

## Premier Explains Plan Legislation

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Stressing the necessity for co-operation in the conversion loan, Mr. Hill said, "The bondholder must realise that without this rehabilitation plan, he might lose a great deal more than he will sacrifice under it. Without it, he might lose, or at least seriously imperil, the whole of his capital invested in Government bonds. If bondholders co-operate with the Government, and freely convert their holdings they will protect their own securities and help the country as well."

### Calculating Premiums

Describing the method of calculating the premium the Premier said that in the case of an existing 6 per cent. security, subject to tax, maturing in November, 1938, 6 per cent. interest, less 22½ per cent., gave a reduced interest rate of £4 13/ per cent. As that reduced rate was 13/ above the 4 per cent. which the new securities would bear, the holder was entitled to that 13/ for the rest of the term of the existing security, approximately seven and a half years. The present value on a 4 per cent. interest basis of that 13/ for seven and a half years was approximately £4 3/6, and the holder would receive an additional 4 per cent. security for £4 3/6. For each £100 of existing 6 per cent. securities maturing in November, 1938, the holder would receive £104 3/6 of new 4 per cent. securities.

On tax free securities, the interest reduction of 22½ per cent. would be maintained until maturity, with the existing conditions of exemption from taxation. New securities issued in exchange for existing tax-free securities maturing on or before December 31, 1934, would mature on the original date of maturity of the existing securities, and would then be re-converted at par, and bear interest at 4 per cent., maturing on November 15, 1941.

The taxable securities would continue to be taxable after conversion, but would be exempt from the special 7½ per cent. tax imposed by the Commonwealth last November, from State income tax; and from any further Commonwealth income tax.

The date at which the conversion would take place was July 31, 1931. Interest would be payable on existing securities at the rates now applicable to them up to and including that date; but on and after August 1, 1931, interest would be payable at the rate fixed for the new securities.

### Exchange of Securities

All existing bonds, debentures, or Treasury bills had to be submitted to be exchanged for new securities. That would not affect the rights of any person under the Act, but even where a holder of bonds, debentures, or Treasury bills dissented from the conversion, he must surrender his securities and would receive for them new securities in the form of inscribed stock, carrying the same conditions as the original securities carried.

In the case of tax-free securities, issued by the States, the effect of the

ket. That is essential in a matter of this kind. We owe it to the existing holders of Government bonds to support the market and uphold the value of their securities."

The conversion agreement had not yet been signed by all Premiers, but it was hoped it would be signed by all parties to it very soon.

### Power For Trustees

Part III. was intended to confer on trustees who held Commonwealth or State securities express power to convert those securities into the conversion loan. It was designed to give ample authority and protection to trustees so that they might feel that, if they decided to convert, there would be no chance of legal proceedings by any disgruntled beneficiary.

If a testator had directed that a fund should be set aside to provide an income of £500 a year for a beneficiary, and the trustees bought sufficient 6 per cent. Commonwealth stock to provide that annual income, the same amount of stock invested in the conversion loan would not produce £500 per annum. The trustees might be unable to make up the deficiency from the income of the rest of the estate. In that case the proper thing to do was for the trustee to apply to the Supreme Court for directions.

### Cut in Expenditure

Because the figures presented to the Premiers' Conference by South Australia allowed for the effect of retrenchments and also part-time employment, it was estimated that this State should be able to make more economies to the extent of £400,000, provided it adopted the standard accepted by the Premiers' Conference that the figures for 1931-32 should show a general reduction of 20 per cent. on those for 1929-30.

"As a result of measures taken last year, salaries and wages in the public service show very substantial reductions, both in rates and aggregate expenditure," added Mr. Hill. "This was accomplished mainly by the tribunals which fix rates in Government employment. For employes subject to Federal awards, over which the Government has no control, the decrease in rates already has been sufficient to ensure practical compliance with the requirements of the plan. The rest of our employes, approximately two-thirds, are subject to State industrial tribunals, and their rates have already been substantially reduced.

"The policy of the Government is arbitration, and we do not propose to interfere with the tribunals which fix wages and salaries of Government employes."

### Lower Ministerial Salaries

Part IV. of the Bill provided for reductions in those salaries fixed by Act of Parliament, said the Treasurer, and for reduction in pensions so far as they were paid from the public funds. Comparatively few persons were affected by them, but equity, however, demanded that no one should be exempt.

"Mortgage" was defined to mean any deed, memorandum of mortgage, instrument or agreement, whereby security for payment of money was granted over real or personal property or any interest therein, and included an agreement for sale and purchase of real or personal property where payment of the unpaid purchase money and interest thereon was secured on such property. The term therefore went far beyond the ordinary meaning of the term "mortgage," which was confined to a security over land. "Mortgage," as defined in the Bill, included not only registered and unregistered mortgages over land and equitable mortgages over land, but also loans secured on personal property, i.e., advances made on the security of share scrip, advances made on the security of bills of sale, and agreements for sale and purchase where the agreement reserved to the vendor a right of recourse against the property sold in the event of default being made in payment of the unpaid balance of the purchase money.

The term did not include a hire purchase agreement or such a security as a promissory note. It was felt to be undesirable to include promissory notes. With hire purchase agreements, it was considered that the interest payable under them was not such a burden that the purchaser would obtain a substantial advantage by being relieved of 22½ per cent. of the interest. The only way to get real relief from the burden of hire purchase agreements, such as over farmers' agricultural implements, was to extend by statute the period of repayment or establish a moratorium in regard to them.

### Future Mortgages

The Act would apply only to mortgages in existence when the Act was proclaimed.

As regards future mortgages, it was intended that parties should be left to make their own bargain.

As it was felt that mortgage rates would be low, probably about 1 per cent. above interest on Government securities, that was 5 per cent. or a little more, it was considered by the conference that persons desiring to renew their mortgages or wishing to borrow money on mortgage on good security, would not have to pay the same high rates as in the past, especially as the adoption of the Plan would almost certainly bring about conditions of security and stability.

A clause enabled a mortgagor to apply to a local court, at any time within a year after the Act came into operation, for a reduction of 22½ per cent. in the rate of interest payable under his mortgage. The court was bound to make the appropriate order for reduction, unless there were special circumstances which would make a reduction inequitable. The mortgagee must have notice of the application and be given an opportunity to show the court that there were special circumstances which would make it unfair that the mortgagor should have a 22½ per cent. reduction.

There was also provision giving local courts power to order the mortgagee to pay costs, where he had unreasonably refused to make a reduction voluntarily, and the court was convinced that there were no special circum-

reduction of 22½ per cent. in the interest rate would be to create odd rates of interest, and, as it would be impracticable to issue new bonds, debentures, or Treasury bills, carrying fractional rates of interest, provision had been made that all new tax-free securities should be in the form of inscribed stock. Any odd amount, not being a multiple of £10, would be paid in cash, with a right to the holder of a security to contribute further cash to bring his holding up to a higher multiple of £10.

#### Silence For Consent

Every holder of existing securities would be invited to convert his securities into new ones, under the terms of the Bill. Those who opposed conversion would have the right to record their dissent within 14 days after the commencement of the Act—that period had been increased to 21 days by the House of Representatives—or in the case of security holders absent from the Commonwealth, within six weeks after its commencement.

If holders did not signify dissent to conversion, it would be assumed that they desired to convert, and new securities would be issued in the place of the old ones.

The principal Commonwealth securities, exclusive of Commonwealth Treasury bills that would mature in each of the next 10 years, aggregated £310,219,037.

"It may be that a few individuals will dissent," said Mr. Hill, "but every effort must be made throughout the community to secure a maximum of conversions. We have, in this plan, preferred to make conversion a matter of agreement, rather than of compulsion."

#### Little Cost

"Colossal as the conversion scheme is, the cost will be negligible. The Government will have no brokerage to pay, no under-writing commissions, nor any of the ordinary charges attached to the raising of a new loan. Nor will it have to make the usual costly appeal to the public for subscriptions. The only expense involved will be that of sending out notifications, circularising bondholders, and such advertising as may be necessary to bring the details of the plan fully before the notice of subscribers.

"The conditions of national emergency in Australia make an adjustment of our interest burden imperative, and also necessitate what we hope will be achieved through this plan, namely, easier credit conditions, a healthier tone in the Australian money market, more confidence among investors in Government securities of all kinds, future stability of the market, and lower interest rates for the future. If we can obtain those additional advantages, which would mean so much to the nation from a conversion based on a voluntary appeal, that will undoubtedly outweigh any possible advantages which might be claimed for compulsion.

#### Future Interest Rates

"Regarding future interest rates, it is hoped that the conversion plan may lead to a permanent reduction of Government loan rates in Australia. The plan, however, does not guarantee that, although it brings down the nominal rate and reduces the interest burden on outstanding securities. If there continues to exist, after the conversion scheme has been carried through, lack of confidence and dread of what may happen in the future, the new securities may slump on the market as the existing ones have done.

"It is idle to claim that the Government's plan guarantees for the future a 4 per cent. Government loan rate, and it may be regarded as unduly optimistic even to hope that it may establish such a rate for any long period.

"But, I certainly think that a 4 per cent. Government loan rate is something that we should aim at, and if the bankers, the Stock Exchange operators, the bondholders, and the general public, become confident of our ability to emerge from our present difficulties, it will be possible to have a 4 per cent. Consolidated Australian stock placed upon a permanent basis, and quoted at, or near, par upon the exchanges.

"To accomplish that we must have the acceptance of this plan by the bondholders. We must have the thorough co-operation and proper recognition of the bona fides of each party to the scheme. We must have, too, the monetary support of the mar-

Another clause increased the cut made last year in Ministers' salaries from 15 per cent. to 20 per cent., and provided that the increased cut was to operate for another 12 months, after the 12 months for which last year's cut was made. Salaries of the holders of Parliamentary offices held by members of Parliament would also be reduced. That reduction averaged 15 per cent. on the salaries paid in the financial year 1929-30, and would operate for another year after last year's reduction ceased.

The cut of 5 per cent. in M.P.'s salaries made last year was increased to 10 per cent., and the new rate would apply for a year from the day when the existing rate expired.

#### Voluntary Reductions

The salaries of the Governor and the judges had not been dealt with in the Bill, because they had voluntarily offered to bear their share of the sacrifice. The reductions which the judges had offered to accept would bring their salaries back to the level of 1873.

[There were three judges in 1873. The Chief Justice received £2,000 a year, and the others £1,700 a year each, under an Act passed in December of that year.]

Public Service salaries fixed by Act of Parliament, which were reduced last year by an average of 10 per cent., would have another reduction averaging 10 per cent., but the cut was not quite uniform. Some adjustments of the relative salaries had been made to do justice to all concerned.

#### Cut in Pensions

Dealing with Public Service pensions, the Premier said the State was bound to a 16 per cent. reduction in pensions. The proposal was to cut the Government contribution to each pension by 16 2-3 per cent., with the exceptions that children's pensions of £13 or £26 per annum, and the minimum pension of £26 per annum payable to the widow of a pensioner or contributor, would not be reduced. If the Government proportion of pensions were diminished by 16 2-3 per cent. from July 1, 1931, there should be a saving of, say, £29,000 during the financial year 1931-32.

The reduction of 16 2-3 per cent. in the Government's contribution would mean that, if a man had contributed at the full rate for half his pension he would lose 8 1-3 per cent. on his total pension, and those who contributed less than half, or nothing at all, would lose from 8 1-3 to 16 2-3 per cent. The sacrifice of pensioners was less than that of civil servants still employed.

The proposed scheme of reductions would not take from subscribers any portion of the benefits for which they paid themselves.

In police pensions the amount required to be contributed by the Government would be reduced by 16 2-3 per cent. in all.

#### Equitable Reductions

The scheme in the Bill was recommended by the Public Actuary as being adequate, simple, and equitable. It should give substantial justice between the different classes of members and pensioners. The cuts are applied only to the additional benefits which were granted under the Act of 1929.

The cuts were:—

- Old pensioners would be cut from £156 to £144 per annum.
- Existing pensioners on £208 would be cut from £208 to £174.
- Those members who on January 1, 1930, were under 30, and all entrants after January 1, 1930, would be cut rather less than that borne by the older members, because they did not receive the concession rates of contribution granted to the older members by the 1929 Act. The cut would be from £208 to £180 per annum.

No reduction was proposed in:—

- Widows' pensions of £52 per annum.
- Allowances to children of widows £13, and to orphans £26. The cuts would mean a reduction of 16 p.c. in the annual cost to the Government of those pensions.

#### Cuts in Private Interest Rates

Part V. provided for a reduction of interest payable on loans made under mortgage, bill of sale, stock mortgage, equitable mortgage, and agreement for sale and purchase, where a remedy was reserved against property purchased for the unpaid balance of the purchase money. That gave effect to an important and inseparable part of the Plan.

That there were no special circumstances as alleged by the mortgagees. That would operate to encourage mortgagees to make private agreements with their mortgagors for a voluntary reduction of interest by 22½ per cent., and it was expected that most cases would be settled by voluntary agreement without any need to approach the court at all.

No court order might reduce the interest payable under the particular mortgage to less than 5 per cent.

"This Bill," concluded Mr. Hill, "is one which we are in honor bound to carry through at once. The Crown law authorities say that there may be difficulties in practice. Human affairs are so complex that it is impossible to anticipate everything. We undertake, however, that if there are any considerable difficulties, we shall endeavor to rectify them. There is nothing in the Premiers' agreement to prevent this."

As soon as Mr. Hill had finished his speech, the leader of the Opposition secured the adjournment of the House. Mr. Butler will speak on the Bill to-day.

## PAYMENT OF M.P.'s

### Allowance, Not Salary, Premier Says

"How can you justify a cut of 20 per cent. in other salaries when those of members of Parliament are to be cut only 10 per cent.?" asked Mr. Lafer (Lib.) of the Premier in the Assembly yesterday when he was introducing the Premiers' plan legislation.

"It should be quite plain," answered Mr. Hill. "The remuneration paid to members is not a salary at all. It is an allowance for a public office. The expenses of the position are very great. Many calls are made on members, and they have to incur great expense in travelling. The circumstances of their case are not at all comparable with those of an ordinary business man on a salary."

Mr. McIntosh (Lib.)—And there is no such thing as tea money, either.

Mr. Hill added that the emoluments attached to office were very small. There were no commissions in existence now except the Public Works Committee. In fact, the South Australian Legislature was by far the cheapest Parliament in Australia. In Queensland members were paid £600 a year, and in Victoria £700, compared with the £380 paid in this State. "And, of course," he added jocularly, "there is nothing to prevent any member handing all his salary back to the Treasury. If he does, I will see it is used to very good purpose."

## REDUCING COSTS

### Policy of Controlled Deflation

Before leaving for Melbourne last night Professor Copland commented on the stand taken by the South Australian Premier in asking all parties to support the Premiers' Plan. He said it was the only constructive action possible in present circumstances. Provided every section agreed to make the sacrifice it was called upon to make, the plan would be readily adopted.

The policy was one of controlled deflation, and this was a quick method of reducing costs and prices in accordance with overseas conditions. There were other serious problems to be tackled before the full plan of deflation could be achieved, and he hoped that South Australia would give a lead in tackling the problems as it had done in bringing about the financial reconstruction plan.