

HOW S.A. WILL HONOR PREMIER'S UNDERTAKING

Mr. Hill Explains Plan Bill to Assembly

SAVINGS THIS YEAR---£400,000

Cuts in Salaries and Subsidies to Pension Schemes

JUDGES VOLUNTARILY RETURN TO 1873 SALARIES

The first step towards implementing the Premiers' Conference Plan in this State was taken yesterday, when the Premier introduced a comprehensive Bill incorporating all the features of the Plan, and explained it to the Assembly in a second reading speech which lasted three hours.

"The Bill is one which we are in honor bound to carry through at once," said Mr. Hill.

The Bill ratifies the conversion of Australia's internal loan, which will save this State £750,000 a year in interest. Mr. Hill said the Government would adhere to its undertaking at Melbourne to cut expenditure this year by £400,000. How that will be done will be explained in detail when he introduces his Budget.

Savings will be made by reducing salaries and Government contributions to public service and police force pension funds. There is also provision for a reduction in the rate of interest on private mortgages.

The Governor and the judges have offered to bear their share of the sacrifice, and the latter's salaries will revert to the level of 1873.

How Salary Cuts Will Be Made

Some of the cuts indicated by the Premier as a means of reducing expenditure by £400,000 this financial year were:—

Ministers' salaries, reduction already 15 per cent., to be 20 per cent.
Salaries paid M.P.'s for Parliamentary offices to be reduced 15 per cent.

Private members' salaries reduction already 5 per cent., to be 10 per cent.

Salaries of highly paid public servants, reduction already 10 per cent., to be 20 per cent.

Government contributions to public service and police pensions to be reduced 16 2-3 per cent.

The House and both galleries were filled when the Premier began. For the most part, members listened to him in silence, although there were occasional enquiries about features of the Bill. "No measure of greater importance, or with wider reaching effects has been introduced in this House," said Mr. Hill. "I have heard it alleged that the Labor Governments which have adopted the Plan have been sold. Sold to whom? Who is getting any advantage out of it? The Plan imposes sacrifices on all. It is an unpopular necessity, and it will need courage for members to vote for it."

The Treasurer paid a tribute to the Crown Solicitor (Mr. Hannan), the Parliamentary Draftsman (Mr. Bean), the Under-Treasurer (Mr. Stuckey), and the secretary to the Premier (Mr. Pearce) for their efforts in preparing the legislation.

Cuts in Expenditure

The adjustable expenditure of the South Australian Government for 1929-30, said Mr. Hill, and the estimated expenditure for 1931-32, as presented to the Premiers' Conference, was:—

It was provided that the Bill should come into operation by proclamation. There would be a similar clause in the Bills passed by the other Australian Parliaments, and it was intended to proclaim all the Acts simultaneously, so that the completed plan might come into operation on the same day.

The Bill was divided into four special parts:—

Part II.—Ratification of conversion agreement.

Part III.—Power of trustees to convert securities.

Part IV.—Reduction of payments fixed by Acts of Parliament.

Part V.—Reduction of interest on fixed liabilities.

Conversion Ratification

That part providing for the ratification of the debt conversion agreement was necessary because of the financial agreement between the Commonwealth and the States, which provided for the Commonwealth taking over the public debts of the States and for the control by the Loan Council of future State and Commonwealth borrowings.

	1929-30 (Actual).	1931-32 (Estimated)	Estimated Percentage Reduction on 1929-30.
Education	£1,020,000	£850,000	17
Charitable and Health ..	420,000	350,000	17
Police and Penal ..	380,000	350,000	8
Land and Surveys, Agriculture, &c.	180,000	160,000	11
Miscellaneous ..	920,000	750,000	20
Railways ..	3,480,000	2,500,000	25
Harbors ..	230,000	200,000	13
Water Supply and Sewerage ..	220,000	230,000	5*
Other Public Services ..	170,000	150,000	12
	£7,020,000	£5,540,000	20

Although the figures shown were submitted to the Premiers' Conference, the Government could vary the incidence of the proposed economies as it thought fit.

Only One Essential

After dealing with the state of affairs which led to the formulation of the Premiers' Plan, Mr. Hill said he did not claim that the drastic economies being made in Government expenditure, the conversion of our public debt at lower interest rates, or the reduction of private interest, would of themselves alone restore industry and create prosperity, but they were the first essentials to a general restoration.

He believed the carrying out of the plan would:—

Stabilise the finances of the country, and by reducing Government deficits from £40,000,000 to £14,000,000, restore Australia's credit.

Enable us to arrange for the funding of our £38,000,000 short-term indebtedness in London, thereby releasing funds of the Commonwealth Bank tied up in England for use in Australia.

Pave the way for a big conversion loan at a reduced rate of interest on our overseas indebtedness of £573,000,000.

Secure the capital invested in Australian stocks, mortgages, and other investments.

Secure the payment of pensions, wages, salaries, interests, and emoluments of those at present receiving them.

Reduce the interest on our internal debt by £6,500,000. The saving in interest in South Australia would be

High Salaries Cut

The Bill provides for the following reductions in salary to operate for a year:—

President of Legislative Council, £800 to £680.

Speaker of House of Assembly, £800 to £680.

Chairman of Committees, £600 to £525.

Chairman of Public Works Committee, £400 to £320.

Members of Public Works Committee, £250, £212 10/.

Leader of the Opposition in House of Assembly, £300 to £255.

Members of Parliament will receive £360 a year.

The following reductions will apply until they are altered by Parliament:—

Agent-General, £2,000 to £1,600.

Chairman, board of management of the State Bank, £400, £200.

Chairman Harbors Board, £1,100, £880.

Commissioner of Highways, £1,200, £880.

Commissioner of Police, £1,200, £1,000.

Garden Suburb Commissioner, £600, £500.

Manager State Bank, £2,500, £1,650.

Members, board of management State Bank, £300, £100.

South Australian Railways Commissioner, £2,500, £1,650.

President Industrial Court, £1,700, £1,250.

Auditor-General, £1,100, £880.

approximately £750,000, of which £250,000 would be passed on to those who had borrowed from the Government.

Reduce the bank interest and interest on private mortgages by £6,000,000. Cheapen money in the future.

More Credit

With Government finance on a sound basis and the heavy interest burden lifted off Governments and industry, the credit resources of the country could be more effectively used. More credit would be available for the employment of people in productive enterprise. The banks had undertaken to release credit for sound industrial enterprise.

With the revival of industry we would produce more wealth for export, and an increase in our exports would lead to a sound adjustment of the present burdensome exchange position.

The economies involved in the plan would not reduce purchasing power but would increase it. The money available would be used more in production, and less in Government services.

All In One Bill

The idea of having one Bill to incorporate the plan was partly to emphasise the indivisible character of the plan and the manner in which the parts were inter-dependent.

Though the Commonwealth took over the State debts, the States still remained liable for them. That being so, it was necessary for all the States to authorise the Commonwealth to act as their agent in converting the public debts of the States; otherwise the States would have to deal direct with their public creditors. The effect of the conversion agreement would be that the Commonwealth would offer to those from whom South Australia had borrowed money in Australia an opportunity to convert their existing South Australian securities into Commonwealth securities in the new conversion loan. The South Australian Government had agreed by the financial agreement to reimburse the Commonwealth any interest the Commonwealth paid on securities representing South Australian loans.

Big Task

"The Commonwealth and State debts that will come under the scheme," said Mr. Hill, "amount to £556,000,000, of which £400,467,000 is represented by Commonwealth securities, and £155,533,000 by State securities. The details are:—

	Total	Commonwealth Securities.	State Securities.
Commonwealth ..	£222,930,000	£222,930,000	
New South Wales ..	£107,954,000	£48,538,000	£61,416,000
Victoria ..	94,865,000	66,576,000	28,089,000
Queensland ..	40,931,000	12,555,000	28,376,000
South Australia ..	51,961,000	29,595,000	22,365,000
Western Australia ..	28,377,000	15,973,000	12,404,000
Tasmania ..	9,182,000	6,299,000	2,883,000
Total States..	£333,070,000	£177,537,000	£155,533,000
Total ..	£556,000,000	£400,467,000	£155,533,000

"The approximate annual interest payable on the debt is:—On Commonwealth stock, £12,200,000; on State stock, £16,800,000; a total of £29,000,000.

"Of the £400,000,000 of Commonwealth securities, approximately £180,000,000 represents issues made by the Commonwealth for the States. The average rate of interest payable on the debt of the Commonwealth and States in Australia is 5 4/3 per cent. A reduction of 2 2/3 per cent. will bring this down to 4 0/9 per cent.—a saving of 1 3/6 per cent.

Of the total debt, 464.7 millions was subject to income tax. Of that which was tax free 45 millions was held by the public, and 45 millions by semi-governmental bodies. Of South Australia's debt £41,400,000 was subject to income tax.

Three Conversion Rates

"The conversion plan is based on a 2 2/3 per cent. reduction of the rates of interest on all existing securities, but the holders of securities which bear interest rates of 3 1/2 per cent. or less who acquired them before August 4, 1914, will not have the rate of interest reduced below 3 per cent.

"The new securities will be issued in the form of a common stock, at 4 per cent., 3 1/2 per cent., or 3 per cent. It is anticipated that holders of existing securities returning more than 5 per cent. securities at a premium, that those at 5 per cent. will be converted into new securities at par, bearing interest at 3 1/2 per cent. If those bearing interest at less than 5 per cent., into new 3 per cent securities at a premium, or, if they so desire, they can convert into new 4 per cent. securities at a discount. It is necessary to have a variable rate, instead of adhering to 4 per cent., as originally intended, to overcome difficulties that may present themselves to trustees, who may find that the conversion may affect the capital under their control, and thus affect the terms of their trusteeship.

"The new securities will have a currency of 7, 10, 13, 16, 19, 22, 24, 26, 28, or 30 years, and it is intended that they shall be apportioned evenly in respect of most holdings. In the case of holders of securities not exceeding £1,000, or trustees, provision is made that the Treasurer may spread the new issue over a lesser number of maturity dates than those mentioned.

"Provision is made for holders of securities on which the nominal interest rate reduced by 2 2/3 per cent. would be more than 4 per cent. to receive a premium on their bonds when they are converted into the new 4 per cent. stock.

Field, New York, this morning, arrived here at 5.30 p.m. They are on the way to Budapest. Their plane is named Justice of Hungary.