the case of other judges.

"At the last Premiers' Conference the Under Treasurers furnished a report showing how, on the figures then available, the provisions of the Premiers' Plan were being complied with. This

... the conference. Several ... submitted to the conference.

The Treasurer said he did not think they were inflated revenues. There had been a retrogression in revenue, and in South Australia there had been no attempt at inflation. Departmental estimates were wrong, like all estimates in a time of depression. Everything had fallen with the depression, and the estimates had not been realistic.

Mr. Hill said that the reductions in salaries, in grants to the University and other bodies, and in expenditure generally, which he had forecast when he introduced the Budget last year, had all been put into effect.

A factor that could not have been foreseen, however, was the catastrophic fall in the price of wheat. A comparison of the estimated and actual figures for 1930-31 showed that the estimated expenditure was £12,747,583, and the actual sum expended was £12,539,668, despite an increase of more than £400,000 over the estimated expenditure on public relief. Savings in expenditure had been made in innumerable lines, the outstanding item being a saving in railways expenditure of nearly £500,000.

Decreases in Revenue

On the revenue side, unfortunately, decreases in receipts, compared with the Estimates, had occurred in all the main lines. The principal decreases were:—Succession duties, £75,000; land tax, £53,000; income tax, £217,000; stamp duties, £55,000; motor vehicles, £190,000; harbors, £104,000; railways, £695,000; waterworks and sewers, £81,000; interest and exchange, £290,000; territorial, £48,000; special grant from the Commonwealth, £150,000. The total decrease in the estimated revenue was £2,038,000, which more than accounted for the amount of the deficit for last year.

Public Debt Higher

The increase in public debt, said the Treasurer, was £1,002,883, or £2 0/8 a head of the population. This was the smallest increase in the total indebtedness for many years past, the corresponding figures for the previous three years being 1929-30, 14,651,146; 1928-29, 13,931,194; and 1927-28, 15,237,298. The total indebtedness a head of population as at June 30 last was £176 7/6.

Dealing with the grant of £1,000,000 to be received this year from the Commonwealth Government because of disabilities suffered by South Australia from Federation, Mr. Hill said that that grant would be £170,000 less than the special grant received last year, and the finances of the State would be adversely affected to that extent. The case for South Australia had been presented by the Advisory Committee on Finance, and had been duly presented to the Federal Parliamentary Committee of Public Accounts, which was appointed by the Federal Government to investigate South Australian claims. According to the figures submitted, this State was entitled to an annual grant of £1,950,000 to compensate it for the disabilities which it had suffered under Federation, but the Public Accounts Committee in its report had recommended a grant for one year only of £1,000,000, which the Commonwealth Government had agreed to pay. His Government was in favor of the appointment of a special tribunal to deal with the question of grants to the State, because of the disabilities arising out of Federation, and should exert every effort to see that the claims of South Australia were justly dealt with.

Equal Sacrifice

Dealing with the Premiers' Plan, the Treasurer said that the standard of sacrifice had already been set up by the Federal Arbitration Court, which had reduced the wages of employees under the jurisdiction of that court by approximately 25 per cent., and the aim of the Premiers' Conference was to ensure the same measure of sacrifice from other sections of the community. It had been contributed by wage-earners by means of the Federal Arbitration Court. To achieve this end it was decided that all adjustable expenditure should be reduced by at least 20 per cent., compared with the figures for 1929-30. Provision was also made to effect a reduction in public and private interest. Had it not been for

... showed the following estimated reductions for 1931-32 on all expenditure being made by the States and the Commonwealth, compared with the 1929-30 figures:—Commonwealth, 21 per cent.; New South Wales, 16 per cent.; Victoria, 29 per cent.; Queensland, 18 per cent.; South Australia, 30 per cent.; Western Australia, 23 per cent.; and Tasmania, 21 per cent.

Outlook More Favorable

"By arrangement, all Governments supplied to the Premiers' Conference estimates of revenue and expenditure for 1931-32," said the Premier. "These were prepared early in May last, and at that time the prices for our products overseas (particularly wheat) showed definite signs of improvement. Unfortunately since then there has been a retrogression, but the present outlook is rather more favorable. In May last it was hoped that the bottom of the depression had been reached, and that any movement must be in an upward direction, but although nearly five months have elapsed, it is only in the last few weeks that there has been any indication of an upward move. The chief factor in this change has been Britain's temporary departure from the gold standard. As a result of this, once improved, and from an Australian standpoint it is to be hoped that this improvement will be maintained. Nevertheless it has been thought advisable to make a more conservative estimate of revenue than was made in May last. When the Estimates were presented in May to the Premiers' Conference, the position was shown as follows:—

Estimated revenue	£10,690,000
Estimated expenditure	£13,050,000
Estimated deficit	£2,400,000

Savings in Interest

"As a result of reduction in interest arising from the Commonwealth Loan it was estimated that there would be a saving of £750,000 or £250,000 reduction in interest payable on to the State Bank, Municipal Tramways Trust, and other bodies which had borrowed from the Government), or a net saving of £500,000. In addition, it was anticipated that further savings of £400,000 in the expenditure figures shown could be made, with the result that the estimated deficit of £2,400,000 would have been reduced to £1,500,000.

"Subsequent to the time when the Estimates were first prepared for the Premiers' Conference in May, revenue in certain lines shows signs of further shrinkage, while the special grant from the Commonwealth has been reduced from £1,170,000 in 1930-31 to £1,000,000 in 1931-32. This has affected South Australian revenue adversely to the extent of £170,000, and has simultaneously assisted Commonwealth expenditure to the same extent. In addition, the South Australian Legislative Council opposed the imposition of the additional 1d. land tax imposed last year, and this had to be struck out of the revenue Estimates, the loss on this account in this financial year being estimated at £124,000, if the total debit were collected.

Mr. Anthony (Lih.)—You will pick up more from the new system of collecting income tax than you will lose by the farthing in the pound off the land tax.

The Treasurer—That is nothing to do with the question. You took off the extra land tax revenue, and that has gone.

Fall in Revenue

"It is estimated," continued Mr. Hill, "that the total revenue receivable in this financial year will be £534,000 less than that collected last year, and it was found impossible to make further savings in expenditure (over and above those already made) to this extent. At the last Premiers' Conference it was made clear that Governments would be expected to keep agreed upon the Budget deficiencies as the Government of the June conference. The Government therefore, decided to omit from this year's expenditure two items which, under more favorable financial circumstances, would have been provided for. These two items were:—

- (1) Depreciation on wasting assets,

£203,000. As far as I am aware, South Australia is the only State that has been providing for depreciation of its wasting assets on a sound basis. The accumulated depreciation funds on June 30, 1931, amounted to more than £90,000, and as this year's annual payment from revenue would only increase to deficit by the same amount, it was decided to suspend the payment (approximately £203,000) for one year.

(2) Four per cent. Sinking Fund charge on funded deficiencies, £113,000. Last year, accumulated deficiencies of £2,831,612 were funded in terms of Act No. 1998 of 1931. Upon deficiencies funded, a special sinking fund charge of at least 4 per cent. per annum should be made in terms of the Financial Agreement. All Governments in Australia have had large deficits in recent years, and none of the deficits had been funded. The Loan Council held that a deficit was not "funded" until it had been converted into a long-dated loan. As the deficits have been financed for the time being out of the proceeds of short-dated Treasury Bills, it was held that the South Australian deficits had not been "funded" in terms of the Financial Agreement, and consequently it was not necessary for the 4 per cent. Special Sinking Fund charge to be made. Had this charge been allowed for in the year's expenditure, the deficit would have been increased by a similar amount, and it was therefore decided to suspend this payment also for a year.

To give effect to the course proposed, it will be necessary for existing legislation to be altered and an amending Bill will be brought down in due course."

Increases and Decreases

Comparing the estimates of revenue for 1930-31 with the actual revenues for 1930-31, the Premier said the following matters called for attention:—

Income tax decrease £450,000.—This was due entirely to the contraction in the national income caused chiefly by the serious fall in the prices of our exportable products (mainly wool, wheat, and metals) which, in turn, had affected all sections of the community.

Land tax, decrease £90,000.—Caused entirely by the striking out of the extra 1d. in the £ land tax, by the Legislative Council.

Motor taxation, increase £60,000.—Due to the fact that in the early part of last financial year motor taxation was paid direct to the roads fund, but a full year's receipts would be credited to revenue in this financial year.

Railways, increase £150,000.—Due to the better wheat harvest that was expected this year, and the greater volume of wheat that would be carried over the railways.

Mr. Butler—The increase in the railway revenue is based on a 50 million bushel crop, is it not?

The Treasurer—I do not know that it is. The railway officials have been very carefully questioned regarding it, and their revenue should be raised by £150,000.

Mr. Butler—They are down £100,000 this year already.

The Treasurer—There will not be any joy on my part if your prediction is realized, I hope it goes considerably above the estimated revenue.

Continuing the Treasurer said the increase in territorial revenue was £40,000, due to anticipated better conditions consequent on the improved harvest prospects and the better prices expected to be received.

Interest on loans to local bodies and so on, decrease £120,000.—This decrease was caused mainly by passing on to various local bodies, such as the Municipal Tramways Trust, which have borrowed from the Government, a reduction in interest rates following upon the National Conversion Loan.

Grants from the Commonwealth, decrease £170,000.—Notwithstanding the case submitted by South Australia in connection with its disabilities sustained under Federation, the Commonwealth Government reduced the grant paid to South Australia last year by £170,000.

Miscellaneous, increase £40,000.—This increase is caused by the transfer to revenue of £50,000 out of the accumulated profits in the Government Workmen's Insurance Fund.