

## Mr. Hill Reveals Deficit of £2,120,000

Melbourne, September 2.

The latest Budget position in South Australia, disclosing an estimated deficit of £2,120,000, was explained to the Loan Council to-day by the Premier (Mr. Hill).

"Unless," said Mr. Hill, "South Australia is allowed to budget for a larger deficit than the £1,500,000 estimated in May, it is essential that some relief should be given in respect of sinking fund payments and exchange if the State is to continue to meet its interest Bill."

Taking the deficit of £1,500,000 agreed upon at the previous conference as the limit the State could incur, Mr. Hill gave details of revenue shortages since then as follow:—

Commonwealth grant .. .. .	£170,000
Land tax, struck out .. .. .	100,000
Succession duties .. .. .	50,000
Entertainments tax .. .. .	10,000
Stamp duties .. .. .	30,000
Motor taxation .. .. .	50,000
Land revenue (territorial) .. ..	50,000
Harbors .. .. .	60,000
Water and sewer rate .. .. .	50,000
Miscellaneous .. .. .	10,000
<b>Total .. .. .</b>	<b>£580,000</b>
Gain in interest, local governing bodies .. .. .	50,000
<b>Net shortage .. .. .</b>	<b>530,000</b>
<b>Total deficit (including fixed sum of £1,500,000) .. .. .</b>	<b>£2,030,000</b>
Add savings in expenditure not yet realised .. .. .	90,000
<b>Revised estimate of deficit ..</b>	<b>£2,120,000</b>

### Reasons for Delay

Among the reasons given by the Premier why he had not presented his Budget to the South Australian Parliament by the end of August was that the further serious decline in revenue had altered materially the estimates he had submitted to the previous conference, and that the increase in the probable deficit was so large that it was thought it might have a prejudicial effect on the Conversion Loan if it were announced before the completion of the appeal.

Mr. Hill announced that the Government viewed the financial position so seriously that it had appointed a Parliamentary committee, representative of all parties, to examine the figures to see whether some effort could not be made to improve the estimates of revenue and expenditure. That committee had been meeting practically daily since its appointment, and was now engaged in reviewing every item of expenditure with a view to making further economies.

### Original Estimates

The original estimates for 1931-32, which Mr. Hill presented to the Premiers' Conference, were:—

Revenue .. .. .	£10,690,000
Expenditure .. .. .	13,090,000

Estimated deficit .. .. . £2,400,000

A later revision of the figures—allowance being made for the effect of the Conversion Loan and for further savings of £400,000—brought the deficit to £1,500,000.

The Premier went on to point out how several adverse factors had since affected that Budget position. He explained that by a thorough combing of departmental expenditure it had been possible to reduce the May estimates in some cases, but in other instances that had not been possible.

"The amounts now shown," said Mr. Hill, "are required to permit departments carrying on only by practising the utmost economy and keeping a careful and constant control of expenditure. It would be difficult to make further reductions without arbitrarily restricting departmental operations."

### Factors Affecting Deficit

The Premier explained to the conference the factors that had sent the estimated deficit up to £2,120,000 and referred to the reduced grant by £170,000 from the Commonwealth and the loss of £135,000 by the refusal of the Legislative Council to reimpose an extra farthing in the £ land tax. Mr. Hill admitted that because so many primary producers had had no crop last year the net amount from that source would have been £100,000. Other depressing factors had been the decline in wool and wheat prices which were on the up-grade when revenue estimates were submitted in May.

"It appeared then," said Mr. Hill, "that South Australia had passed the deepest point of the depression, and that revenue in 1931-32 would be slightly better than that of the preceding year. Since then, however, the price of wheat has receded, and there appears to be no immediate prospect of recovery. This is undoubtedly affecting the general business outlook and must have a prejudicial effect on the revenue from stamp duties, railways, and harbors, and will add to our difficulties in collecting income tax, land tax, water and sewer rates, interest on advances for homes and land revenue, although the nominal amount collectable will not be actually affected.

### May Estimate Upset

The disastrous fall in revenue had meant that the estimate of revenue furnished in May had now been reduced by £530,000. It was expected that the Conversion Loan would result in a saving of approximately 22½ per cent. in the interest bill payable on the debt in Australia, but a similar percentage reduction in interest would have to be allowed to various bodies and persons that had borrowed from the South Australian Government.

"So far as expenditure is concerned," proceeded Mr. Hill, "I undertook to reduce adjustable expenditure by 20 per cent., as compared with the 1929-30 figures. That has been done. In fact, the reductions made are more than 20 per cent. In 1929-30 the adjustable expenditure was £7,020,000, and the estimate for 1931-32 is £5,220,000—a reduction of 25.6 per cent.

"As regards the extra savings of £400,000 in adjustable expenditure, the present indications are that we can achieve only £31,000, although further efforts are being made to see if the full £400,000 cannot be achieved."

### Wages Reduced

The Premier explained that all wages and salaries of employes under Federal awards had been reduced by 23 per cent. Employes under State awards had had their basic rate reduced from 14/3 to 10/6 a day—a reduction of 26.3 per cent. Public servants and school teachers' salaries were reduced last year by an average of 10 per cent., and steps had been taken to make a further reduction to bring the total cut to 20 per cent., as compared with 1929-30 levels.

Grants to various local governing bodies, the University, School of Mines, and similar institutions had already been drastically reduced, he said. The present floods in the Murray might affect the collection of revenue, and would certainly result in increased expenditure for which no provision had been made in the figures now submitted.

"I admit," said Mr. Hill, "that these figures disclose a very grave position in my State, especially in view of the fact that my Government has made the reductions asked of us. We cannot reduce it by increasing taxation, as the limit has already been reached in that direction.

"South Australia, unfortunately, has the highest taxation per head of the population of any State of Australia.

## Social Services Expenditure

"It cannot be said that the costs of administration or the expenditure on social services in South Australia are higher than in other States. In fact, generally speaking, they are lower. The Government and our people have made strenuous efforts to bring our deficit within manageable limits. I think I may say that no State has called on its people to make bigger sacrifices, and it is very disappointing that those sacrifices have not been successful in achieving Budget equilibrium."

The Premier emphasised particularly that of a total expenditure of £12,030,000, no less than £6,610,000 (omitting roads), was expenditure beyond the control of the Government. The interest bill absorbed £4,560,000, sinking fund £450,000, exchange £600,000, and unemployment £1,000,000.

The adjustable expenditure (including roads) amounted to only £5,420,000, so that it would be seen that, if that expenditure had to be reduced sufficiently to obtain a balanced Budget, the amount would have to be reduced to £3,300,000, or a further reduction of approximately 40 per cent. on every line. If it were reduced to the deficit originally estimated at £1,500,000, it would mean a further reduction of approximately 11 per cent.

"And all this," said the Premier, "it should be borne in mind, would have to be on top of what has already been done. It will be apparent that such further reductions are quite impossible."

## Farmers Relief

"To show the serious position in which South Australia finds itself, I desire to refer to one or two matters that have a material effect on the position. We are essentially a primary producing State, and the disastrous fall in the price of wheat and wool, especially wheat, is having a serious effect on the State as a whole. Our farmers are indeed in a precarious position. This year the Government had to provide assistance to necessitous farmers to put in their crop. No fewer than 3,472 farmers have received relief in this way. The total amount advanced to date is £236,000, and this amount is a first charge on the proceeds of the crop.

"Unemployment continues to grow. Today we have no fewer than 24,277 registered unemployed. It is the duty of the Government to feed these people, and, although we are called on to provide £1,000,000 for unemployment relief, every effort is being made to see that the money is properly expended. Inspectors have been appointed to supervise this expenditure, and whenever offences are detected action is taken. Under our Advances for Homes Acts money has been advanced to people to build houses, but because of the depression and unemployment, many of the borrowers are in arrears. The total number of cases in arrears of their payments are 7,520, and the amount involved is £189,820.

## "Everything Possible"

"I submit," concluded the Premier, "that South Australia is doing everything possible to reduce expenditure, and, although further economies may yet be made on the recommendation of the Parliamentary Budget Committee, it appears that we will have to Budget for a deficit of approximately £2,000,000. In view of all these circumstances I ask this Conference to agree to this revised estimate."