

Conference Task Completed

"ONE INDIVISIBLE PLAN" APPROVED

Economies to Total £12,000,000

CONVERSION TO LESSEN INTEREST BURDEN BY £6,500,000

Loan for Farmers and Unemployed

Melbourne, June 10.

In an atmosphere of thorough accord, the Premiers' Conference closed today after having completed and agreed upon the financial plan by which Australia's internal debt is to be converted voluntarily and Government economies on the lines laid down by the experts are to be made.

The effect of the plan on the 1931-32 Budgets, the Prime Minister (Mr. Scullin) said, would be that the extra economies would reduce the estimated deficit of £39,000,000 by £12,000,000. New Federal taxation would contribute £7,500,000 in addition to any increases which might be obtained by the States. The saving of interest by conversion would reduce the internal interest burden by £6,500,000, and the combined effect would be to reduce the deficit to £15,000,000.

"The plan agreed upon is an indivisible whole and the carrying out of any one part is dependent on the carrying out of all parts," Mr. Scullin said. He added that it involved sacrifices by all, but it safeguarded the interests of each section which contributed to the sacrifices.

Of the delicate position that had arisen the previous day because of the obduracy of the Premier of New South Wales (Mr. Lang) in relation to the conversion loan there was no trace today, and the belief was general among delegates that the decisions would be carried out to the best of the ability of the respective Governments.

The final sitting of the Conference was preceded by an important meeting of the Loan Council, at which the proposal to convert the £556,000,000 of Australia's internal indebtedness by means of a voluntary loan was approved. It was also decided to approach the banks to underwrite a temporary advance of £8,500,000, to be made available at the rate of £1,000,000 a month, to assist necessitous wheat farmers and to relieve unemployment.

A feature of the proceedings of the Conference was the effort made to heal the breach between the Government of New South Wales and other Governments on the question of overseas interest payments. A sub-committee, including Mr. Lang, was appointed to review the situation in respect of these payments, and also in respect of the closing of the New South Wales Government Savings Bank.

A long statement was made by the Prime Minister indicating the effect of the "one indivisible plan" of the Conference upon the finances of Australia, and showing plainly how all sections of the community would be called upon to contribute to the economic restoration.

Mr. Scullin, in a statement reviewing the work of the conference, said that the total deficit of the seven Australian Governments would be £31,000,000 for the present financial year. The Governments were now going behind at the rate of £40,000,000 in spite of reductions to expenditure amounting to £11,000,000 per annum since 1929-30. The deficits had been met, hitherto, by bank overdrafts. The Commonwealth Bank had notified the Governments that the limit to that process had been reached, and early in July Governments would have insufficient means to meet their obligations. Unless the drift be stopped public service salaries and wages, pensions, and interest could not be paid in full. Public default would be followed by a partial breakdown in public utilities, such as railways, and in private industry and trade. Revenue would come toppling down, and even half payments might become impossible. With this prospect everything that could be got from Government economy, from taxation, and from reduction of interest must be called on to bring the debit balance within manageable limits. That could safely and practicably be covered for a time by borrowing. "The conference has, therefore, adopted a plan which combines all possible remedies in such a way that the burden falls as equally as possible on everyone, and no considerable section of the people is left in a privileged position," Mr. Scullin said.

"This sharing of the burden is necessary to make the load more tolerable. It is still more necessary because only on this condition will it be possible to get the combined effort required. The plan has been adopted by the conference as a whole, each part of which is accepted on the understanding that all the other parts are equally and simultaneously put into operation. It embraces the following measures:—

Details of Plan

- (1.) A reduction of 20 per cent. in all adjustable Government expenditure as compared with the year ended June 30, 1930, including all emoluments, wages, salaries, and pensions paid by the Government, whether fixed by statute or otherwise, such reductions to be equitably effected.
- (2.) Conversion of the internal debts of the Governments on the basis of 2½ per cent. reduction of interest.
- (3.) The securing of additional revenue by taxation, both Commonwealth and State.
- (4.) A reduction of bank and savings bank rates of interest on deposits and advances.
- (5.) Relief in respect of private mortgages.

mediate relief is necessary for the restoration of industry and employment. Government Budgets are subject to the same strain because revenue falls with falling prices, and thus interest relatively becomes a heavier burden. A reduction of interest will substantially reduce the deficit which remains when economy and taxation have made their maximum contribution. Income from interest, particularly from Government bonds and bank interest, has hitherto suffered little loss. A reduction of interest will ensure that it will contribute equitably to the common effort to restore solvency. Unless the contribution is made it is not to be expected that the wage earner and the pensioner will acquiesce in the very real hardships imposed on them by this plan.

The second of these objects could be attained by taxation, but taxation would give no relief to industry and no stimulus to employment. The conference has, therefore, resolved on an appeal to all bondholders to accept reduction of 2½ per cent. in the effective rate of interest. This is to be done by a conversion loan and the new securities will be exempt from the present super tax of 7½ per cent. and from any additional taxation imposed on income from interest in order to spread as evenly as possible the sacrifices required to restore solvency.

Lower Private Interest

"Concurrently with the reduction of bond interest must go a reduction in private interest. This is mainly a matter for the banks who are co-operating to that end. Reductions of interest are being arranged between the Commonwealth Bank, the trading banks, and the savings banks, which will result in the rapid reduction in interest on money required for trade and industry. This reduction of interest will be supplemented by legislation giving relief to mortgagors. This legislation forms part of the plan. "The lower rates of interest will greatly stimulate a general demand for credit and the conference has the assurance of the Commonwealth Bank and the trading banks that as the result of the operation of the plan, money will be readily available. With falling costs and ample supplies of credit industry then should recover. A reduction of existing exchange rates will be best achieved on rising markets for Australian exports. If premature attempts are made to force the rates down earlier they may bring about a further crisis by reducing export values once more.

Effect of Plan

"The total effects of the plan on the budgets of 1931-32 may now be summarised. The total deficit as estimated for 1931-32 was £39,000,000. The extra economies agreed upon will take £12,000,000 off this total. New Federal taxation embodied in the plan will contribute a net £7,500,000, in addition to any increases which may be obtained by the States. The saving of interest by conversion will reduce the internal interest burden by £6,500,000. As Governments will pass on this relief to their own borrowers—public bodies, public utilities, and private individuals—the net benefit to the budgets will be £5,500,000. The combined effect will be a reduction of the deficit to £15,000,000.

"Further reduction of the deficit by £2,000,000 could be secured by levelling up the income tax in at least two States. These very substantial reductions will go far to restore confidence both at home and abroad. This restoration of confidence, with the indirect effects of the fall in interest, may be expected to restore revenue even to some extent in 1931-32, and substantially in the years following. A rise in world's prices for our exports would accelerate the upward movement, and this rise may reasonably be expected within the next two years.

"With confidence restored there will be no difficulty in borrowing temporarily to meet the deficits as substantially reduced. The deficit includes £10,600,000 additional charge on overseas interest and external payments on account of exchange. If the exchange rate falls there will be a corresponding decline in the deficit on the other hand if the present exchange rate is maintained, its full effect in keeping up local prices and incomes will have a beneficial

"CALL TO PROMPT DUTY"

Mr. Whitford Back

"PRACTICAL PATRIOTISM"

On his return yesterday from the Premiers' Conference, the Acting-Premier (Mr. Whitford) said it was vital that the conversion loan should be a spontaneous success, and that depended upon an urgent recognition of practical patriotism.

"Any delay will be dangerous," emphasised Mr. Whitford. "It is a call to prompt duty. Two factors govern the position—the amount of patriotism people possess, and the realisation of the serious position Australia is in. There can be no waiting in a matter of this kind. Everybody holding a position of responsibility today, whether publicly or privately, must leap to an appreciation of grave issues. The general feeling at the Premiers' Conference is that the conversion loan will be accomplished in about six weeks—I presume from the time the prospectus is issued. Well, in six weeks those in Australia who are real patriots ought to be able to see the way the path of duty is pointing."

Future of Industry

Asked whether he thought the Premiers' Conference plan would lead to the rehabilitation of industry, Mr. Whitford said the reason why private firms had been circumscribed in their activities was that profits were eaten up in taxation. As industry became pinched for capital, retrenchment had been resorted to, and employes dis-

FINANCE UNTIL JULY 31 FOR STATE

"Funds sufficient to finance the Government until the end of July have been secured by the Premier!"

This announcement was made last night by the Acting Premier (Mr. Whitford), after a telephone conversation with Mr. Hill, who is in Melbourne attending the Premiers' Conference. Until that arrangement had been made there were sufficient funds to carry the State to the end of this month.

charged. The marked decrease in the purchasing power of the community had its repercussions, all of which had contributed to the present deplorable position. This, in turn, had brought about a lack of confidence in themselves.

"If," proceeded the Acting-Premier, "we can reduce the interest bill by the estimated amount, it will be a tremendous lead for less taxation. The effect will be reproduced in the extension of private industry and Government works. The moment we balance our accounts we will have reached the ebb tide of the depression. Industry will revive, and, with the gradual reabsorption of unemployed, the purchasing capacity of the people will be increased. Everything, of course, depends upon the success of the conversion loan, and the rigorous curtailment of Government expenditure to enable budgets to be balanced. Once that is done, the end of the receding tide in our prosperity will be seen."

Premiers' Sincere Determination

Mr. Whitford said there was no doubting the sincere determination of the Premiers to carry out the plan. That was impressed upon anybody who, like himself, had been a sort of official observer at the Conference. So far back as the end of January he had said that unanimity among the political factors in Australia was first necessary to stabilise the financial position. At that time it was not in sight, but he had not expected such an early unanimous agreement as the Premiers had reached. When they remembered that three Nationalists and four Labor Premiers (including the Prime Minister) had now got into line, as well as the leaders of the Federal Opposition, it must be counted a remarkable political achievement. The unanimity, too, was absolutely genuine.

Mr. Lang More Conciliatory

"I have just had a telephone conversation with Mr. Hill," said Mr. Whitford, "and from what he has told me I am convinced that Mr. Lang is now adopting a more conciliatory attitude. There is a strengthening probability that the New South Wales Premier will abide by the decisions of the conference. Mr. Hill seems confident about it."

"I think it is significant that Mr. Lang has been appointed on a committee, which includes the Prime Minister and Mr. Hill, to go into matters affecting overseas indebtedness, the position of the Savings Bank of New South Wales, Mr. Lang's attitude towards the Loan Council, and his non-payment of interest. When Sir Robert Gibson is well enough, the committee will deal with the question of reopening the doors of the New South Wales Savings Bank. Mr. Hill describes the Premiers' Conference as having been most successful, and he is returning in a mood of increased confidence in the whole financial and economic outlook. He certainly has played his part well."

£3,000,000; payment to States.	£21,300,000;
£11,600,000; pensions, etc.	£10,500,000; all other
salaries and wages, £10,500,000;	total expenditure,
£80,600,000.	Revenue:—£60,200,000.
Deficit. £20,400,000.	

Proposed Adjustments

Reductions in expenditure:—Interest,

Australia will amount of £660,000, and the deficit, after allowing for the adjustments, is estimated to be £1,200,000 as against £1,860,000, which is indicated in the table of expenditure before the adjustment.

With no more taxation to be imposed, the adjustments in expenditure in Tasmania will result in a saving of £130,000 as compared with the year ended on June 30, 1930, and the deficit will be £90,000, as compared with £220,000.

Help for Farmers

Arising out of a meeting of the Loan Council which was held this morning the Federal Treasurer (Mr. Theodore) said that the council had discussed the getting of finance by way of advances from the banks, or by loan from the market for the purpose of having £2,500,000 distributed among wheat farmers and the necessity, pending the approach to the market, of getting temporary advances from the banks of £6,000,000 to create employment. The Loan Council had left it to the chairman to negotiate with the banks.

It was agreed at the Loan Council, Mr. Theodore added, that it would be inadvisable to go on the market for £8,500,000 concurrently with the conversion loan. The Conference agreed to a resolution by Mr. Theodore that the matter be added as part of the general plan. Mr. Theodore then stated that the Loan Council had carried the necessary resolution authorising the conversion loan.

"Some Big Issues"

The conversion loan plan as amended by Conference, was presented by the Assistant Secretary of the Commonwealth Treasury (Mr. Sheehan). After Mr. Jones and Mr. Theodore had suggested that brokerage should not be paid as the loan would be automatic, the proposal for the loan was carried.

Mr. Scullin—We are getting close to the final stages, but there are some big issues we have to face as a Conference of Governments handling a proposal for the rehabilitation of Australia. One matter is the position of overseas interest due by New South Wales, which has been paid by the Commonwealth, and in respect of which there is litigation. This is a most unfortunate position, especially as we are trying to forget a lot of things that have happened in the past. Co-related with the overseas interest payments was the closing of the State Savings Bank of New South Wales. I suggest that conference appoint a sub-committee, representing all Governments and consisting of the Prime Minister, the Premier of New South Wales, and the Premier of South Australia, to go into the matters and to work out, if possible, a formula or an agreement which may have to be submitted to a later Premiers' Conference.

"These proposals require the greatest effort in economy and taxation which the conference considers it sane to attempt. The effect will be still to leave a gap of from £13,000,000 to £15,000,000 to be covered for a time by borrowing.

"The plan provides for Government economy on a basis of an immediate cut, averaging 20 per cent. for all Government wages and salaries below the level of 1929-30. To this will be added all saving that can be made by a strict scrutiny into the necessity of every item of Government expenditure.

"The same general principle is extended to all pensions provided out of Government funds—old age and invalid pensions, war pensions, superannuation pensions, and the maternity allowance. Over the whole field of this expenditure the cut will amount to 16 per cent. The result will be that each Government will make savings as shown below.

Reduced Expenditure*

"Further reductions in expenditure beyond those provided for in the present estimates for 1931-32. Commonwealth, £6,050,000; New South Wales, £3,300,000; Victoria, £880,000; Queensland, £620,000; South Australia, £400,000; Western Australia, £540,000; Tasmania, £110,000. The further savings to be made in accordance with the plan are, therefore, £11,920,000 for all Governments. The total reduction of expenditure, excluding Commonwealth pensions, compared with 1929-30, will be £21,400,000.

Taxation

*Taxation equally must make a maximum contribution. Ordinary direct taxation has nearly reached the limit in some States. The Commonwealth will raise an additional £1,500,000 by income tax, and what capacity for direct taxation remains will be left for a last reserve at the option of the several State Governments. The only possible substantial contribution must, therefore, be by taxes on consumption so designed as to add as little as possible to the costs of industry. It has been agreed that the sales tax and primage should be increased to give £6,400,000 of additional revenue by the agreed economies and taxation. The position estimated for 1931-32 will be improved by £20,000,000, exclusive of savings on interest and additional State taxation.

Reduction of Interest

"With the fall in prices since 1929, interest payments have become an intolerable load on all industry, and im-

prices and incomes will have a beneficial effect on Government revenues."

Accepted by Conference

Mr. Scullin added that before the details of the plan were settled the leaders of the Opposition were invited to attend, and an agreement was reached which embodied in outline the proposals for financial restoration and loan conversion which the conference had dealt with. That agreement was accepted by the conference on Tuesday.

"The plan agreed upon is an indivisible whole, and the carrying out of any one part is dependent upon the carrying out of all parts," Mr. Scullin added. "It involves sacrifices by all sections of the community. To the bondholder the plan involves a reduction of interest by 22½ per cent., but it safeguards the capital of the investor; to the Government employe the plan involves a reduction which, with the reduction already made, represents an average of 20 per cent., but it makes his position and future emoluments much more secure; to war pensioners the plan involves a reduction of 20 per cent., in some cases, less, but it removes the danger of any sudden stoppage and provides security for future payments; to the invalid and old-age pensioner the plan involves a reduction, in most cases of 12½ per cent., but it removes the danger of any sudden stoppage, and provides security for future payments; to all these a large part of reduction is counter-balanced by the fall in prices and the cost of living.

"To the unemployed, the plan provides for the restoration of employment and, in the meantime, makes more secure the continuance of sustenance relief, with the sacrifices distributed over the whole community. In this manner, with the lead of the Governments followed by all citizens, with the revival of business confidence and activity, a sure foundation will have been laid for the restoration of general prosperity in Australia."

Government Adjustments

Statements which had been presented by each State representative showing the proposed adjustments in expenditure which it is proposed to make under the Conference plan, were issued from the Conference this morning. These showed the present position of Government expenditure and the position forecast when the economies are made. The statement relating to the Commonwealth is as follows:—

Position Before Adjustment

Expenditure:—Interest, £23,200,000; sinking fund, £1,400,000; exchange,

Reductions in expenditure:—Interest, 22½ per cent. saving through conversion of debt redeemable in Australia, £2,470,000; invalid and old-age pensions, war pensions, and maternity allowances, £3,350,000; salaries and wages, further reductions to complete an average of 20 per cent. on rates paid before the recent cost of living adjustment, £1,700,000; other adjustable expenditure, £1,000,000; total, £8,520,000.

Further taxation:—Increased sales tax, £4,000,000; increased primage duty on imports, £2,400,000; increased income tax, £1,500,000.

Total, £7,900,000, less present yield of income tax of 1/6 in the pound on interest, £400,000—£7,500,000; total, £16,020,000. Deficit after allowing for proposed adjustments, £3,380,000.

South Australian Figures

The statement relating to South Australia is as follows:—

Position Before Adjustments

Expenditure:—Interest, £5,300,000; sinking fund, £450,000; unemployment, £1,000,000; exchange, £90,000; wages and salaries, £3,800,000; pensions, £190,000; materials, £100,000; grants to institutions, £150,000; all other expenditure, £600,000.

Total estimated expenditure, £13,090,000.

Total estimated revenue, £10,690,000. Estimated deficit, £2,400,000.

Proposed Adjustments

Interest, £750,000; rebate of £250,000 to local government bodies, £500,000; salaries and wages further reductions to complete 20 per cent. on 1929-30 rates, £400,000.

Total adjustments, £1,650,000. Deficit for 1931-32 as revised, £1,500,000.

The savings shown in salaries and wages are additional to the very large savings already shown in the original Budget estimates.

New South Wales Position

The statement from New South Wales indicates that the Government expects to make reductions amounting to £4,600,000 and the deficit, after allowing for the proposed adjustments, will be £5,410,000, compared with £11,510,000 before the adjustments.

Total reductions in expenditure for Victoria are shown as amounting to £1,750,000 and the deficit, after allowing for the proposed reductions, is estimated at £1,310,000 or more than half the amount formerly estimated.

Total adjustments in Queensland will amount to £870,000 and the deficit is expected to be £780,000, compared with £1,630,000, as formerly estimated. The savings to be made in Western

agreements which may have to be submitted to a later Premiers' Conference. Sir James Mitchell—Covering what?

Interest Due Overseas

Mr. Scullin—Covering the questions of the interest due overseas by the New South Wales Government, the litigation that is pending between the Government of New South Wales and the other Governments on that question, the position in regard to the State Savings Bank of New South Wales, the position of New South Wales and the Loan Council, the financial agreement, and the loan conference has suggested should be floated. If there is to be a loan for distressed farmers and for unemployed, surely we want it to apply to all Australia. For New South Wales to participate that State should be represented on the Loan Council. I think Mr. Lang ought to be in the Loan Council. I feel that the Savings Bank in New South Wales should not have been allowed to close its doors. I am not saying who is to blame, but it is a bad position for a country when any Government Savings Bank closes its doors. We propose to carry out what I consider is the greatest conversion scheme in history. We can have our political differences on smaller matters than this great nation-wide problem. I hope Mr. Lang will accept my suggestion in the spirit I have indicated as an Australian.

Prepared to Go On

Mr. Lang—I am prepared to go on with it. At the Conference I have used my best ability to assist wherever I thought I could assist. No one can say I have raised any frivolous objections to anything. I want to join with all the other Premiers in seeing that the conversion is a complete success. In regard to other matters I am not particularly anxious to be a martyr and go to gaol, but if you insist on putting me there I will go quite cheerfully and quite unrepentant.

Mr. Hogan—You might not be cheerful while you are there.

Mr. Lang—I would. The gaol has been under Government control, and I realise it is fairly comfortable. In regard to the other matters, I think that, if complete success is to be obtained, we cannot leave any section of the toilers of Australia outside any movement to alleviate unemployment. Therefore I must accept that position. In regard to the Savings Bank of New South Wales, I am not going to say a word now because this is not the proper time or place, but the action in