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THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

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JOINT COMMITTEE OF PUBLIC ACCOUNTS.

REPORT

ON THE

FINANCES OF SOUTH AUSTRALIA AS AFFECTED BY FEDERATION.

By Authority:

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Table with multiple columns and rows, containing page numbers and titles of sections, such as 'Introduction', 'The Committee', etc.

(Seventh Committee.)

(Appointed 22nd November, 1929.)

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* Appointed Chairman 22nd November, 1929. † Appointed Vice-Chairman 24th November, 1929. ‡ Appointed Minister for Defence 2nd March, 1931.

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JOINT COMMITTEE OF PUBLIC ACCOUNTS.

REPORT

THE FINANCES OF SOUTH AUSTRALIA AS AFFECTED BY FEDERATION.

INTRODUCTION.

Under date 27th September, 1930, His Acting Prime Minister (the Honorable J. E. Fenton) addressed the Parliamentary Joint Committee of Public Accounts of the following terms:—

I desire to inform you that, at a conference of Commonwealth and State Ministers held in Melbourne during the month of August, a resolution was passed to the following effect:—

"That the Government of South Australia, for financial assistance from the Commonwealth be inquired of Her Majesty the King by the Federal Parliamentary Public Accounts Committee."

In accordance with this resolution, I desire to invite your Committee to make a thorough investigation into, and to report to the Commonwealth Government upon, the financial position of South Australia.

On the 29th September, 1930, the Acting Prime Minister was informed that the Committee would conduct the desired investigation, and, on the 5th November, 1930, an announcement to this effect was made in the House of Representatives by the Acting Treasurer (the Honorable J. A. Lyons).

COMMITTEE'S PROCEEDINGS.

In the latter part of December, 1930, the Committee visited South Australia and received "The Case for South Australia, 1930," which was prepared by the State Advisory Committee on Finance appointed by the Government of South Australia. Subsequently, the Committee visited various parts of South Australia with a view to securing a proper understanding of the economic influences affecting the finances of the State.

On the 14th March, 1931, the Prime Minister (the Right Honorable J. H. Scoullin) requested the Committee to conduct its investigations subject to the following amended terms of reference:—

"To inquire into and report upon the following questions:—

(1) Whether the State of South Australia is subject to special disabilities arising out of Federation and affecting the finances of that State;

(2) Whether the State of South Australia enjoys special advantages arising out of Federation and affecting the finances of that State;

(3) Whether any special disabilities exist which are taking into account the special advantages enjoyed by the State of South Australia to a substantially greater extent than a majority of the other States.

(4) Whether any special advantages exist which are taking into account the special disabilities suffered by the State of South Australia to a substantially greater extent than a majority of the other States.

(5) Estimated losses of surplus as at 30th June, 1931, in the Revenue Accounts of the several States, Commonwealth and Districts of the States, to which special advantages are granted, and the special financial assistance being granted to the said States under Section 95 of the Constitution; and

If it be found that the grant of financial assistance is so justified, the amount of financial assistance not quitted which should be granted, and the period commencing on 1st July, 1931, which should be covered with such grant, as may be determined by the Committee.

The purpose of this reference, special disabilities and special advantages shall be interpreted as disabilities or advantages suffered or enjoyed by the State of South Australia to a substantially greater extent than a majority of the other States.

The Committee agreed to carry out the wishes of the Prime Minister, but pointed out that, in its opinion, it was almost impossible to measure in monetary terms the extent to which the finances of any State were affected by Federation. The Committee also expressed the view that the natural disabilities of a State could not be separated from disabilities arising from Federation, and that the Federation could not fairly disclaim all responsibility for the effects of natural resources on the prosperity of a State. The Committee arrived at this view through experience gained during its inquiry into the financial disabilities of Tasmania, and the opinion of the Committee has been strongly supported by the evidence of economic experts. The views of the Acting Commonwealth Statistician, Professor L. F. Giblin, M.A., on the subject of special grants to States are contained in Appendix "A", page 31, from which the following are extracts:—

It is not possible to determine special grants to States by assessing directly the net economic disadvantage of each State. At first view this procedure seems simple and attractive. On examination, however, it appears that it is practically impossible, however desirable it may be.

The economic position is in a state of rapid flux and the future is uncertain. It is, therefore, impossible to make any assessment of special grants which may not become inequitable a year hence, and it is impossible even to make an equitable assessment for the present year on the information available, which must, in general, refer to a previous financial year.

Professor L. G. Melville, B.Ec., F.I.A., Professor of Economics, University of Adelaide, represented the South Australian Government throughout the inquiry.

The names of the witnesses who appeared before the Committee are shown in Appendix "B", page 32.

THE CASE FOR SOUTH AUSTRALIA, 1930.

In the official case presented to the Committee it is stated that the causes of the financial difficulties of South Australia are to be found in:—

- The tariff imposed by the Federation which has taxed unsheltered export industries in order to establish protected industries. This has affected detrimentally the finances of South Australia and benefited the finances of States such as Queensland, Victoria and New South Wales, where protected industries have been established;
- Developmental expenditure by South Australia which has meant a direct monetary loss to South Australia, but a direct monetary gain to the other States of the Commonwealth;
- The cost of developing protected and export industries which has not been equitably distributed over the States of the Commonwealth.

In amplification of the above it was stated that the excess costs of protection placed a burden of something like £3,700,000 per annum on the people of South Australia. Had it not been for these excess costs, it was claimed that the export industries of South Australia would have had a greater output than they now have, and would have provided for a larger population in the State, thus increasing her revenue and making more profitable her public utilities, particularly the railways. Some of the excess costs due to protection were stated, paid to protected industries in South Australia, but the greater portion was paid to the sugar, manufacturing and butter industries of other States. It was also claimed that if South Australia were to secede from the Commonwealth and to impose on goods imported from the other States the duties now imposed on overseas imports, then the finances of the State would benefit immediately to the extent of £1,651,000 per annum, and ultimately to the extent of £2,451,000 per annum.

The sum of £3,700,000 which purports to represent the subsidy paid by consumers in South Australia to protected industries in Australia is based, in the main, on the findings of a Committee consisting of Professors J. B. Bridgen, D. B. Copland, L. F. Giblin, Mr. E. C. Dyason, Member of the Stock Exchange of Melbourne, and Mr. C. H. Wickens, Commonwealth Statistician and Actuary, which, in 1929, submitted a report to the then Prime Minister (the Right Honorable S. M. Bruce) on the economic effects of the Australian tariff. The Committee estimated the excess costs due to protection at £36,000,000 per annum in the year 1926-27, a sum which represents the higher price paid for goods manufactured in Australia than the price at which they could be sold if imported duty free. The calculation of £3,700,000 is, however, based on £40,000,000, the assumption being that the excess costs of the tariff at the present time are about £4,000,000 greater than they were in 1926-27. In view of the collapse in prices of her exports South Australia claims that she cannot afford to continue to make such "generous donations" to protected industries without substantial assistance.

AMOUNT OF GRANT SOUGHT.

The amount of assistance sought from the Commonwealth is £1,950,000 per annum, but no period is specified. The basis of the claim is as follows:—

In the year 1927-28 the taxation per head raised in South Australia was £6 9s. 10d., compared with an average of 25s. 1d. for all States. The severity of taxation in South Australia was, however, greater than this difference indicates because the taxable capacity of South Australia for the three assessment years 1926-27 to 1928-29, was only 84 per cent. of the average. Had the taxable capacity of all the States been the same as that of South Australia, the amount raised would have averaged £4 4s. 1d. per head, so that in order to reduce the severity of taxation in South Australia to the Australian average, taxation per head should have been reduced by 22s. 6d., or total taxation by £131,000. Adding the deficit of £704,000 and the excess charges for water and sewerage of £200,000 we get a total of about £2,250,000. In order to arrive at the special grant there should be deducted an amount to allow for any extravagance in expenditure from revenue or loan. Had costs of administration and expenditure on social services been no greater in other States than in South Australia, and had their expenditure from loan been beyond reproach, then the amount to be deducted would have been £300,000, thus making the grant payable to South Australia £1,950,000 per annum. Actually we know that costs of administration have been higher and the provision of social services on a more generous scale in other States than in South Australia, while expenditure from loan has probably been no wiser. The special grant should, therefore, be greater than £1,950,000 per annum. In this, however, provision has been made to place the finances of South Australia upon a sound basis. It is believed that the practice in South Australia in past years of not making proper provision for depreciation and other charges is still being followed by some States. Naturally, we can make no attempt to estimate what deficits have been concealed by such means; they should be allowed for in the calculations, but until the States concerned are prepared to reveal their true position they cannot complain if their Budgets are accepted at their face value.

THE FINANCIAL POSITION OF SOUTH AUSTRALIA.

The following table shows the annual surpluses and deficits in South Australia since the year 1906-7, the surpluses and deficits actually shown in the Treasurer's Financial Statements being adjusted to reveal the real position of the State's accounts.

SOUTH AUSTRALIA.									
STATEMENT RE SURPLUSES AND DEFICITS AS FINALLY ADJUSTED.									
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.
Year.	Surplus as Published.	Deficit as Published.	Surplus Contributions (Revised).	Interest Capitalized (Revised).	Soldier Settlement Loans on Interest and Administration Costs Capitalized.	Depreciation of Wasting Assets.	Surplus as Adjusted.	Deficit as Adjusted.	
1906-7	..	..	..	..	..	..	..	..	..
1907-8	207,073	..	..	..	..	..	44,000	253,073	..
1908-9	483,223	..	..	..	..	..	50,000	533,223	..
1909-10	201,772	..	..	..	..	..	57,450	259,222	..
1910-11	472,755	..	..	..	..	..	64,000	536,755	..
1911-12	217,061	..	..	..	..	..	71,000	288,061	..
1912-13	295,150	..	..	..	..	..	78,000	373,150	..
1913-14	218,418	..	..	..	..	..	85,000	303,418	..
1914-15	218,637	..	..	..	..	..	92,000	310,637	..
1915-16	..	689,088	..	5,836	..	..	100,000	..	794,924
1916-17	..	384,400	95,840	10,848	..	..	108,000	..	508,388
1917-18	..	316,850	102,778	12,282	..	..	116,000	..	445,908
1918-19	..	78,498	108,941	18,948	..	..	124,000	..	220,182
1919-20	..	126,749	112,231	16,500	..	..	122,000	..	330,619
1920-21	..	302,874	125,380	42,752	125,638	..	148,000	..	534,010
1921-22	..	54,489	..	63,889	100,014	..	185,000	..	434,371
1922-23	..	5,183	..	38,857	104,000	100,000	104,000	..	256,937
1923-24	..	1,629,254	..	120,817	170,278	..	171,000	..	2,091,349
1924-25	..	63,001	..	114,101	222,848	..	178,000	..	578,150
1925-26	..	121,511	..	106,718	216,438	..	185,000	..	554,667
1926-27	..	1,060,000	..	98,836	188,401	..	182,000	..	1,529,237
1927-28	..	374,931	..	..	49,216	..	200,000	..	734,662
1928-29	..	350,839	..	..	57,501	..	118,000	..	566,140
1929-30	..	1,628,232	..	..	1,011,807	..	..	..	1,851,289
000000	..	..	..	..	..	..	..	..	..
000000	2,655,878	6,849,627	661,760	738,298	2,064,788	267,760	2,885,000	1,891,987	11,768,237

The above figures disclose that up to 1914 the financial position of the State was sound. Since 1914, however, there have been large deficits in the State's accounts, in spite of heavy taxation. It was stated in evidence that successive Governments felt themselves unable to face the difficult financial position that was steadily growing more acute, and, as a consequence, liabilities were deferred which should have been met. The Governments trusting that the future development of the State would make possible their subsequent discharge. Events, however, had proved that those hopes were not well-founded, and the position had grown steadily worse, being aggravated by the dead weight of a large and growing undischarged liability. In the year ended 30th June, 1930, the State was faced with the largest deficit in her history, amounting

to £1,625,823. Actually the deficit was £1,651,288, as interest and administrative costs on soldier settlements were capitalized. The published deficits for the four years ended 30th June, 1930, were:—

1926-27	1,050,050
1927-28	274,931
1928-29	930,889
1929-30	1,625,823
	3,881,683
Estimated deficit for 1930-31	2,000,000
Making a total deficit for five years of	5,881,683

If the Commonwealth grants of £850,000 and £320,000 respectively were excluded from the estimated figure for 1930-31, the deficit for that year would be £3,170,000.

In 1927-28 the Government of South Australia submitted a claim to the Commonwealth for a special grant of £750,000 per annum. The Commonwealth Government appointed a Royal Commission to investigate the claim. In 1929 the Royal Commission recommended, *inter alia*, that a sum of £800,000 per annum be paid by the Commonwealth to the State for two years. The Commonwealth Government, however, did not adopt the recommendation, but made provision for £1,000,000 to be paid to South Australia thus:—

1929-30	300,000
1930-31	320,000
1931-32	320,000
	1,000,000

The seriousness of the financial position of South Australia was again considered at a Conference of Commonwealth and State Ministers in Melbourne in August, 1930; when it was resolved to pay to South Australia an amount of £850,000 which the Commonwealth Government had proposed to pay to the various States for unemployment relief and roads during the current financial year. It was also agreed that the Governments of the Commonwealth and South Australia should confer as to a further sum of £150,000. Evidence tendered to the Committee showed that the latter amount was not paid to South Australia.

It was pointed out to the Committee that a determined effort had been made by the South Australian Government to overcome its financial difficulties. When the first review of the Budget for 1930-31 was made it appeared to the Government that without further economies and increased taxation the deficit would be £3,000,000. To meet the position every avenue, it was stated, was explored to effect economies and to raise additional revenue. Following are the principal measures adopted to cope with the situation:—

Reduction of grants to local governing bodies	£110,000
Reduction of grants to University, School of Mines, Public Library and other bodies	30,000
Reduction in salaries of Public Services generally (including Education Department) by arbitration and agreement	200,000
Reduction in railways, agriculture, &c.	200,000
Increased land taxation	100,000
Increase and adjustment in income tax	820,000
Net revenue from motor taxation restored to general revenue	300,000
Special grant from Commonwealth	(a) 1,000,000
Total	2,760,000

(a) Of the amount £850,000 will be received by South Australia.

An examination of the items enumerated would, it was claimed, serve to show the hardship, sacrifice and difficulties involved in the financial policy decided upon; and how impossible it was for the State to regain financial equilibrium without substantial assistance from the Commonwealth.

TAXATION.

The following table submitted as evidence shows the taxation, including motor taxation, collected per head of population in each State from 1907-08 to 1929-30:—

Year.	New South Wales.	Victoria.	Queensland.	South Australia.	Western Australia.	Tasmania.	Average All States.
1907-08	£ s. d. 0 13 9	£ s. d. 0 15 10	£ s. d. 0 19 3	£ s. d. 0 19 3	£ s. d. 1 5 4	£ s. d. 1 1 10	£ s. d. 1 8 0
1908-09	0 11 6	0 17 2	0 19 2	1 3 1	1 2 10	1 6 2	0 16 7
1909-10	0 15 2	0 17 0	1 0 3	1 4 3	1 5 4	1 11 5	0 18 7
1910-11	0 12 6	1 0 8	1 2 3	1 6 10	1 3 6	1 9 5	0 19 0
1911-12	1 2 6	1 2 1	1 5 4	1 6 5	1 3 11	1 15 2	1 3 9
1912-13	0 15 10	1 2 10	1 5 4	1 4 11	1 5 8	1 15 0	1 1 5
1913-14	1 5 5	1 2 8	1 6 11	1 13 3	1 4 1	1 16 10	1 5 11
1914-15	1 11 8	1 4 3	1 8 2	1 6 8	1 3 0	1 16 6	1 8 4
1915-16	1 13 4	1 9 3	2 2 3	1 11 5	1 5 8	1 18 3	1 13 0
1916-17	1 19 1	1 12 0	2 6 9	1 12 11	1 6 1	2 3 11	1 16 11
1917-18	2 1 1	1 12 9	2 11 2	2 5 6	1 9 1	2 12 6	2 0 3
1918-19	2 2 4	1 18 4	3 19 10	2 11 10	2 0 2	2 13 2	2 7 7
1919-20	2 8 8	2 3 3	4 11 3	2 17 10	2 12 3	2 18 1	2 14 6
1920-21	3 10 8	2 11 8	4 19 2	3 6 1	2 19 1	3 6 7	3 8 0
1921-22	3 8 2	2 10 6	4 10 4	3 10 10	2 14 1	3 6 8	3 5 7
1922-23	3 11 9	2 13 4	4 6 3	3 10 10	2 19 1	3 6 6	3 7 7
1923-24	3 12 4	2 17 1	4 12 0	3 10 2	3 8 0	4 4 9	3 11 0
1924-25	3 17 5	3 3 3	4 17 2	4 5 1	3 11 2	5 10 11	3 18 2
1925-26	4 5 8	3 9 2	4 19 9	4 18 5	4 5 5	6 14 3	4 5 3
1926-27	5 8 2	3 14 11	5 7 11	5 1 11	3 18 5	5 14 6	4 16 7
1927-28	5 1 8	4 2 5	5 19 6	5 9 10	3 17 8	5 5 2	5 0 1
1928-29	5 10 10	4 1 3	5 11 11	6 10 1	4 0 7	5 2 8	5 2 4
1929-30	5 8 9	4 3 0	5 3 0	6 0 3	4 8 10	5 2 3	5 0 3

It will be seen that for some years past the taxation per head in South Australia has been considerably in excess of the average for all States.

The following schedule supplied by the State Commissioner of Taxation shows:—

(a) Income tax, unemployment tax and hospital tax where applicable, in each State and the Commonwealth;

(b) Total income tax, including unemployment tax and hospital tax, payable by a taxpayer in each State.

TAXES PAYABLE BY AN ADULT SINGLE PERSON WITHOUT DEPENDANTS.

	Income from Personal Exertion.							Income from Property.						
	£200.	£300.	£500.	£1,000.	£2,000.	£3,000.	£10,000.	£200.	£300.	£500.	£1,000.	£2,000.	£3,000.	£10,000.
New South Wales	Nil	2	13	35	116	334	1,682	Nil	2	18	47	162	772	1,983
Unemployment Tax	0	0	10	31	82	186	312	0	9	19	31	62	156	312
Federal	Nil	Nil	9	35	125	375	2,381	Nil	14	67	135	375	1,500	3,750
Total taxes	0	11	41	101	303	1,365	4,376	0	25	104	213	590	2,437	6,034
Victoria	Nil	3	18	34	81	235	608	Nil	5	36	69	163	470	1,010
Unemployment	2	3	8	16	34	149	282	2	3	8	16	54	146	292
Federal	Nil	Nil	9	35	125	375	2,381	Nil	14	67	135	375	1,500	3,750
Total taxes	2	6	35	85	240	1,059	3,178	2	22	111	244	640	2,008	5,042
Queensland	2	5	27	72	216	536	2,016	3	8	36	69	240	630	2,016
Unemployment	3	4	8	19	28	63	125	3	4	8	13	26	63	125
Federal	Nil	Nil	9	35	125	375	2,381	Nil	14	67	135	375	1,500	3,750
Total taxes	5	9	44	126	369	1,074	4,622	6	26	111	244	640	2,008	5,833
South Australia	11	19	46	102	231	948	2,394	14	26	62	121	289	1,694	2,686
Unemployment	Nil	Nil	0	35	125	375	2,381	Nil	14	67	135	375	1,500	3,750
Federal	Nil	Nil	9	35	125	375	2,381	Nil	14	67	135	375	1,500	3,750
Total taxes	11	19	55	127	356	1,023	4,775	14	39	129	256	664	2,003	6,425
Western Australia	2	3	13	33	85	204	1,332	2	3	9	23	85	504	1,332
Unemployment	1	2	4	8	12	31	62	1	2	4	6	12	31	62
Federal	Nil	Nil	9	35	125	375	2,381	Nil	14	67	135	375	1,500	3,750
Total taxes	3	5	26	54	122	310	3,775	3	19	80	164	472	2,044	5,134
Tasmania	5	5	13	28	69	150	716	3	5	10	44	168	420	890
Unemployment	3	4	8	13	22	63	125	3	4	8	13	26	63	125
Federal	Nil	Nil	9	35	125	375	2,381	Nil	14	67	135	375	1,500	3,750
Total taxes	8	9	30	76	238	1,058	3,222	6	23	91	162	668	1,992	4,763

TAXES PAYABLE BY A MARRIED MAN WITH WIFE AND CHILD:

	Income from Personal Effort						Income from Property							
	£500.	£500.	£500.	£1,000.	£2,000.	£10,000.	£500.	£500.	£500.	£1,000.	£2,000.	£5,000.	£10,000.	
New South Wales	NH	NH	9	29	106	516	NH	NH	12	39	148	745	1,959	
Unemployment	6	9	10	31	62	126	6	9	10	31	62	126	312	
Federal	NH	NH	7	31	120	463	NH	9	29	106	516	2,487	3,716	
Total taxes	6	9	36	91	288	1,335	6	10	88	196	872	2,388	4,687	
Victoria	NH	NH	8	34	81	235	NH	NH	15	69	183	470	1,010	
Unemployment	2	3	8	10	54	140	2	3	8	16	54	146	292	
Federal	NH	NH	7	31	120	463	NH	7	27	126	362	1,487	3,716	
Total taxes	2	3	23	81	256	1,044	2	10	60	211	579	2,103	3,018	
Queensland	NH	NH	14	72	215	636	NH	1	23	96	240	936	2,016	
Unemployment	3	4	8	13	25	63	3	4	8	13	25	63	126	
Federal	NH	NH	7	31	120	463	NH	7	27	126	362	1,487	3,716	
Total taxes	3	5	29	116	361	1,062	3	12	88	235	627	2,486	6,857	
South Australia	NH	NH	11	35	82	211	809	6	16	49	111	269	1,044	2,566
Unemployment	3	4	8	13	25	63	3	4	8	13	25	63	126	
Federal	NH	NH	7	31	120	463	NH	7	27	126	362	1,487	3,716	
Total taxes	6	11	42	119	331	1,561	6	23	106	237	631	2,531	6,202	
Western Australia	NH	NH	1	8	20	80	492	1	8	20	80	492	1,524	
Hospital/Tax	1	2	4	6	12	31	62	1	2	4	6	12	31	
Federal	NH	NH	7	31	120	463	NH	7	27	126	362	1,487	3,716	
Total taxes	1	3	19	67	212	1,863	1	10	80	162	454	2,010	5,101	
Tasmania	NH	NH	12	28	85	317	713	NH	2	14	41	152	417	806
Unemployment	3	4	8	13	25	63	126	3	4	8	13	25	63	
Federal	NH	NH	7	31	120	463	NH	7	27	126	362	1,487	3,716	
Total taxes	3	6	27	70	229	1,044	3	13	79	180	539	1,967	4,737	

Incomes upon which taxes have been calculated are incomes before allowance for wife child and statutory exemption. Should a South Australian taxpayer have derived dividends, further tax of 6d. is payable in respect of each £ dividend. The Unemployment Tax is imposed under Acts which provide for the calculation of taxes without regard to family deductions.

COMBINED STATE AND COMMONWEALTH INCOME TAX PAYABLE BY A COMPANY UPON CERTAIN INCOMES.

Taxable Income	£1,000.	£3,000.	£5,000.	£10,000.	£20,000.
New South Wales	£ 171	£ 562	£ 1,021	£ 2,042	£ 4,084
Victoria	154	462	771	1,540	3,080
Queensland	*	*	*	*	*
South Australia	160	606	1,271	2,542	5,084
Western Australia	138	414	693	1,386	2,772
Tasmania	142	426	708	1,416	2,832

* Depends on percentage of Profit on Capital.

It will be seen that company taxation in South Australia is comparatively heavy and that if present rates continue they will have serious reactions on the State.

DIRECT TAXATION EXPRESSED AS A PERCENTAGE OF THE VALUE OF PRODUCTION OF THE PREVIOUS YEAR.

Year	New South Wales	Victoria	Queensland	South Australia	Western Australia	Tasmania	All States
1920-21	Per cent. 5.99	Percent. 3.81	Per cent. 3.45	Per cent. 5.16	Per cent. 4.10	Per cent. 6.87	Per cent. 5.47
1921-22	4.93	3.40	6.49	4.68	3.64	6.55	4.63
1922-23	6.04	4.07	6.62	6.12	4.77	7.72	6.53
1923-24	5.51	4.06	7.04	5.99	5.21	8.84	5.38
1924-25	6.29	4.36	7.21	6.71	4.90	11.80	5.52
1925-26	4.79	4.40	6.11	5.99	6.02	10.96	6.22
1926-27	7.12	5.72	7.64	6.95	4.85	10.74	6.77
1927-28	6.52	5.98	10.06	8.83	4.64	9.28	6.96
1928-29	7.40	5.99	8.02	9.37	4.82	8.86	7.14
1929-30	7.40	5.99	7.84	9.27	5.92	9.08	7.17

The following figures afford a useful comparison of the relative prosperity of the different States:

INDEX OF RELATIVE INCOME-TAX PAYING CAPACITY.

(OMITTING CENTRAL OFFICE ASSESSMENTS.)

Income Year	New South Wales	Victoria	Queensland	South Australia	Western Australia	Tasmania	Six States
1914-15	112	65	130	64	107	58	100
1915-16	112	87	99	87	137	73	100
1916-17	111	87	115	82	121	45	100
1917-18	112	80	122	86	125	40	100
1918-19	112	106	79	84	95	61	100
1919-20	104	108	84	114	80	62	100
1920-21	95	118	85	110	93	67	100
1921-22	103	122	68	99	87	45	100
1922-23	96	119	88	99	91	70	100
1923-24	95	129	59	122	75	72	100
1924-25	110	106	67	89	83	51	100
1925-26	121	105	73	85	64	39	100
1926-27	110	120	73	82	67	45	100
1927-28	115	110	70	84	81	54	100
1928-29	125	101	60	70	100	61	100

It will be noted that the income tax paying capacity of South Australia is considerably below the average for all States.

The following index figures show the relative severity of taxation in the different States:

Year	New South Wales	Victoria	Queensland	South Australia	Western Australia	Tasmania	Six States
1915-16	91	105	101	150	73	154	100
1916-17	116	78	129	104	52	123	100
1917-18	93	95	112	140	61	214	100
1918-19	80	102	139	128	68	208	100
1919-20	81	76	214	123	102	134	100
1920-21	101	71	175	86	110	122	100
1921-22	110	66	164	99	90	114	100
1922-23	104	66	190	107	102	160	100
1923-24	108	69	149	101	106	134	100
1924-25	108	64	214	91	123	162	100
1925-26	93	78	136	131	122	193	100
1926-27	94	75	155	126	129	195	100
1927-28	94	70	166	161	118	143	100
1928-29	95	73	158	163	98	117	100
1929-30	88	83	173	174	90	125	100

NOTE.—Figures exclude lottery taxation in Tasmania.

It will be observed that the severity of taxation in South Australia in 1929-30 was the greatest of all the States and that since 1925-26 the taxpayers of South Australia have been called upon to bear a heavy burden of taxation.

The following table shows the actual taxation received in South Australia and the revenue that would have been received in South Australia on the basis of the severity of taxation in the different States. Thus for the fifteen years stated the taxation received by South Australia was £20,963,692. If South Australia had adopted the basis of severity of taxation in New South Wales she would have received only £14,182,304. By adopting the basis of severity of taxation in Victoria, Queensland and Tasmania, South Australia would have received

respectively £18,414,390, £40,956,882, £25,776,939 and £30,963,692 instead of £30,963,692. If the average severity of taxation for the six States had been adopted by South Australia she would have received £24,777,265 instead of £30,963,692.

Year.	New South Wales.	Victoria.	Queensland.	South Australia (Taxation received).	Western Australia.	Tasmania.	Average Six States.
1916-16	£ 426,683	£ 491,058	£ 472,351	£ 701,511	£ 341,402	£ 750,816	£ 467,674
1916-17	810,459	544,884	901,319	726,646	363,322	859,397	608,697
1917-18	675,503	650,030	813,510	1,016,887	443,072	1,554,384	726,348
1918-19	740,007	944,656	1,287,326	1,185,451	693,771	1,926,368	996,134
1919-20	880,767	826,399	2,326,966	1,391,830	1,109,114	1,467,072	1,087,367
1920-21	1,904,996	1,339,156	3,300,736	1,622,076	2,074,749	2,301,085	1,886,136
1921-22	1,976,195	1,185,717	2,946,327	1,778,676	1,616,887	2,049,057	1,796,541
1922-23	1,765,838	1,103,649	3,226,050	1,816,776	1,731,879	2,716,674	1,687,921
1923-24	1,969,364	1,258,205	2,716,993	1,841,720	1,932,894	2,443,470	1,823,486
1924-25	2,065,351	1,611,080	5,387,048	2,250,754	3,096,294	3,459,064	2,671,312
1925-26	1,926,864	1,616,080	2,817,780	2,714,185	2,637,714	3,939,781	2,671,397
1926-27	2,162,600	1,717,421	3,549,336	2,885,266	2,953,963	4,465,293	2,989,894
1927-28	2,181,420	1,624,462	3,852,396	3,736,263	2,738,379	3,318,544	2,320,650
1928-29	2,339,603	1,797,801	3,891,130	3,767,993	2,413,486	2,881,406	2,462,741
1929-30	1,763,924	1,663,701	3,467,714	3,487,759	1,804,013	2,505,574	2,004,459
Total: fifteen years	24,182,304	18,414,390	40,956,882	30,963,692	25,776,939	36,965,357	24,777,265

Note.—The figures shown under the various States, South Australia excepted, do not represent the taxation received in those States but simply indicate the tax that would have been paid in South Australia had the latter State taxed her people with the same severity as the other States.

The following table is of particular interest:—

Year.	Taxation received if South Australia taxed at same average per head of the six States.	Taxable capacity, South Australia Index Number.	Taxation received if South Australia taxed same as average of six States allowing for Taxable capacity.	Taxation actually received, South Australia.	Difference between Taxation actually received and receivable on basis of taxation in all States on taxable capacity of South Australia.	
					South Australia in excess.	South Australia below.
1916-16	£ 735,875	64	£ 470,980	£ 701,511	£ 230,531	£ 1,132,491
1916-17	815,545	87	709,594	726,646	17,121	1,115,425
1917-18	898,998	82	737,178	1,016,887	279,709	1,114,110
1918-19	1,088,008	86	938,203	1,185,451	249,248	1,114,207
1919-20	1,317,987	84	1,102,069	1,391,830	289,761	1,114,761
1920-21	1,669,420	114	1,903,139	1,622,076		281,063
1921-22	1,647,506	110	1,812,257	1,778,676		33,681
1922-23	1,734,185	99	1,716,843	1,816,776	99,933	
1923-24	1,862,855	99	1,844,226	1,841,720		2,506
1924-25	2,104,643	123	2,607,604	2,290,754		276,910
1925-26	2,351,336	99	2,092,889	2,714,185	621,496	
1926-27	2,785,230	85	2,324,946	2,885,266	560,320	
1927-28	2,881,273	82	2,363,644	3,736,263	1,373,619	
1928-29	2,964,350	84	2,490,654	3,767,993	1,277,339	
1929-30	2,908,608	70	2,036,026	3,487,759	1,451,733	
Total, 15 years	27,710,419		25,106,422	30,963,692	6,451,430	594,160
					5,857,270	

An examination of the above figures discloses that, on the basis of taxable capacity, the taxpayers of South Australia have been severely taxed during the past five years. It will also be noted that, on the basis of population, not allowing for taxable capacity, the taxation in South Australia is considerably higher than the average for all States.

It will be gathered from the foregoing tables that the financial difficulties of South Australia are not due to failure on the part of the Government to impose heavy taxation.

REVENUE EXPENDITURE.

The revenue expenditure of South Australia since 1920-21 is reflected in the following comparative tables:—

REVENUE EXPENDITURE OF STATES, 1920-21 to 1929-30.

Year.	New South Wales.	Victoria.	Queensland.	South Australia.	Western Australia.	Tasmania.	Six States.
1920-21	£ 34,476,892	£ 16,941,698	£ 12,691,201	£ 7,543,640	£ 7,476,291	£ 2,189,157	£ 83,218,879
1921-22	36,966,525	20,297,279	12,499,970	7,826,241	7,639,242	2,302,077	87,531,334
1922-23	35,842,436	21,611,309	12,784,382	8,426,517	7,612,856	2,472,523	88,250,023
1923-24	37,257,419	23,050,968	13,416,332	8,985,089	8,094,763	2,658,392	93,456,453
1924-25	40,836,803	24,170,453	14,580,233	9,680,037	8,439,644	2,675,618	100,183,073
1925-26	42,890,400	25,559,533	16,154,404	10,460,943	8,307,399	2,698,362	106,600,960
1926-27	45,481,416	27,744,503	18,490,954	11,834,947	9,722,688	2,855,077	114,129,885
1927-28	48,857,763	27,521,270	16,707,504	11,621,834	9,834,415	2,867,905	117,410,451
1928-29	51,066,805	28,104,947	16,902,145	11,771,772	10,223,919	2,896,977	120,925,665
1929-30	51,772,705	28,496,712	16,721,055	12,176,840	10,268,519	2,981,092	122,417,823
Annual Average	42,487,316	24,549,915	14,914,730	10,032,837	8,821,974	2,655,667	103,412,439

Year.	PER HEAD OF POPULATION.					
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
1920-21	16 9 8	12 7 11	16 15 6	15 7 3	22 11 4	10 5 10
1921-22	17 7 5	13 1 9	16 5 5	16 11 7	22 16 2	10 10 11
1922-23	16 5 4	13 11 10	16 4 4	16 8 5	22 3 1	11 5 11
1923-24	16 17 2	14 3 8	16 10 9	17 2 6	22 17 7	12 2 8
1924-25	17 17 0	14 11 9	17 16 5	17 10 6	23 3 7	12 5 8
1925-26	18 12 7	15 3 7	18 12 5	18 19 5	23 18 8	12 8 8
1926-27	19 7 6	16 4 2	18 13 10	20 17 11	23 13 5	13 5 11
1927-28	20 7 1	15 16 1	18 11 7	20 3 8	25 1 5	13 5 8
1928-29	20 17 8	15 19 2	18 8 9	20 6 5	25 3 10	13 3 9
1929-30	20 17 11	16 0 9	17 19 3	20 19 8	24 12 9	13 12 3
Annual Average	18 11 10	14 15 4	17 13 3	18 10 0	23 17 7	12 4 9

It will be noted that the average annual revenue expenditure of South Australia is a little higher than the average of the six States. This condition is partly due to the relatively high Public Debt charges in that State. The rapid growth of these charges is shown in the following comparative figures:—

PUBLIC DEBT CHARGES AND PERCENTAGE TO TOTAL REVENUE EXPENDITURE, 1913-14, 1919-20 AND 1929-30.

State.	(a) Public Debt Charge.			(b) Revenue Expenditure.			(c) Percentage—Public Debt Charge to Revenue Expenditure.		
	1913-14.	1919-20.	1929-30.	1913-14.	1919-20.	1929-30.	1913-14.	1919-20.	1929-30.
New South Wales	£ 4,113,002	£ 5,806,705	£ 13,297,131	£ 18,065,189	£ 30,210,013	£ 61,772,705	22.77	19.22	25.68
Victoria	2,692,760	3,608,493	8,173,973	10,717,642	15,752,459	28,496,712	23.35	22.91	28.68
Queensland	1,972,820	2,665,548	5,522,564	5,952,516	11,206,910	16,721,055	28.33	23.86	33.06
South Australia	1,843,707	1,994,632	4,377,269	4,604,906	6,457,039	12,176,840	39.18	30.89	40.05
Western Australia	1,384,096	2,067,601	3,455,648	5,340,754	6,531,725	10,268,519	25.92	31.65	33.63
Tasmania	497,252	700,582	1,202,562	1,235,014	1,823,301	2,981,992	40.26	38.32	40.33
Six States	11,813,633	16,843,591	36,532,993	46,925,245	72,046,447	122,417,823	25.18	23.38	29.84

It will be observed that the Public Debt charges of South Australia have increased from £1,843,707 in 1913-14 to £4,377,269 in 1929-30, an increase of 233 per cent. During the same period the population increased by only 32 per cent. It will also be noted that the ratio of Public Debt charges to total revenue expenditure in South Australia has reached 40 per cent., or 8s. in the £.

The revenue derived from most of the loan assets of the State is insufficient to meet interest charges, and in some cases even the working expenses. Consequently the deficiencies have to be met from the general revenue of the State, and this steadily increasing

dead weight of interest, which is met from taxation, is imposing a very embarrassing burden on the State. The following figures illustrate the seriousness of the position:—

Year.	Interest Payable on Public Debt, &c.	Amount Available from Revenue-producing Assets.	Balance Covered by Taxation or Capitalised.
1922-23	£ 2,611,495	£ 1,970,052	£ 641,443
1923-24	2,904,117	2,381,995	522,122
1924-25	3,211,420	2,519,446	691,974
1925-26	3,594,665	2,640,293	954,372
1926-27	4,005,324	1,994,742	2,010,582
1927-28	4,278,087	2,560,954	1,717,133
1928-29	4,290,050	2,124,448	2,165,602
1929-30	4,588,980	1,965,432	2,623,548

The interest which has to be met from taxation is principally on such loan expenditure as railways, country waterworks, and other developmental undertakings, its allocation being shown in the following table:—

Year.	Railways.	Country Waterworks.	Irrigation.	Soldier Settlement.	River Murray Works, &c.	All Other.	Total.
1922-23	£ 4,750	£ 172,369	£ 152,203	£ 211,191	£ 32,003	£ 68,927	£ 641,443
1923-24	13,106	194,773	187,694	190,278	42,202	106,933	522,122
1924-25	25,534	252,668	185,348	222,545	50,296	44,537	691,974
1925-26	326,812	275,059	183,202	270,903	52,223	75,227	954,372
1926-27	1,193,062	293,715	197,503	249,813	65,925	9,564	2,010,582
1927-28	1,887,721	296,179	204,296	289,218	78,126	38,407	1,717,133
1928-29	1,875,123	303,505	235,839	273,050	81,457	3,372	2,265,602
1929-30	1,803,586	369,244	249,851	354,845	109,394	253,162	2,623,558

The following table affords a relative view of the cost of government in the various States. While the expenditure on education, hospitals, and police forms a fair basis for comparison, the expenditure on general government must be interpreted with caution because of the different conditions existing in the various States.

COST OF GOVERNMENT (PER HEAD OF POPULATION), 1928-29.

State.	Education.		Hospitals and Clinics.		Police.		General Government.		Total.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.		
New South Wales	2 0 11	1 11 0	0 14 4	2 4 11	5 10 5	2 7 7	5 7 8	6 10 4	
Victoria	1 13 2	0 16 6	0 10 5	2 1 5	1 18 5	5 7 10	5 6 9	6 10 4	
Queensland	1 16 3	1 0 2	0 13 0	2 0 0	2 0 0	5 6 9	5 6 9	6 10 4	
South Australia	1 14 11	0 10 2	0 10 11	2 0 0	2 0 0	5 6 9	5 6 9	6 10 4	
Western Australia	1 15 4	1 2 4	0 11 8	4 4 6	4 4 6	7 13 10	7 13 10	6 10 4	
Tasmania	1 10 4	0 18 6	0 8 8	1 11 1	1 11 1	4 8 7	4 8 7	6 10 4	
All States	1 16 10	1 3 5	0 12 4	2 6 1	2 6 1	5 18 8	5 18 8	6 10 4	

The figures show that the expenditure of South Australia is well below the average of the six States. It was submitted in evidence that when the population of a State is scattered, as is the case in South Australia, the cost of Government per head should be higher than in a State, such as Victoria, whose population is concentrated into a small compact area.

PUBLIC DEBT.

At the 30th June, 1930, the net Public Debts of the various States were as under:—

	Net Debt.	Net Debt per head.	Annual Interest per head.
	£ s. d.	£ s. d.	£ s. d.
New South Wales	270,485,109	108 14 4	5 9 8
Victoria	155,714,797	87 4 8	4 7 2
Queensland	111,808,976	118 18 11	5 15 2
South Australia	93,977,794	162 0 7	8 4 0
Western Australia	70,370,166	169 7 7	8 8 0
Tasmania	22,080,849	105 9 10	4 19 10
	725,637,690	112 18 1	5 12 7

It will be noted that South Australia's debt per head and interest per head are considerably greater than the average for all States.

LOAN EXPENDITURE.

The following tables afford a comprehensive view of loan expenditure in South Australia. — LOAN EXPENDITURE, SOUTH AUSTRALIA, 30th JUNE, 1930, AND INCREASE IN LAST TEN YEARS.

Head of Expenditure.	Total at 30th June, 1920.	Total at 30th June, 1930.	Ten Years' Increase.
	£	£	£
Public Utilities—			
Railways	19,088,721	32,295,135	13,136,414
Metropolitan Waterworks and Sewers	3,958,621	6,048,846	2,090,225
Country Waterworks	4,126,948	9,164,626	5,038,648
Harbours and Jetties	3,865,775	7,601,184	3,735,409
Mainly Developmental—			
Roads and Bridges	1,756,524	3,202,453	1,445,929
Irrigation	1,433,220	3,977,510	2,544,290
River Murray Works, Locks, &c.	267,831	2,033,698	1,775,837
Other Developmental Expenditure	3,930,009	4,472,738	542,729
Loans—			
On Securities (including Advances for Homes, &c.)	7,383,907	14,106,589	6,722,682
Soldier Settlement	2,072,834	8,764,683	6,681,749
Buildings and Land for Buildings	1,304,942	3,023,674	1,728,332
Deficit, 1926-27		1,036,990	1,036,990
Miscellaneous	923,061	1,172,751	249,690
Total	50,100,893	96,829,817	46,728,924

LOAN EXPENDITURE IN EACH STATE OF THE COMMONWEALTH, 1919-20 to 1928-29.

Year.	New South Wales.	Victoria.	Queensland.	South Australia.	Western Australia.	Tasmania.	Six States.
£1,000's	£1,000's	£1,000's	£1,000's	£1,000's	£1,000's	£1,000's	£1,000's
1919-20	8,795	7,601	4,292	3,547	3,663	1,376	28,204
1920-21	14,701	11,095	3,890	4,676	2,586	2,718	39,665
1921-22	10,443	11,805	2,289	4,495	2,455	2,097	33,584
1922-23	9,794	8,764	3,851	4,370	3,889	1,154	30,822
1923-24	7,735	8,408	4,138	3,650	3,937	712	28,640
1924-25	9,176	7,941	3,689	4,085	4,099	242	31,232
1925-26	11,180	8,001	3,905	6,490	4,079	640	34,136
1926-27	10,422	8,992	3,599	6,074	4,113	380	33,500
1927-28	14,403	8,418	3,199	3,882	4,680	378	35,025
1928-29	14,249	7,128	2,142	3,536	4,372	349	31,776
Average per year	11,050	8,818	3,459	4,674	3,637	990	32,663

PER HEAD OF POPULATION.

Year.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
1919-20	4 9 3	5 1 2	5 17 5	7 7 4	8 2 6	6 11 2	5 6 10
1920-21	7 0 7	7 5 3	5 3 8	9 10 5	7 16 2	12 15 5	7 6 9
1921-22	4 18 2	7 12 3	2 19 7	8 18 11	7 6 3	9 12 2	6 2 1
1922-23	4 10 2	5 10 3	4 5 0	8 10 4	9 17 3	5 5 5	5 9 7
1923-24	3 10 0	5 9 5	5 3 6	6 49 1	11 2 6	13 5 0	4 19 9
1924-25	4 11 5	4 15 10	6 0 3	11 6 0	11 5 2	1 2 3	5 6 6
1925-26	4 17 3	4 15 0	5 15 0	11 13 2	10 19 2	2 9 9	5 14 1
1926-27	4 8 9	5 8 9	4 1 7	10 14 6	10 17 2	1 10 8	5 9 10
1927-28	6 0 0	4 17 4	3 11 2	6 14 10	11 18 7	1 15 0	5 12 6
1928-29	5 16 7	4 1 0	3 10 11	6 2 10	10 15 5	1 12 3	5 0 6
Average per year	4 19 1	5 7 10	4 9 10	8 17 7	10 1 9	4 11 8	5 12 6
Percentage of Six States average	68.07	85.67	74.54	156.10	179.36	81.45	100.0

It will be seen that the loan expenditure of South Australia increased by £46,728,924, or 93 per cent. during the ten years ended 30th June, 1930. During the same period the population increased by only 24 per cent. The chief items of increase are railways, country waterworks, loans on securities and soldier land settlement. The increase in railways expenditure is due, in the main, to the rehabilitation scheme, which cost about £11,000,000. The increase in country waterworks is due partly to the expenditure on the Tod River Water scheme, which is referred to later.

RAILWAYS.

In common with the railway systems in the other States the financial position of the South Australian railways is serious. The following figures show the financial results for the five years ended 30th June, 1930:—

Year Ended 30th June—	Earnings.	Ordinary Working Expenses.	Profit on Working.	Interest.	Total Loss.
1926	£ 4,262,174	£ 3,121,345	£ 1,141,029	£ 1,195,108	£ 54,079
1927	4,144,412	3,706,169	438,243	1,332,515	894,272
1928	3,999,583	3,426,007	573,576	1,271,068	698,110
1929	3,615,735	3,234,094	384,641	1,365,807	982,166
1930	3,295,649	3,290,714	7,935	1,399,063	1,391,128
	19,323,553	16,778,129	2,545,424	6,655,169	4,019,745

The above figures do not include in working expenses extraordinary charges for depreciation, recoups to capital or contributions to Sinking Fund. The following figures reveal the position after including those charges:—

Year Ended 30th June—	Earnings.	Working Expenses.	Loss on Working.	Interest.	Total Loss.
1926	£ 4,262,174	£ 7,103,459	£ 2,841,265	£ 1,195,108	£ 4,036,393(b)
1927	4,144,412	5,892,228	1,747,816	1,332,515	3,080,331(b)
1928	3,999,583	3,727,769	271,824(a)	1,271,068	899,862
1929	3,615,735	3,652,281	33,546	1,365,807	1,400,353
1930	3,295,649	3,685,624	389,175	1,399,063	1,798,238
	19,323,553	24,071,551	4,747,998	6,655,169	11,313,167

(a) Empty. (b) These figures include accumulated and deferred charges in respect of worn-out and obsolete assets.

It will be noted that—

- During the last two years earnings have not covered working expenses;
- The annual losses are showing a serious increase;
- The interest bill represents 42 per cent. of the earnings;
- The earnings of 1930 compared with those of 1926 show a decrease of nearly £1,000,000.

The serious drift in the railway finances is also reflected in the following figures furnished to the Committee:—

Year	Tonnage Carried.	Percentage of Goods and Livestock.
1925-26	25,751,550	3,553,037
1929-30	17,691,609	2,668,983

The main factors contributing to the adverse financial position of the railways are:—

- The relatively low volume of traffic offering in comparison with the number of route miles of track open;
- Motor competition;
- The heavy expenditure on the rehabilitation scheme;
- Heavy costs of coal, sleepers and other materials. (On the basis of the tonnage of coal used: last year the excess cost to the South Australian railways compared with the average cost in the other States was £238,000);
- Unfavorable seasons;
- General depression.

In view of the general criticism directed against the heavy expenditure on the railways rehabilitation scheme the Committee made close inquiries concerning this matter. In the official "Case" presented to the Committee it is stated that a special Committee consisting of J. W. Wainwright, Assistant Auditor-General, H. L. Goldbeck, Comptroller of Accounts, State Railways, and Professor L. G. Melville, after a careful and thorough investigation in 1928, reported that the financial position of the railways to-day is at least better than it would have been if the railways had not been rehabilitated. Due to rehabilitation South Australia has an efficient equipment and organization. In our opinion the great increase in the deficit of the railways since 1922 may be attributed, not to the re-organization, but to the effect of Arbitration Awards, mainly since 1924, made possible by Federal legislation such as the Navigation and Tariff Acts, and also to the effect of motor competition.

In the official "Case" the following appears:—

The total loss expenditure during the period of rehabilitation from the 1st July, 1923, to the 30th June, 1928, amounted to £11,300,000, excluding expenditure on new lines. Of this it is estimated that £2,000,000 must have been incurred in the absence of rehabilitation on stations, bridges, new rolling-stock, &c. This estimate covering a period of five years is a conservative one in view of the condition of the railways in 1922. In addition to this expenditure, probably another £5,000,000 would have been sufficient to provide South Australia with a satisfactory rehabilitation scheme to cope with the volume of business now being. The other £4,000,000 actually spent brought economies, but not sufficient, in all probability, to cover any large portion of the cost on capital cost. It must be admitted, therefore that the rehabilitation of the South Australian Railways has involved the State in a loss of say, about £200,000 per annum on the basis of the existing traffic, but if business improves, and the traffic on the railways continues to expand, the scheme may show a smaller loss.

The statement above quoted indicating that £4,000,000 might have been saved on the rehabilitation scheme is supported by the evidence of Mr. W. G. T. Goodman, Chairman of the Royal Commission on the South Australian Railways. Mr. Goodman said that while the scheme was elaborate and costly there was no doubt the expenditure incurred in many cases was fully justified and resulted in economies and greater efficiency. New rolling-stock, heavier locomotives and better provision for the handling of freight were, in his opinion, required Mr. Goodman also said—

As a result of the knowledge I have gained of the railways since I have been sitting on the Royal Commission I have come to the conclusion that expenditure amounting to about £4,000,000 need not have been incurred, and consequently, the interest thereon amounting to about £200,000 per annum is the loss which the State has to bear.

As to the future of the railways Mr. Goodman said that he doubted whether they would ever show a deficit of less than £1,000,000 per annum.

EYRE PENINSULA.

Doubt has been expressed as to the economic justification of certain developmental expenditure on Eyre Peninsula, notably that on the Tod River Water Works. This undertaking which was originally estimated to cost £1,455,000, actually cost £2,891,343. It should be mentioned, however, that, in addition to increased wages, the latter figure includes the cost of an extra 224 miles of reticulation and certain expenditure on the headworks which were not included in the original estimate. The area capable of being covered by the scheme is 2,400,000 acres, so that the capital cost per acre of the country served is about 25s. Following are the financial results of the Tod River Water scheme from 1926 to 1930:—

Year	£
1926	87,320 loss including interest.
1927	86,671 loss including interest.
1928	109,639 loss including interest.
1929	107,902 loss including interest.
1930	119,713 loss including interest.

The total loss since the inception of the scheme is £540,902.

In any survey of the developmental expenditure on Eyre Peninsula the railways of the Peninsula, which cost £1,886,000, must find a place. Unfortunately these, too, add to the financial burdens of the State, as the following figures disclose:—

Year ended 30th June.	Working Expenses.	Earnings.	Deficit.
1926	£ 189,509	£ 124,580	£ 149,372
1927	287,842	177,481	162,021
1928	163,841	186,258	72,157
1929	150,913	335,118	106,825
1930	184,430	149,562	149,091
	906,035	771,419	583,406

It will be noted that, in addition to substantial annual deficits, earnings do not cover working expenses. Whether the expenditure on development on Eyre Peninsula will ultimately justify itself or not will depend upon the increased production which it makes possible. Already there has been considerable expansion as the following figures show, and there can be no doubt that the Tod River Water scheme has materially assisted in bringing about such development.

WESTERN DIVISION.

Year	Total Cultivated Area.	Area Under all Crops.	Area Under Wheat.	Yield of Wheat.	Average Yield.	Number of Sheep.
1906-9	Acres.	Acres.	Acres.	Bushels.	Per Acre.	
1910-14	287,976	251,187	226,029	1,612,043	7.03	507,417
1915-19	567,135	483,583	396,331	2,837,692	7.29	637,329
1920-24	664,142	541,662	445,691	3,084,352	8.77	436,062
1925-29	699,031	654,862	440,941	3,296,911	7.38	401,562
	695,324	790,545	656,363	4,358,036	6.94	569,648

Expert witnesses confidently assert that with a return to normal conditions satisfactory development will continue to proceed on Eyre Peninsula, because the character of the country, mostly mallee land, is such that it takes a number of years to reach full productivity. Eyre Peninsula, therefore, possesses relatively greater potential wealth than some of the more settled parts of the State and the position of existing settlers should progressively improve as time goes on. In this connexion the evidence of Dr. A. E. V. Richardson, Director of the Waite Agricultural Research Institute, is of particular interest. Dr. Richardson said:—

I wish to emphasize that there is no reason why, in time, the Western Mallee lands should not be as productive as the land in the Lower North is now.

The average wheat yield in the lower north is 14.36 bushels per acre. The average wheat yield in the Western Division is about seven bushels per acre. Dr. Richardson also said:—

Mallee country does not reach its maximum productivity for from ten to fifteen years. That has been demonstrated conclusively by our experience in the Finaroo district. . . . The trouble with mallee country is not so much with the soil as with the long and tedious process necessary to eliminate Mallee shrubs. . . . I estimate that ultimately there will be 1,500,000 acres of land under wheat on the West Coast yielding from ten to twelve bushels to the acre. . . . There would also be an increase in the number of sheep because every acre under wheat indirectly increases the sheep-carrying capacity of the land.

SOLDIER SETTLEMENT AND IRRIGATION.

The losses incurred by South Australia on Soldier Settlement to 30th June, 1930, are set down at £4,047,635, which is £481,808 in excess of the figure on which Judge Pike based his report. Further losses, it was stated, were likely. It was represented to the Committee in evidence that Judge Pike disallowed a claim covering losses incurred in connexion with expenditure on irrigation areas which had not been actually charged to the Soldier Settlement Loan accounts, but were due to the Soldier Settlement policy entered into by the State Government after the war in conjunction with the Commonwealth. Judge Pike contended that the claim could not be substantiated on the grounds that development of the irrigation areas would have proceeded in the ordinary course if soldier settlement had not intervened. The amount involved in the claim was £2,170,236. In seeking re-consideration of the matter the South Australian Director of Lands contended that the view expressed by Judge Pike that the work would have proceeded quite apart from soldier settlement was not correct. If the work had proceeded in a normal way it was claimed that it would have been on such gradual lines and spread over so long a period that the loss would not have been incurred. Strong pressure from the Commonwealth Government to prepare land for soldier settlement and the request of the State Government to the Irrigation Department to press on with the work to meet that demand resulted in the lands being hurriedly prepared for irrigation and without consideration as to the effect the extra plantings would ultimately have on the market. The capital expenditure upon irrigation at 30th June, 1930, amounted to £4,009,212, and the State was now faced with a dead load of interest of over £200,000 per annum in respect of such expenditure. Indirectly this loss was, it was claimed, due mainly to soldier settlement.

The explanation of the failure of irrigation undertakings in South Australia is briefly expressed in the following extract from Mr. Justice Pike's report:—

The whole of the trouble is that in this particular State (South Australia) there seems to have been a very serious over-preparation for the settlement of returned soldiers on irrigation areas, a fact that does not appear in the other States, where larger irrigation schemes had been undertaken, namely, in Victoria and New South Wales. This over-preparation was due, no doubt, as was stated by one of the witnesses, to the fact that, owing to the then high prices being obtained for irrigation products, it was assumed that settlement on irrigation areas would be a most successful undertaking from the State's point of view.

RIVER MURRAY WEIRS AND LOCKS.

The position of these works is summarized in the official "Case" thus:—

The loss of interest on River Murray weirs and locks for the year 1929-30 amounted to £109,394, and the expenditure of loan money is still continuing. This expenditure is incurred under an agreement entered into with the Commonwealth, New South Wales and Victorian Governments, each of the four parties to the agreement paying one-fourth of the total cost. The scheme is important to South Australia for, in the absence of some regulation of the development of the river, she might be embarrassed by a shortage of water for irrigation purposes. At the same time the plan as a whole does not promise to be reproductive.

The locking of the river, undertaken at great expense to make it navigable, does not appear to be justified by the present small volume of traffic, while any considerable increase in the traffic is not probable. Moreover, a port at the Murray mouth would be essential if the volume of trade were to expand materially, but the traffic in prospect cannot possibly justify the expenditure necessary for this purpose. Most of the interest on the project is, therefore, sheer loss to South Australia, but she is clearly no more responsible for it than the Commonwealth and the other States who entered into the agreement.

ADVANCES TO FARMERS.

Evidence tendered to the Committee indicated that Government assistance had been given to settlers placed on areas that were not suitable for profitable wheat growing, that a good deal of money had been wasted by assisting farmers who had employed poor methods of cultivation; that supplies obtained at Government expense had been greater than were required, and that there was no limit placed on the amount for which a settler might apply. Following is an extract from evidence tendered by a farmer on Eyre Peninsula:—

I admit that in many cases there have been abuses. As a matter of fact, the Government has been too generous in the assistance that it has given. In this district there are farmers who, at the present time, have stocks of superphosphate in their sheds. They purchased at comparatively exorbitant prices much more chaff than they required, and sowed land that was not in a fit state to give a crop. They were actuated by the gambling spirit. They were using other people's money, and the view they took was that if they were successful they would benefit, and if they lost the Government or the taxpayer would have to foot the bill.

The following figures submitted in evidence in relation to the Kimba district are of particular interest:—

In 1927 there were 111 applicants for drought relief, of whom 74 required sustenance. The acreage represented was 47,886 acres, and 1,228 tons of superphosphate, 350 tons of chaff, 2,160 cases of petrol and 5,520 cases of kerosene were supplied. In 1928 there were 160 applicants, of whom 127 required sustenance. The acreage sown was 89,261. There were supplied 2,296 tons of superphosphate, 643 tons of chaff, 3,160 cases of petrol, and 20,016 cases of kerosene. Last year there were 211 applicants, of whom 181 required sustenance. The acreage was 131,352. There were supplied 2,728 tons of superphosphate, 356 tons of chaff, 16,464 cases of petrol and 31,792 cases of kerosene. . . . The loans outstanding in this district total more than £1,500,000. That includes loans to producers for clearing, commonly known as the logging of scrub, for which £10,000 was paid out in nine months. It is safe to say that in the newly settled areas the loans would average approximately £125 for each settler. The Government further assisted the settler by erecting sheds and tanks on his block at a cost during the last four years of approximately £200 for each settler. According to figures that I have worked out, the debt of each settler in the area, exclusive of the purchase price of the land, is approximately £1,250. I should say that over 200 of the 300 farmers in the district have been assisted. No one is making his interest payment at the present time. I have no hesitation in saying that there is evidence of inefficiency and improvidence on the part of some of those who have participated in these advances. . . . It appears that some of the settlers had a very small amount of capital, or practically none at all, when they were allotted the land.

STATE'S EXPLANATION OF HEAVY LOAN EXPENDITURE.

It was admitted in evidence that South Australia had, by her loan expenditure, loaded herself with a very heavy obligation for interest charges, and that it was partly as a consequence thereof that the State was forced to seek financial assistance from the Commonwealth. It was also admitted that the State had perhaps pushed on too rapidly with her developmental ventures, just as had all the other States of the Commonwealth. Before South Australia could be condemned, however, it was claimed that consideration must be given to the circumstances existing during the time development was in progress. On the return of soldiers from abroad the problem of providing work for them made essential the construction of public works. The demand for development for this purpose was urgent and had to be satisfied quickly. Then came the great pressure on Australia to absorb migrants from Britain combined with continual exhortations from the Imperial and Federal Parliaments and the press urging the States to develop the continent. It was also claimed that there was nothing in this development peculiar to the State of South Australia which had been acting only as a part of the Commonwealth in carrying out her share of what was considered at the time to be a common obligation. Unfortunately for the finances of the State, South Australia had a larger area of agricultural land with a low rainfall to develop than the other States, and a smaller population over which to spread the subsequent losses.

The loan expenditure of the State indicated clearly how heavy had been the cost to South Australia of improving her harbours and rivers, and providing her settlers with necessary railways, water supplies, roads and bridges to make production possible. In this connexion the following figures are illuminating:—

	Liability on loan assets.	Loss including interest.
	£	£
1925-26	79,806,462	1,197,003
1926-27	85,880,849	2,160,333
1927-28	90,813,165	1,925,934
1928-29	94,341,378	2,638,532
1929-30	96,829,817	3,282,555
		11,101,157

The losses are due chiefly to the railways, soldier settlement, country waterworks and irrigation.

SECESSION.

The following table was submitted in the "Case for South Australia" to illustrate the financial benefit that would accrue to the State if she were left to her own resources.

REVENUE AND EXPENDITURE OF THE COMMONWEALTH, 1929-30, AND APPROXIMATE REVENUE AND EXPENDITURE OF SOUTH AUSTRALIA ON CORRESPONDING LINES AFTER SECESSION.

Item	Total Commonwealth	Approximate Revenue and Expenditure of South Australia after Secession	Remarks
REVENUE.			
Taxation— Customs and Excise	40,979,000	6,184,000	£2,754,000 calculated on a population basis, plus £3,430,000 collected on dutiable goods now imported from other States
Direct Other Revenue	15,229,000 3,259,000	1,299,000 304,000	Actual and population basis Actual and population basis
Deficit	59,467,000 2,849,000	7,767,000 991,000	Population basis
	62,316,000	8,018,000	
EXPENDITURE.			
Interest	7,688,000	704,000	Actual
Sinking Fund	898,000	192,000	Actual
Special Grant	910,000	360,000	Actual
Roads	2,000,000	228,000	Actual
Invalid and Old-age Pensions	10,124,000	818,000	Actual
War Pensions	7,755,000	518,000	Actual
Maternity Allowance	662,000	56,000	Actual
Bounties	532,000	91,000	Actual
Transferred Properties	280,000	14,000	Actual
Post Office	Cr. 56,000	303,000	Actual
Departmental	30,704,000	3,014,000	Actual and Population basis
War Expenditure	10,221,000	954,000	Actual and Population basis
Loss on Railways	20,508,000	1,379,000	Population basis
Territories	497,000	45,000	Population basis
	385,000	35,000	Population basis
Ultimate annual benefit to South Australia from Secession carried down	62,316,000	5,927,000	
		2,091,000	
		8,018,000	
Ultimate annual benefit to South Australia from Secession brought down		2,091,000	
Plus Special Grant		380,000	
		2,471,000	
Less temporary compensation to South Australia's industries injured by Secession		800,000	
Special grant to place South Australia in same financial position as she could achieve by seceding		1,651,000	

It was pointed out in the "Case" that the benefits to South Australia would be greater than indicated above because costs of administration in the State were lower than in the Commonwealth. Moreover, the calculations made no allowance for the fact that Commonwealth expenditure generally was on a more elaborate scale than South Australia could afford.

ADVANTAGES TO SOUTH AUSTRALIA FROM FEDERATION.

The advantages, direct and indirect, derived by South Australia from the inception of Federation may be gauged from the following—

Special grants from the Commonwealth—	£	£
1929-30	360,000	
1930-31 (estimate)	1,170,000	
		1,530,000
Northern Territory loans taken over by the Commonwealth on 1st January, 1911		3,931,086
Average annual loss on the Northern Territory to the Commonwealth to 30th June, 1930		231,000
For 1929-30 the loss was		318,000
For 1930-31 the estimated loss is		336,000
If a charge were made for interest on the accumulated deficit in revenue account the loss would be about		600,000
Total cost of Northern Territory to the Commonwealth		10,792,000
Up to the termination of South Australian management of the railway from Fort Augusta to Oodnadatta, on 31st December, 1925, the accumulated loss borne by the Commonwealth and the average annual loss were—		
Accumulated loss		1,876,627
Average annual loss		125,108
Since the assumption of management by the Commonwealth on 1st January, 1926, the accumulated loss to 30th June, 1930, and the average annual loss were—		
Accumulated loss		686,072
Average annual loss		152,461
The loss for the current financial year is expected to exceed the estimated loss of		314,000
If a charge were made for interest on the accumulated deficit the loss for the current year would be about		450,000
The total capital cost of the Central Australia Railway borne by the Commonwealth to 30th June, 1930, was		4,730,364
Trans-Australian Railway.—The benefits accruing to South Australia from the existence of the Trans-Australian Railway may be classified under three heads, viz., the money spent in constructing the portion of the railway within the State; the money spent in salaries and wages for operating and maintaining the portion of the railway within the State, and development of the country through which the railway passes—		
The capital invested in the portion of the Trans-Australian Railway in South Australia is		4,551,302
The money spent in salaries and wages for operating and maintaining the portion of the Trans-Australian Railway in South Australia to 30th June, 1930, was		1,504,129
In addition considerable sums were and are being spent in the purchase of material and stores in South Australia, and the State derives considerable revenue from income tax upon the earnings of employees of the Commonwealth Railways.		
Other advantages accruing to South Australia are the development of the country through which the line passes, trade with Western Australia, the State receiving a large sum as its proportion of the freight charges over the South Australia system, additional freight in respect of traffic forwarded between the Eastern States and Western Australia, and benefits from the through passenger traffic.		
Bounties received during seven years ended 30th June, 1930—	£	£
Sulphur	147,886	
Wine	972,617	
Canned Fruits	11,430	
		1,131,933

Under the provisions of the River Murray Waters Agreement with the States of New South Wales, Victoria and South Australia the Commonwealth is required to contribute one-fourth of the total expenditure. The expenditure incurred to date by the constructing authority for South Australia amounts to £2,507,979. Towards this the Commonwealth has contributed a fourth share.	£ 651,995
Federal Aid Roads.—The Federal Aid Roads Agreement which commenced on 1st July, 1926, provides for a contribution by the Commonwealth to the States of £2,000,000 per annum for ten years. Under this agreement the allocation to South Australia per annum is	228,000
Concessions to South Australia by the Commonwealth in respect of Soldier Settlement:—	
Remissions of indebtedness	1,371,988
Interest concessions	383,086
Annual interest saving to South Australia resulting from remissions of principal	105,494
Migration Agreement.—Under the £34,000,000 Agreement advances are made by the Commonwealth to the States for the purpose of carrying out schemes approved by the Commonwealth and British Governments. On these advances the States pay to the Commonwealth interest at 1 per cent. for five years and at one-third of the rate payable by the Commonwealth for the succeeding five years. Thereafter the States pay the full rate of interest. Details of the schemes approved to date for South Australia are	
Water Conservation works on the West Coast outside the Tod River Water District	80,000
Tod River Retention	500,000
Afforestation	358,250
The amount actually advanced to South Australia for these schemes is about	733,000
The average annual amount of interest relief to South Australia over the ten-year period is approximately	35,000
Financial Agreement.—On the net Public Debt of the States as at 30th June, 1927, the Commonwealth pays an annual sinking fund contribution of 2s. 6d. for each £100. On any new loans raised for the States after the 30th June, 1927, the Commonwealth contribution is 5s. for each £100. On this basis South Australia obtains a slight advantage since her net public debt per head of population is much heavier than the average for all States. The immediate effect of the Financial Agreement on the finances of South Australia was that in the first year of its operation, 1927-28, South Australia received £124,000 more than she obtained in the previous year under the provisions of the Surplus Revenue Act.	
In addition to the foregoing South Australia has also received assistance for her primary industries as under:—	
(a) Payments, either direct to the State or to the producers for herd-testing, Dorado grapes, dried fruits, and citrus fruits	49,500
(b) Advertising of Australian products in London—approximately	30,000
(c) Advances to growers of dried fruits amounted to nearly £40,000. Owing to the unsatisfactory position of this industry, relief from repayment of advances has been granted in most cases, the total cost to the Commonwealth being	45,000

The following table supplied by the Commonwealth Treasury shows the benefits derived by the States on the basis of an approximate allocation amongst the States of the Receipts and Expenditure of the Consolidated Revenue Fund of the Commonwealth for 1929-30. It will be observed that on this basis South Australia benefited to the extent of £458,000 for the year 1929-30.—

APPROXIMATE ALLOCATION AMONGST THE STATES OF THE RECEIPTS AND EXPENDITURE OF THE CONSOLIDATED REVENUE FUND FOR 1929-30.

	New South Wales.	Victoria.	Queensland.	South Australia.	Western Australia.	Tasmania.	Total.
	£	£	£	£	£	£	£
Revenue collected by Commonwealth—	1,000%	1,000%	1,000%	1,000%	1,000%	1,000%	1,000%
Direct taxation, including Central Office Income Tax collections on population basis	7,071	5,001	1,684	1,332	916	340	16,344
Customs and Excise—on population basis	16,135	11,573	6,063	3,779	2,714	1,427	41,691
Other Revenues—on population basis	1,194	866	458	294	260	105	3,177
Proportion of temporary advance to cover deficit (on population basis)	24,400	17,440	8,205	5,405	3,890	1,872	61,212
	747	536	281	175	126	66	1,931
	25,147	17,976	8,486	5,580	4,016	1,938	63,143
Expenditure by Commonwealth in and on behalf of States—							
Contribution towards interest on State Debts	2,917	2,127	1,099	704	474	267	7,585
Contribution towards Sinking Fund	375	214	152	127	89	39	994
Special Grant	552	360	376	360	360	250	2,600
Grant for Roads	228	360	376	228	384	100	2,000
Invalid and Old-age Pensions	4,072	3,182	1,490	910	631	506	10,791
War Pensions	2,869	2,428	903	524	832	364	7,920
Maternity Allowances	262	167	92	52	45	25	643
Bounties	309	21	71	105	6	6	518
Interest on transferred properties (excluding Post Office)	129	54	33	14	15	15	260
Post Office—							
Profit	Cr. 265	Cr. 216					Cr. 198
Loss			22	123	21	117	
	11,220	8,337	4,235	3,147	2,806	1,678	31,423
Departmental expenditure (including proportion of Central Office expenditure on population basis)	3,744	2,723	1,513	920	740	353	9,993
War Interest and Sinking Fund, &c., after deducting interest repaid by States on loans for Soldier Settlement (on population basis)	7,941	5,696	2,984	1,861	1,336	702	20,520
Loss on Railways (population basis)	267	192	100	63	45	24	691
Territories of the Commonwealth (on population basis)	200	143	75	47	34	17	516
	23,372	17,091	8,907	6,038	4,961	2,774	63,143
Benefit from Consolidated Revenue Fund Contribution to Consolidated Revenue Fund	1,775	885	421	458	645	836	
	s. d.	s. d.	s. d.	s. d.	£ s. d.	£ s. d.	
Benefit per head of population	14	10	9	15	2	3	
Contribution per head of population	14	10	9	15	2	3	

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OBSERVATIONS AND RECOMMENDATIONS:

As indicated on page 5 under its original terms of reference the Committee was requested to make a thorough investigation into the finances of South Australia. Subsequently the Committee was requested to conduct its inquiry subject to the following amended terms of reference:—

Inquire into and report upon the following questions:—

- (1) Whether the State of South Australia is subject to special disabilities arising out of Federation and affecting the finances of that State;
- (2) Whether the State of South Australia enjoys special advantages arising out of Federation and affecting the finances of that State;
- (3) Whether any such special disabilities exist which, after taking into account—
 - (a) any such special advantages; and
 - (b) estimated shortages or surpluses as at 30th June, 1931, in the Revenue accounts of the Commonwealth and of each of the States,
 justify financial assistance being granted to the said State under Section 96 of the Constitution; and
- (4) If it is found that the grant of financial assistance is so justified, the amount of financial assistance which should be granted, and the period, commencing on 1st July, 1931, which should be covered by the grant.

For the purposes of this reference "special disabilities" and "special advantages" shall be interpreted as disabilities or advantages suffered or enjoyed by the State of South Australia to a substantially greater extent than a majority of the other States.

In the opinion of the Committee South Australia does suffer special disabilities arising from Federation; but after a careful examination of the incidence of Federal legislation and policy including the tariff, interstate free trade, the Navigation Act and industrial arbitration, the Committee is forced to the conclusion that it is not possible to measure in monetary terms their economic effects upon the State as a whole, and still less possible to translate the effects of Federal action into terms of loss to the State Treasury. The Committee is convinced, however, that South Australia, which depends so largely on primary production, is at a definite disadvantage compared with the majority of the other States through the operation of the protective tariff.

In the report on "The Australian Tariff", which is referred to on page 6 the following appears:—

Cost of Tariff Protection—

	£
Manufactures	26,000,000
Sugar	4,000,000
Butter	3,000,000
Other primary products	3,000,000
Total cost of tariff protection	36,000,000

Subsidies to protected production per head of population in each State—

	£
New South Wales	5.5
Victoria	7.0
Queensland	8.0
South Australia	3.7
Western Australia	3.6
Tasmania	4.0
Average	6.0

On the basis of these figures it is clear that South Australia is at a distinct disadvantage compared with Queensland and Victoria, and at considerable disadvantage compared with the average for the six States.

With regard to the amount of £26,000,000 set down for manufactures the following observations appear in the report referred to:—

From the total of our varied estimates, we have gradually arrived at a firm conviction that the final estimate of £26,000,000 for the cost of protected manufactures, which was first put forward very tentatively, does in truth very fairly measure the facts, and that it is unlikely that the error is greater than 10 per cent.

The Acting Commonwealth Statistician, Professor L. F. Giblin, M.A., who was a signatory to the report on "The Australian Tariff", has stated to the Committee in evidence that the above figures may be regarded as reasonably accurate for the purposes of its inquiry.

This view, however, is not shared by other witnesses who appeared before the Committee. Mr. E. Abbott, Deputy Comptroller-General, Department of Trade and Customs, in the course of evidence said:—

In my opinion the Committee would be justified in assuming that the figures in that publication cannot be accepted for the purposes of this inquiry. A margin of 10 per cent. either way would in any case be insufficient to overcome the discrepancies. . . . I would say that it is impossible to measure with any degree of accuracy the economic effect of the tariff.

Mr. Abbott also challenged the accuracy of a number of specific items in the report on "The Australian Tariff".

In the evidence submitted to the Committee on behalf of the Commonwealth Treasury the following appears:—

The report of the Tariff Committee and the deductions therefrom by South Australia in support of the case are based on estimates and conjectures far too vague and unreliable to permit of satisfactory conclusions being drawn as to the effects of the tariff. The report of the Tariff Committee should be accepted rather as a basis for further discussion. It cannot be accepted and does not purport to represent a basis for conclusions as to the effect on State finances.

In view of the conflict of expert testimony on this important and complex question it would appear that the figures above quoted must be interpreted with some caution. The Committee also feels that, as the findings in the report on "The Australian Tariff" have been extensively used and generally accepted as authoritative bases for arriving at important economic conclusions, including the question of financial grants to the States, steps should be taken to test, as far as possible, the accuracy of those findings.

If the total annual cost of protection, viz., £36,000,000, can be accepted as an approximately true reflex of the cost of the tariff to Australia and it is distributed among the States on a population basis, the cost to South Australia works out at considerably more than £3,000,000 per annum. It is obvious, therefore, that on this basis the burden borne by the people of South Australia is very substantial. To what extent this burden may be directly attributed to Federation the Committee finds it impossible to offer a definite opinion. It is also impossible to determine how far excess costs due to protection influence the finances of the State Treasury; but a reasonable assumption is that such excess costs affect the taxable capacity of the people and also rural development.

The next question is "whether the State enjoys special advantages arising out of Federation and affecting the finances of the State".

Evidence tendered to the Committee shows that South Australia undoubtedly derives substantial special benefits from Federation. On pages 21 and 22 these advantages, direct and indirect, are briefly enumerated. The chief items constituting special benefits may be set out thus:—

	£
Special grants	1,530,000
Northern Territory Loans taken over from South Australia by the Commonwealth	3,931,086
Total capital cost of the Central Australian Railway borne by the Commonwealth to 30th June, 1930	4,730,364
Capital invested in the portion of the Trans-Australia Railway in South Australia	4,551,302
Money spent in salaries and wages on portion of Trans-Australian Railway operated in South Australia	1,504,129

There is no doubt that the finances of the State derive benefits from the advantages stated, but in the opinion of the Committee it is impossible to express such benefits in terms of profit to the State Treasury.

As the Committee found it impossible, after thorough investigation, to assign money values to the advantages and disadvantages arising from Federation and to separate natural disabilities from disabilities arising from Federation, it was obliged to adopt indirect means of arriving at its conclusions, and yet conform as far as possible to the amended terms of reference. The Committee accordingly directed its attention to the following:—

- (1) The financial position of the State, as reflected in the accounts of the State Treasurer;
- (2) Is the State taxing its people with greater severity than the average of all States;
- (3) Are administrative costs and costs of social services below the average of all States;
- (4) Has the State shown moderation and reasonable caution in Loan Expenditure.

It is clear to the Committee that the State of South Australia is in a serious position financially, and that it will be necessary for the Commonwealth to render assistance in the form of a grant to enable the Government to carry on its ordinary services, and to meet its contractual obligations.

The present position of the State's finances is due mainly to the following causes:—

- (a) Physical configuration and lack of natural resources, notably coal, timber, rivers and rainfall;
- (b) The operation of Federal policy;
- (c) Economic dislocation arising out of the war;
- (d) Over-borrowing;
- (e) Heavy losses on developmental undertakings;
- (f) Continued deficits in the State's accounts;
- (g) Unfavorable seasons;
- (h) Shrinkage in national income due to fall in prices of primary products;
- (i) The entry of the Commonwealth into the field of direct taxation;
- (j) The general depression.

The seriousness of the financial position of the State is reflected in the following figures:—

	Deficits, as published.
1926-27	1,060,050
1927-28	274,931
1928-29	930,859
1929-30	1,985,823
1930-31 (Estimated)	2,000,000
	<u>5,881,663</u>

According to official figures supplied to the Committee the estimated deficit of £2,000,000 for 1930-31 includes the special Commonwealth grants of £320,000 and £850,000 respectively. If these special payments were excluded the estimated deficit for 1930-31 would be £3,170,000. The actual position, therefore, after allowing for Commonwealth grants is:—

	Deficits, as published.
1926-27	1,060,050
1927-28	274,931
1928-29	930,859
1929-30	1,985,823
1930-31 (Estimated)	3,170,000
	<u>7,411,663</u>

It will thus be seen that the average annual deficit for the five years stated is £1,482,333.

TAXATION.

The adverse position of the State's finances cannot be attributed to failure on the part of the Government to impose heavy taxation or to effect economies in fundamental services. The taxation position is fully set out on pages 9 to 12 of this report; the relative tables showing conclusively that, in comparison with the average taxation for all States, the taxpayers of South Australia have been called upon to bear a heavy burden. In the opinion of the Committee the existing rates of taxation in South Australia cannot continue for long without very serious reactions on the State as a whole. In spite of heavy taxation and drastic economies, the accounts of the Treasury still disclose serious and increasing deficits; and it would appear that there is no immediate prospect of improvement in that condition, because of widespread unemployment, trade depression and low prices for staple products.

LOAN EXPENDITURE.

Unfortunately, South Australia, in common with the other States, has contributed largely to her present troubles by excessive borrowings in the past, and by the investment of loan moneys in uneconomic public works. During the past five years no less than £11,000,000, including interest, has been lost on such undertakings—a very heavy burden for a population of 580,000. On page 15 it will be seen that Loan Expenditure increased from £50,100,893 in 1920, to £96,829,817 in 1930, an increase of £46,728,924, or 93 per cent. Involved in the loan operations of the State are the Public Debt charges, which have reached alarming proportions. In 1929-30, of a total revenue expenditure of £12,176,840, no less than £4,877,299, or 40.05 per cent, represented Public Debt charges.

It will thus be seen that Public Debt charges alone represent no less than 88s. per head of the population.

RAILWAYS.

The retrogression in the Railway finances is another factor contributing to the State's difficulties. The financial results of the railways which are shown on page 16 indicate a serious decline in the operations of the State's main public utility, and it would appear from expert advice tendered to the Committee that there is very little hope in the future of the railways showing a better result than £1,000,000 loss per year. The following figures showing the relation of railway losses to Revenue Deficits are of interest:—

	Budget.		Railways.	
	Surplus.	Deficit.	Surplus.	Deficit.
	£	£	£	£
1924-25	53,000	..	92,000	..
1925-26	13,000	..	..	180,000
1926-27	..	1,050,000	..	1,109,000
1927-28	..	275,000	..	662,000
1928-29	..	931,000	..	1,153,000
1929-30	..	1,025,000	..	1,680,000

The close agreement of some of the figures is striking, and indicates the serious bearing that the railway losses have on the State's finances, but it must not be overlooked that the Budget deficits would have been much greater if taxation in South Australia had been on the basis of the average for all States.

There is no doubt in the mind of the Committee that the Railways rehabilitation scheme was over-ambitious, and has involved the State in a considerable amount of unnecessary expenditure which, unfortunately, carries with it a heavy annual interest liability. The Committee, of course, cannot say how much of the £11,000,000 expended on railways rehabilitation might have been saved; but it was not surprised to learn from an expert witness that an adequate scheme of rehabilitation could have been carried out for £4,000,000 less than the amount actually expended.

During the course of its inquiry valuable evidence was tendered to the Committee by the Commonwealth Railways Commissioner, Mr. Geo. Gahan, in relation to the question of unified control of railways. Mr. Gahan pointed out the benefits that would accrue from standardization of vehicles and parts, interchange of rolling-stock, uniformity of industrial conditions, uniform rates and fares, uniform accounting and centralized administration. The subject of unification of railways is outside the scope of the Committee's inquiry, but as the huge losses on the railways have such an important bearing on the finances of the Commonwealth and the States, the Committee is of opinion that early steps should be taken to convene a conference representative of Commonwealth and States' railways experts with a view to the formulation of a comprehensive report on this very important question.

SOLDIER SETTLEMENT LOSSES.

The Committee has considered the representations on page 18 concerning losses on irrigation works, involving some £2,170,000, but having regard to the fact that the question of Soldier Settlement in all the States was closely investigated and reported upon by another authority the Committee feels that it could not fairly make any recommendation in relation to South Australia without carefully examining the position of Soldier Settlement losses in other States. Moreover, it is stated in evidence that following a full inquiry by Mr. Justice Pike an agreement has been arrived at between the Commonwealth and the States as to the division of the losses on Soldier Land Settlement. The gross losses for all States were found to be £24,000,000, and under the agreement arrived at the Commonwealth is granting further assistance to bring its contributions up to half of the total losses.

EYRE PENINSULA.

In the early stages of its inquiry it appeared to the Committee that the developmental undertakings on Eyre Peninsula were costly and of doubtful economic justification. Subsequent inspection of the area, however, combined with the evidence of expert witnesses, particularly that of Dr. A. E. V. Richardson, referred to on page 18, induced the Committee to the opinion that when the difficulties incidental to the settlement of new mallee country have been overcome, the areas within the range of sufficient rainfall (in South Australia known as Goyder's line of rainfall) may not be altogether unprofitable. The Committee believes, however, that settlement has been extended too far into areas of insufficient rainfall.

On page 29 of the official "Case" a calculation is made purporting to show the financial effect on all of the States of the development of Eyre Peninsula. The thesis is that such development confers financial benefits on Australia as a whole, but is costly to the State of South Australia. In the opinion of the Committee the calculation is too speculative inasmuch as it assumes prices far in excess of those ruling to-day; it is based on what the production of Eyre Peninsula may be five or ten years hence, and it assumes that the taxable capacity of the population of Eyre Peninsula for Commonwealth taxation purposes is up to the Australian average. Owing to rapidly changing conditions the Committee feels that any attempted measurement of the economic consequences of the settlement of any given area is too inconclusive for the purpose of arriving at definite decisions.

In the official "Case" it is stated that had Eyre Peninsula not been developed it is difficult to see how it would be possible to justify a policy of exclusion which would forbid people with lower standards of living from benefiting themselves by developing this area. These observations are, in the opinion of the Committee, unconvincing.

ADVANCES TO FARMERS.

In the opinion of the Committee inquiries should be instituted into the system of making advances to farmers, particularly to those who have been placed on areas of insufficient rainfall. The evidence quoted on page 19 reveals a rather serious state of affairs. While the Committee agrees with the policy of stimulating expansion of the primary industries it holds the view that steps should be taken to ensure that public funds are not used to encourage or maintain settlement on areas not capable of economic development.

RIVER MURRAY WATERS AGREEMENT.

The estimated total cost of the River Murray scheme as set out in the original agreement of 1915 was £4,663,000. A present day estimate is approximately £16,000,000. The cost is borne in equal shares by the four contracting Governments, viz., the Commonwealth Government and the Governments of New South Wales, Victoria and South Australia. The total cost to 31st October, 1930, of the various works in hand was £7,994,204, the liability of each contracting authority being about £2,000,000. Evidence placed before the Committee shows that in the lower reaches of the River Murray a serious situation has developed, as the settlers on several occasions have not been able to use the river water, which was either too saline or too low to gravitate through the embankment sluices to their blocks. This disability, it was stated, had involved the settlers in loss of production varying from 25 to 50 per cent. The diversions upstream had contributed to the conditions referred to, and it was indicated that as the upstream diversions increased conditions would become progressively worse in the lower river, there being no means at present available to counteract the inflow of salt water from the lakes into the river channel. The evidence shows that between Mannum and Wellington there is an area of 15,500 acres under intense culture; that a further 3,000 acres could be reclaimed and put to productive use; that the estimated annual value of the products from these areas is about £200,000; and that the value of the reclamation areas, including improvements, is estimated at £1,100,000. The evidence also shows that negotiations are at present proceeding between the contracting Governments with a view to the construction of barrages at an estimated cost of £549,000 to protect the irrigation settlements between Mannum and Wellington.

While the financial burden to South Australia arising from the River Murray Agreement cannot be directly attributed to Federation the Committee feels that, in view of the great disparity between the original estimated cost of the scheme, viz., £4,663,000, and the present estimated ultimate cost of £16,000,000, South Australia, which is not so fortunately situated as the other contracting States as regards population and natural resources, is placed at a serious disadvantage. In the circumstances the Committee supports the suggestion made by the Royal Commission on the Finances of South Australia in 1928, viz.:-

It is suggested that this matter might be dealt with separately and considered at a conference of the Premiers and Treasurers of the three States and the Prime Minister and Treasurer of the Commonwealth with a view to making some discriminating concessions to South Australia which might temporarily relieve that State of part of the interest liability.

SECESSION.

The Committee has carefully analysed the figures contained in the table on page 20, and has come to the conclusion that they cannot be accepted as a reliable measure of the unequal incidence of the tariff or as an illustration of what the financial position of South Australia would be if she seceded from the Federation. The weakness of the figures may be briefly enumerated thus—

As South Australia is relatively less favored than some of the other States she could not expect to receive as much Customs and Excise revenue as is shown in the table.

Included in the amount of £6,154,000 of Customs and Excise revenue is the sum of £2,400,000 representing revenue to be collected on dutiable goods now imported from other States. As no reliable official figures are available as to interstate trade this figure must be interpreted with caution.

A large amount of taxation revenue is allocated to South Australia on a population basis. If this were adjusted on the basis of the taxable capacity of the State a reduction of the amount set down would be necessary.

With regard to Territories and Railways the total loss to the Commonwealth for 1928-29 was, according to official figures, £882,000. Of this amount about £520,000 was due to activities and obligations taken over by the Commonwealth from South Australia in connexion with the Northern Territory and associated railways. For the purpose of the statement only £80,000 is charged up to South Australia in respect of these services.

It is true that some of the expenditure debited against South Australia is probably on a more generous scale than the State could afford and that allowance should be made thereof in an examination of the figures submitted.

In view of the above criticism and of the rapid changes in the economic conditions of Australia the Committee feels that it is impossible to measure with any degree of accuracy what the financial position of any State would be if she seceded from the Federation. Instead of proving a benefit to a State secession may possibly produce serious reactions which at first sight may not be apparent.

UN SOUND METHODS OF FINANCE.

The Committee desires to invite particular attention to the statement of Surpluses and Deficits on page 7, which purports to show in columns two and three the surpluses and deficits as published by the State Treasurer, and in column nine the true position of the Consolidated Revenue Fund, if proper provision had been made for the depreciation of wasting assets, sinking funds, interest, and administrative costs on Soldier Land Settlement. It will be observed that the difference between the published figures and the true position is about £6,000,000. It will also be seen that since 1914-15 deferred liabilities have reached the alarming figure of £11,768,237, which has, in effect, been added to the Public Debt of the State, and is not represented by interest earning assets. It is contended in the "Case for South Australia" that this weakening of the Budget position was the inevitable result of a continued pressure on the finances of the State exerted through the policy of Federation. It is true that Commonwealth policy has been a contributing cause, but the State cannot fairly disclaim responsibility for heavy, and in some cases unwise, expenditure on developmental undertakings which had no relation to Federal policy. In the opinion of the Committee the deplorable drift reflected in the figures above quoted only serves to show that the time is long overdue when Government methods of accountancy should be placed on a sound and uniform basis.

In the reference to the Committee it is stated that "the Government proposes to deal simultaneously with the requests of South Australia, Western Australia and Tasmania, and it desires to have the benefit of your Committee's recommendations on a common plan". The Committee was also requested to inquire into and report upon the following question:—

"Whether any such disabilities exist which after taking into account—

- (a) Any special disadvantages; and
- (b) Estimated shortages or surpluses as at 30th June, 1931, in the Revenue accounts of the Commonwealth and of each of the States,

justify financial assistance being granted to the said State under Section 96 of the Constitution."

In accordance with these requests the Committee analysed the surpluses and deficits of all the States from the date of Federation, but in view of the different methods of accounting adopted by the various States it was found impossible to reduce the figures to a common basis which could be fairly used for comparative purposes. In the opinion of the Committee a common basis cannot be arrived at without an exhaustive examination of the accounts of all the States. In its report on the "General Disabilities of Tasmania" the Committee recommended that an endeavour should be made to place, as far as possible, the accounts of the Commonwealth and the States on a uniform basis. In the light of the additional experience gained on the present inquiry the Committee again strongly urges that steps be taken to that end. If the States could be induced to adopt a uniform basis of accounting, inquiries into the finances of the States would be greatly simplified. In the absence of uniform accounting methods in the States and in view of the astounding position disclosed on page 7 the difficulty of formulating a common plan will be appreciated.

AMOUNT OF GRANT.

The difficulties of determining the amount of grant to which South Australia is entitled are dealt with elsewhere. The Committee has examined the position of South Australia from many angles in an endeavour to assess the disabilities arising from Federation; but after exhaustive investigation it feels that, in view of the numerous economic problems involved, and of the absence of reliable figures relating to many important aspects of Federal policy, it cannot express in monetary terms the extent of such disabilities. The Committee is of opinion, however, after a careful study of the finances of the State, that South Australia has a reasonable claim for a grant of £1,000,000 for 1931-32. This sum would include the amount of £320,000 to which South Australia is entitled under the South Australian Grant Act No. 26 of 1929. Having regard to the fact that the Commonwealth and the other States will be faced with heavy deficits at the 30th June next the Committee considers that, in fairness to the taxpayers of Australia as a whole, it is a matter for Parliament to determine whether this amount can be paid. Having regard also to the existing abnormal and constantly changing conditions affecting the finances of the Commonwealth and the States the Committee does not deem it desirable to recommend a grant for any definite period beyond one year. The indications are that the next financial year will be a difficult one for all Treasuries, State and Commonwealth; but the upward trend of prices for our staple exports inspires the hope that by 1932-33 the national income will have recovered to an extent that will bring about an appreciable improvement in the finances of the Commonwealth and the States.

PERMANENT BODY TO STUDY THE FINANCIAL RELATIONS OF THE COMMONWEALTH AND THE STATES.

The Committee again strongly recommends the establishment of a permanent body to make a continuous and intensive study of Commonwealth and State finances. The views of the Committee on this matter are expressed as follow in its report on "The General Disabilities of Tasmania":—

The Committee is strongly of opinion that the time has arrived when a permanent body should be appointed to make a continuous study of the financial relations of the Commonwealth and the States. Of recent years the task of investigating the finances of three of the States—Western Australia, South Australia and Tasmania—has been assigned to different bodies, involving the expenditure of a considerable amount of public money. The reports submitted to Parliament indicate that the investigations were conducted with efficiency and thoroughness, and that a considerable amount of research was involved in their preparation. With the growing complexity of the finances of the Commonwealth and the States, however, the Committee holds the view that the financial relations of the Commonwealth and the States should be the subject of a continuous and intensive study by a permanent body. In fairness to the Commonwealth and the States uniform methods and procedure in relation to financial assistance to the States should be evolved. The essential requirement is that all questions of State grants should be referred to the same body for investigation. Uniformity cannot be achieved in any other way. The Committee fully recognizes that the principles of determining grants cannot be developed and clarified in a day; but the importance of the matter to the Commonwealth, the States and the taxpayers demands that there should be no further delay in setting up a body capable of evolving definite basic principles under which the claims of any State may be measured or assessed from time to time without the necessity for protracted investigation.

The Committee is of opinion that the permanent body suggested should be composed of a representative of the Commonwealth Treasury with a close knowledge of Commonwealth and State finance, the Director of Development, and a qualified economist who should be attached to the office of the Commonwealth Statistician. The Committee also holds a strong view that in the investigation of any State's claim for financial assistance a Treasury officer from the State concerned should be temporarily attached to the proposed permanent body during the course of the inquiry.

A copy of the "Case for South Australia, 1930," is submitted herewith.

The Committee desires to record its appreciation of the valuable assistance rendered by the large number of witnesses who appeared before it.

P. E. COLEMAN,
Chairman.

Office of the Joint Committee of Public Accounts,
Parliament House,
Canberra, 17th June, 1931.

APPENDIX A.

MEMORANDUM SUBMITTED BY THE ACTING COMMONWEALTH STATISTICIAN (PROFESSOR L. F. GIBLIN, M.A.) ON GRANTS TO STATES.

It is not possible to determine special grants to States by assessing directly the net economic disadvantage on account of Federation. At first view this procedure seems simple and attractive. On examination, however, it appears that it is practically impossible, however desirable it may be.

Consider the effects of high protection. There is no doubt that this is some disadvantage to a State chiefly occupied with primary production. How is it to be measured? The Report on the Tariff, published under the title of "The Australian Tariff" goes further than has been attempted before for any country in measuring tariff effects. Even if all the conclusions and tentative conclusions of that book are fully accepted we are a long way from being able to assess the economic disadvantage to a single State caused by the Tariff. Even if this were roughly determined (and the results would, even after long investigation, be more uncertain than those of "The Australian Tariff") we should still have the task of translating an economic disability to a State into a subsidy to a State Government. I see no way in which that can be done with sufficient certainty to be of any practical use.

The effects of other disadvantages, and also of advantages, such as interstate free-trade to Tasmania, are even more difficult to assess and translate into a subsidy to government than the effects of the Tariff.

I have discussed this question at some length in paragraphs 1 to 27 of a memorandum on State Disabilities submitted to the Committee during its Tasmanian inquiry in 1930. The argument set out there seems to me, on reconsideration, conclusive on this point. In paragraphs 7-14 an attempt is made to go to the possible limit in making the required estimate of the effect of tariff policy, and it is very evident that the necessary uncertainties are so great as to make the conclusions of no practical value.

On this point I do not think there can be two opinions. Any other economist would take an even more hopeless view of the possibilities of determining a State grant on these lines.

For the alternative method proposed in my Tasmanian memorandum I do not claim the same general assent; but I think it rests on firm ground notwithstanding. It is certain that the total net effect of the advantages and disadvantages of Federation are registered in the public finances of the State compared with those of other States. From a careful sorting of these comparative finances, with the safeguards I proposed, I believe the best judgment can be reached as to the special grant necessary. It is true that a judgment on these lines will take also into account the difference of natural resources between States. I have given at some length (paragraphs 20-24) reasons why natural resources should not be left out of account, as in fact they are not in similar questions in other Federations.

It may be emphasized that the procedure suggested would not tend to remedy the economic disadvantages of the State on account of natural resources or even on account of Federation. The grant arrived at on these lines would only be enough to enable the State Government to function at something near the minimum standard of other State Governments. The inhabitants of the State would be left in the same relatively disadvantageous position, on account of both natural resources and Federal policy and would have to put up with a correspondingly lower standard of comfort. Only they would not have to bear in addition such a crushing load of taxation above the general Australian level as would inevitably lead to a breakdown of the social and economic structure. (See Memorandum, paragraphs 39-41).

The economic position is in a state of rapid flux and the future is uncertain. It is, therefore, impossible to make any assessment of special grant which may not become inequitable a year hence, and impossible even to make an equitable assessment for the present year on the information available which must, in general, refer to a previous financial year.

APPENDIX B.

NAMES OF WITNESSES WHO APPEARED BEFORE THE COMMITTEE.

- Abbott, Edwin, Deputy Comptroller-General of Customs, Department of Trade and Customs, Canberra.
- Adams, Howard Daniel Montgomery, Agricultural Inspector, State Department of Agriculture, Adelaide.
- Adoy, William James, Director of Education, Adelaide.
- Anderson, Charles Buxton, State Commissioner for Railways, Adelaide.
- Barns, Alfred William Hurtle, farmer, Wudinna, Eyre Peninsula.
- Bedford, Robert, farmer and storekeeper, representing the Kyanutta district, Eyre Peninsula.
- Boykett, George Hebbert, Secretary, South Australian Employers' Federation, Adelaide.
- Cant, George William, farmer, Chairman, Kimba Hospital Board, Eyre Peninsula.
- Coleman, Frederick, farmer, Chairman of the Advisory Board of Agriculture, Adelaide.
- Doudy, Cecil Roy, solicitor, Port Lincoln, Eyre Peninsula.
- Eaton, John Henry Osborne, Engineer-in-Chief, State Engineering and Water Supply Department, Adelaide.
- Edmonds, Ernest Harry, farmer, member of the Wudinna District Council, Eyre Peninsula.
- Ferry, Frank Roy, farmer, Chairman, Kimba District Council, Eyre Peninsula.
- Field, Edgar John, Director of Lands for South Australia, Adelaide.
- Fleming, Daniel Victor, State Commissioner of Highways, Adelaide.
- Fromen, Ernest Hjalmar, Manager, Dairy Produce Department, South Australian Farmers' Co-operative Union Limited, Adelaide.
- Gahan, George Alfred, Commissioner, Commonwealth Railways, Melbourne.
- Giblin, Lyndhurst Falkner, M.A., D.S.O., Acting Commonwealth Statistician, Canberra; formerly Ritchie Professor of Economics, University of Melbourne.
- Goldbeck, Herman Louis, Comptroller of Accounts, South Australian Railways, Adelaide.
- Goodman, William George Toop, Chairman, Royal Commission on the South Australian Railways; General Manager and Chief Engineer, Municipal Tramways Trust, Adelaide.
- Hawkins, Hartley Gladstone, Director, South Australian Farmers' Co-operative Union Limited, Adelaide.
- Hills, Charles Thomas Cole, Assessor, State Taxation Department, Adelaide.
- Holden, Edward Whewall, B.Sc., Chairman of Directors and Managing Director, Holden's Motor Body Builders Limited, Adelaide.
- Hume-Cook, James, Secretary, Australian Industries Protection League, Melbourne.
- Hunkin, Leslie Claude, State Public Service Commissioner, and member of the State Advisory Committee on Finance, Adelaide.
- Inkster, Andrew John, farmer, Chairman, Elliston District Council, Eyre Peninsula.
- Jenkins, the Honorable George Frederick, pastoralist, Leabrook, South Australia; Vice-President, Stock-owners' Association of South Australia.
- Jones, Alfred William, Secretary, Adelaide Potteries Limited, Adelaide.
- Matthews, Royce, Manager, Kimba Branch, State Bank of South Australia, Eyre Peninsula.
- McConnell, William Fowler Litchfield, Secretary, Retail Grocers' Association of South Australia, Adelaide.
- McFarlane, Stuart Gordon, Assistant Secretary (Finance), Commonwealth Treasury, Canberra.
- McMahon, John Lawrence, farmer, member of the Wudinna District Council, Eyre Peninsula.
- Melville, Leslie Galfried, B.Sc., F.I.A., Professor of Economics, University of Adelaide; member of the State Advisory Committee on Finance; and representative of the South Australian Government for the "Case for South Australia".
- Mitchell, William, farmer, member of the Wudinna District Council, Eyre Peninsula.
- Morris, Bedlington Howel, M.B., B.S., Inspector-General of Hospitals for South Australia, Adelaide.
- Newman, Francis John, farmer, President, Kimba Branch, Returned Sailors and Soldiers' Imperial League of Australia, Eyre Peninsula.
- O'Dea, Gerald Michael, Secretary, South Australian Gas Company, Adelaide.
- Peckins, James Arthur, Director of Agriculture for South Australia, Adelaide.
- Pike, Albert Oswald, Chairman, South Australian Fruit-growers' Co-operative Society Limited, Adelaide.
- Richardson, Alfred Charles Henry, Superintendent of the Government Labour Exchange, Adelaide.
- Richardson, Arnold Edward Victor, M.A., D.Sc., Waite Professor of Agriculture, University of Adelaide; Director of the Waite Agricultural Research Institute, Adelaide.
- Rinder, James Arthur, Managing Director, Waltons Limited, Confectionery Manufacturers, Adelaide.
- Rumblelow, Henry, boot manufacturer, and Secretary, South Australian Boot and Shoe Manufacturers' Association, Adelaide.
- Sampson, James Albert, farmer, member of the Kimba District Council, Eyre Peninsula.
- Smith, Stow, timber merchant and Director of Cowell Brothers and Company Limited, Adelaide.
- Sneyd, William Albert, proprietor, "Sneyd's" drapery, hosiers, &c., Adelaide.
- Stuckey, Reginald Robert, Under-Treasurer of South Australia; Chairman of the Board of the State Bank of South Australia, Adelaide.
- Taylor, Norman Henry, merchant, Vice-President, Adelaide Chamber of Commerce; President, National Roads Association, Adelaide.
- Thomson, Peter Allan, farmer, member of the Elliston District Council, Eyre Peninsula.
- Tyler, Harold Howitt, district clerk, Wudinna, Eyre Peninsula.
- Wheason, Frederick William Herbert, Managing Director, Adelaide Electric Supply Company Limited, Adelaide.
- Winterbottom, Harold Edward, Secretary, South Australian Chamber of Manufacturers, Adelaide.