

ment might make further demand on an effort to augment its falling revenues was causing the State Government very grave concern. In a statement made by him to Parliament on July 8 last, he set out the major causes of their financial difficulties as follows:—(a) Disabilities arising out of Federation; (b) the war; (c) over-borrowing; (d) continued deficits in the State accounts; (e) unfavorable seasons; (f) the shrinkage in our national income due to falling prices of our exports.

Decrease in Value of Exports

The falling price level was affecting not only Australia, but the whole world, and was a contributing, if not a determining, factor in the severe economic disturbance which was operating in nearly all countries with more or less harmful effect. Australia was dependent on her primary products for overseas funds to pay for her imports and interest on borrowed capital. It had been obvious for some time that the volume of primary exports was not sufficient, even with comparatively high prices, to meet overseas obligations. They were now confronted with a disastrous collapse in commodity values affecting all the principal items of exportable production, and simultaneously the overseas money markets were closed against them. They were thrown entirely upon their own resources at a time when reduced prices and widespread drought conditions had reduced the Australian national income by at least £70,000,000. The inevitable result

of the total amount of \$3,764,860, £953,000 had been debited to loan, thereby adding to the deficit in the loan account; £1,206,000 had been temporarily financed out of trust funds and other money in the hands of the Treasurer, leaving the deficit of £1,625,000 still to be covered. The foregoing figures indicate the extent to which they failed to pay their way in those years, and to that extent the people of the State avoided taxation. Moreover, it had substantially added to their present burden. The deficit of £1,625,000 which they inherited from the previous Government had to be met from loan, and that would practically exhaust the loan funds available and necessitate the immediate cessation of practically all loan works. It would also add approximately £90,000 per annum to the interest bill. Interest on last year's loan expenditure would require a further £165,000 per annum from revenue, and interest on soldier settlement and soldier settlement administration expenses, together totaling £330,000, previously paid from loan, must now be met from revenue. Altogether interest on the public debt (together with interest and exchange) would absorb £5,300,000 of this year's revenue, and a proper appreciation of the effect this had on their financial position and the high level of taxation is necessitated, must lead to the conclusion that further borrowing was out of the question. They must live upon their own resources for some time to come if they were to restore their credit and escape irreparable financial and economic disaster.

Review of Accounts for 1929-30

When the ex-Treasurer (Mr. Butler) introduced his Budget on October 24, 1929, he explained that at the request of the Commonwealth authorities the amount paid by the Commonwealth to the State under the financial agreement, viz., £703,816, was to be paid directly towards the payment of interest and was therefore excluded from the Budget figures, the interest bill being reduced by a corresponding amount. At the end of the financial year, however, the Commonwealth authorities requested that that amount should be brought into revenue as a grant, and the interest bill shown at the full amount, and the figures for 1929-30 had now been adjusted accordingly. After making these adjustments, a comparison of the figures for the last financial year with those of the previous financial year gave the following results:

Public Debt Transactions, 1929-30

The summary of the public debt transactions for the past year was as follows:—

Amount of public debt at June 30, 1929	£92,653,531
Add new loan issues, 1929-30	13,734,855
	£106,388,386
Deduct loans redeemed, 1929-30	12,969,068

Amount of public debt at June 30, 1930

£93,419,118
That amount was exclusive of loans amounting to £2,033,170 on account of the Northern Territory and Port Augusta to Oodnadatta railway loans, the obligation for which had been transferred to the Commonwealth Government. Included in the sum of £12,969,068 shown as loans redeemed in 1929-30, was a sum of £438,081 representing securities redeemed from funds in the hands of the National Debt Commission and subsequently cancelled. The increase in the public debt for the year was £765,587, and the public debt was now equal to £161 1/4 per head of the population, compared with £159 18/2 a year ago, or an increase for the year of £1 3/2 per head. In addition, however, to the public debt, as shown above the State had borrowed on June 30, 1930, the sum of £2,314,470 by way of temporary loans (mainly from the Commonwealth and Queensland Governments), and those temporary loans would be converted into long-dated securities and added to the public debt whenever a favorable opportunity presented itself. Further, the total overdraft from the Commonwealth Bank in London and Australia on June 30 last was £2,195,970. As regards the overdraft in Australia, that was extinguished in July as a result of the proceeds of the loan then floated by the Commonwealth on behalf of the States, and the overdraft in London would be extinguished whenever a suitable opportunity arose for the flotation of a long-dated loan in that centre. Allowing for the temporary loans, overdrafts, &c., the actual indebtedness of the State might be summarised thus:—

	At June 30, 1929	At June 30, 1930
Public Debt	£92,653,531	£93,419,118
Temporary loans ..	520,000	2,314,470
Overdrafts	445,057	2,195,970
Trust funds, &c. ..	2,954,608	3,294,784

Total indebtedness

	£96,573,196	£101,224,342
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the services which it has already rendered, and I may say that the proposals which I will shortly disclose for balancing the Budget in this financial year are based upon the recommendations of the Advisory Committee. I want to stress this point to the House and to the country. The proposals have been carefully considered by the Government and its financial advisers. If the House disagrees, it must offer some alternative, or take the responsibility.

Conference of Ministers

"At a Conference of Ministers held in Melbourne from August 18 to 21, representatives of the Commonwealth Government and of all State Governments were present, and most important resolutions were arrived at. The conference was addressed by Sir Otto Niemeyer (representative of the Bank of England) and by Sir Robert Gibson (chairman of the Commonwealth Bank Board), and after full discussion of the financial position of Australia generally the following resolutions were unanimously adopted by the conference:—

(1) That the several Governments represented at this conference declare their fixed determination to balance their respective Budgets for the financial year 1930-31, and to maintain a similar balanced Budget in future years. This Budget equilibrium will be maintained on such a basis as is consistent with the repayment or conversion in Australia of existing internal debt maturing in the next few years. Further, if during any financial year there are indications of a failure of revenue to meet expenditure, immediate further steps will be taken during the year to ensure that the Budgets shall balance.

(2) That the Loan Council raise no further loans overseas until after existing overseas short-term indebtedness has been completely dealt with. This decision to apply to overseas borrowing by large public authorities, in controlling the operations of which the State Treasurer concerned will act in agreement with his colleagues on the Loan Council.

(3) That it is resolved by the several Governments, as regards such public work as it may be possible to finance by loans raised in the internal market, that approval will not be given to the undertaking of any new works which

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	Actual, 1928-29.	Estimated, 1929-30.	Actual, 1929-30.
	£	£	£
Revenue . . .	10,840,914	11,284,179	10,551,017
Expenditure	11,771,772	11,979,585	12,176,840

Deficit . . . £930,858 £605,406 £1,625,823

The principal items in which the revenue exceeded the estimate were income tax, £137,000, and succession duties, £15,000, whereas, on the other hand, revenue failed to reach the estimate in the case of railways by £400,000, waterworks £56,000, harbors £55,000, stamp duties £83,000, land tax £15,000, and the grant received from the Commonwealth on account of disabilities sustained under Federation by £140,000. The leader of the Opposition would recollect that he budgeted for £500,000 on the recommendation of the Federal Disabilities Commission, and eventually received £360,000. That threw his Estimates out by £140,000. As regards expenditure, the principal items in which expenditure exceeded the estimate were railways by £80,000, Children's Welfare and Public Relief £75,000, and interest and exchange £93,000. The reasons for the increases in expenditure referred to were fully explained when the Supplementary Estimates, totalling £350,000, were submitted to Parliament in June last. A digest of the revenue account for the year under various heads, such as direct

Per head of population £166 13 5 £174 10 6
From those figures it would be seen that the actual increase in the indebtedness of the State for the year was £4,651,146, or £7 17/1 per head of the population.

Estimates for 1930-31

"Before giving details of the Estimates of revenue and expenditure for the current financial year," continued Mr. Hill, "it will be advisable for me to make some general statements which have a direct bearing upon our financial affairs. According to the Treasury records the deficits for the past three years have been:— 1927-28, £274,931; 1928-29, £930,858; 1929-30, £1,625,823. In addition to the deficits as shown above, there should be an addition of a sum of approximately £250,000 per annum to cover the loss on soldier settlement, which has been capitalised in the Soldier Settlement Loan Account, and also an allowance for depreciation of wasting assets. In terms of the Public Finance Act, 1929, however, any loss arising from interest and administrative costs in connection with soldier settlement will in future be charged against revenue, and will no longer be capitalised. The Act further provides that the Treasurer shall set aside each year

are not reproductive in the sense of yielding to the Treasury concerned within a reasonable period a revenue at least equal to the service of the debt (interest and sinking fund).

(4) That in order to secure the regular service of the public debt from revenue, steps will be taken to provide that all interest payments shall be made to a special account in the Commonwealth Bank, to be used solely for the payment of interest.

(5) That the Commonwealth and State Treasurers will publish monthly, in Australia and overseas, a brief summary on uniform lines showing their Budget revenue and expenditure, the position of their short-term debt, and the state of the loan account; such statements to be drawn up after a uniform model to be agreed upon.

"These resolutions are of the most far-reaching nature, and disclose the intention of all the Governments of Australia (irrespective of party), to see that Budgets will be balanced and kept balanced in future years. The soundness of the resolutions arrived at needs no emphasis from me, and the fact that the various Australian Governments are having difficulty at the present time in producing a balanced Budget illustrates the advisability of passing the resolutions referred to and the necessity for re-establishing Australian

such sum as the Auditor-General certifies in writing as necessary for the depreciation of wasting assets. When these two matters have been dealt with in terms of the Act it may be said that all sums rightly debitable to revenue will be brought to account each year, and the Treasury accounts will then set out correctly the real position of all the various activities controlled by the Government.

Advisory Committee on Finance

"After the present Government had taken office and had had an opportunity of examining the financial affairs of the State it was satisfied that the financial outlook was far more serious than had been realised. The Government therefore decided to appoint an Advisory Committee, which was empowered to advise the Government on all matters of State finance, including:—(a) Steps for balancing the Budget, with due regard to economic effect; (b) limitation of expenditure; (c) increasing the revenue; (d) incidence of any proposals for taxation; (e) measures immediately necessary to protect the State's credit; (f) any other relevant matter which the Government considered should be investigated. The personnel of the Advisory Committee is Mr. Walter J. Young (managing director of Elder, Smith & Co., Ltd.); Professor L. G. Melville (Professor of Economics, Adelaide University); Messrs. L. C. Hunkin (Public Service Commissioner); J. W. Wainwright (Assistant Auditor-General), and R. R. Stuckey (Under-Treasurer). The committee, which is acting in an honorary capacity, has met continuously, and has frequently conferred with the Government. Many of the questions considered have already been dealt with by me in memoranda which I have submitted to Parliament, and it is unnecessary for me to further refer to these matters at the present time. I think I should, however, at this stage, express the appreciation of my Government to the Advisory Committee for

OPERATIONS, 1929-30

COMMUNITY SERVICES

Net Expenditure

	£
Education Department	891,298
Interest and Sinking Fund on Loans for Schools	91,925
Grants to University, School of Mines, &c.	118,259
Hospitals, Children's Welfare and Public Relief Board and Health, &c.	501,650
Police, Gaols, and Prisons	318,474
Grants to Hospitals, &c.	52,255
Roads and Grants to Corporations, &c.	194,508
Interest and Sinking Fund on Loans for Roads	17,240
Balance carried down	539,278

£2,724,887

ERTAKINGS

£

Loss after paying interest—	
Harbors	47,858
Advances for Homes	8,588
Railways	1,680,356
Country Waterworks	369,244
Land Repurchased for Closer Settlement	22,776
South-Eastern Drainage	49,152
Improvements on Pastoral Leases	37,176
Irrigation and Reclamation ..	249,851
Railway Relaying	69,698
Railway Depreciated Assets ..	165,603
Water Conservation	79,371
Murray River Weirs, Dams, and Locks	109,394
Produce Department	28,895
Sundry Works	363,241
	£3,281,203

LANEOUS

Balance brought down	£2,482,884
Net Expenditure—All other Departments	206,755
	£2,689,639

nd expenditure might be set out thus, for the last three years were shown:—

1928-29.		1929-30.	
£	Per-centage of the Whole.	£	Per-centage of the Whole.
3,191,997	29.44	2,857,618	27.08
6,662,684	61.46	6,387,273	60.54
299,870	2.77	242,310	2.30
686,363	6.33	1,053,816	10.08
£10,840,914	100.00	£10,551,017	100.00

ITURE

1828-29.		1929-30.	
£	Per-centage of the Whole.	£	Per-centage of the Whole.
4,390,050	37.29	4,598,980	37.77
233,345	1.98	278,290	2.29
1,844,934	15.67	1,888,149	15.50
2,302,050	19.56	2,317,383	19.03
1,496,217	12.71	1,636,671	13.44
391,961	3.33	375,590	3.09
1,113,215	9.46	1,081,777	8.88
£11,771,772	100.00	£12,176,840	100.00

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Surplus of £16,467

The estimates of revenue and expenditure for 1930-31, as presented to Parliament, gave the following figures:—

Estimated Revenue . . . £12,764,050
Estimated Expenditure . . . £12,747,583

Estimated Surplus . . . £16,467

This announcement provoked a chorus of satirical comment from the Opposition.

The Treasurer—We must have a sur-

plus of £56,922 was due to the reduced volume of business now being transacted by the community in various directions, such as land sales, amusements, totalisator investments, &c., upon which stamp duty was levied.

Land Tax, £540,000.—The increase of £99,735 was due to the imposition of an extra 1d. in the £ taxation on land values generally.

Succession Duties, £330,000.—This item was always difficult to estimate and it was considered unlikely that the revenue of £395,082 received last year would be reached this year. A decrease of £65,082 had therefore been provided for.

Commonwealth (Disabilities Grant), £320,000.—The reason for the reduction of £40,000 in that grant had already been explained.

Land Sales, £201,057, and Sundry Smaller Items, £684,047.—Decreases of £41,253 and £64,824 respectively in those two items had been provided for on account of the reduced volume of business now being conducted throughout the community.

Estimated Expenditure

The details of the estimated expendi-

formed, consisting of the Railways Commissioner, the Chief Mechanical Engineer, and the Comptroller of Accounts. The assistance of three investigating officers had also been supplied by the Public Service Commissioner, and this committee and those officers were investigating such matters as abolition of unnecessary offices, co-ordination of work, reduction of salaries, and retrenchment or reduction of status of employes.

Economies in Administration

The Government was aware of the urgent need for the most rigid economy in public expenditure, and had endeavored to make savings wherever possible. It realised that the financial and economic situation required that the most careful consideration should be given to every item of expenditure, and was making efforts to comply with the growing public demand for a reduction in Government spending. Unfortunately the difficulty which the Government had in reducing expenditure was not generally appreciated, and public criticism was often ill-informed and unfair. Out of the total estimated expenditure for this year of

ness which had made itself felt throughout every section of the community. The Loan Estimates for 1930-31, giving full details of the works proposed for the current financial year, would shortly be presented to Parliament.

Continued on Page 20

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TREASURER'S BUDGET SPEECH

Continued from Page 14

"I have already expressed my appreciation of the services of various gentlemen who have assisted the Government," said Mr. Hill, "and I now take this opportunity of thanking the Treasury officers for the excellent work rendered by them in the preparation of the Budget and the financial papers now submitted to Parliament. This work has entailed many hours of night work, and the extra service in this direction has been ungrudgingly given. I would especially refer to the services of the Under Treasurer (Mr. R. R. Stuckey) and the Assistant Under Treasury (Mr. W. Laycock), and I would like to express my personal regret that this will be the last occasion on which Mr. Laycock will be associated with the preparation of the Estimates. He has given faithful service to the Treasury for close on 50 years, and I personally regret that the time has come when we shall lose the services of such a capable and conscientious officer."

The Treasurer here read a letter from the Advisory Committee which had just been sent to him, stating that the committee had been empowered to advise the Government on all matters in regard to State finances, including plans for balancing the Budget with due regard to economies to be effected, and including also the limitation of expenditure, increasing revenue, the incidence and proposals for taxation, measures immediately necessary to protect the State's credit, and any other relative matter which should be investigated. In pursuance of those functions the committee had been in frequent consultation with the Government. The Budget proposals of this financial year had been carefully examined, and the Budget as presented was substantially in accord with the advice which the committee had tendered. Considerable economies had already been effected, and provision had been made for further substantial reductions in expenditure. The committee deplored the necessity for increasing taxation, but agreed it was inevitable in view of the promise to balance the Budget. The committee recommended that the problem of unemployment should be considered by Parliament, and that legislation be enacted to provide machinery for controlling and minimising its effect, and co-ordinating efforts to deal with it.

"In presenting the Budget in the manner in which I have done," continued Mr. Hill, "I have endeavored to set out clearly the exact position of the State's financial affairs at the present time. I think I can claim that no Treasurer for South Australia has ever been confronted with so difficult a task as that which confronts me at the present time. Undoubtedly a period of great stress and difficulty is ahead of the State, and these adverse conditions can only be overcome by the co-operation of all sections of the community in the common cause of the State. South Australia has had its setbacks on other occasions, but has always risen nobly to the tasks involved in the process of recuperation. The spirit of the early pioneers who laid the foundations of the State many years ago and overcame tremendous obstacles can still be maintained, and if we are all prepared to face our difficulties in this spirit I have no doubt we shall eventually win out to success. The first and paramount duty before me was to place the Government finances upon a thoroughly sound basis, and I have set out clearly the steps taken to achieve this end. With the return to Budget equilibrium the general affairs of the State must take a turn for the better and the improved financial position shown in Government accounts must finally reflect itself in improved State credit which will reflect itself in lower rates of interest upon maturing securities, the lessening of the burden of interest upon the community as a whole, and finally in the reduction of taxation, which at the present time is proving so onerous a burden."