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STATEMENT BY THE PREMIER OF SOUTH AUSTRALIA, DON DUNSTAN, Q.C., M.P.

23/2/71.

Good Evening:

As you know, over the last few weeks the economy has been the major talking point throughout Australia. The Prime Minister has said that he wants to scale down public spending - and it is clear that he wants the States to cut their spending very much more than the Commonwealth will cut its.

For the people of the States, the problem is this:

The major areas in which the States have been spending extra money are in education, health and hospitals.

Make what economies they like, education, health and hospitals are the only areas where cuts in expenditure could begin to come close to the degree all States' accounts are run down.

In South Australia we're better off than the others.

Our budget last year was a cautious one - we controlled our expenditure and we spent wisely. But what we're now faced with is this:

In February and June last year we joined with the other States in an attempt to negotiate a proper sharing of revenue which would allow all Governments, Federal and States to do their various jobs. The Commonwealth improved things a bit then - but all Premiers left Canberra knowing that the slightly improved position would still not allow them to finance an adequate range of essential services.

When we drew up the Budget we took into account new money from the Commonwealth, the extra money we got from the Grants Commission, our own revenue raising measures, and the minimum needs of schools, hospitals and essential services. It still left us \$5M. in the red, having taken into account known wage increases.

And then came the crunch.

Additional unexpected wage and salary awards came in.

And then the arbitration court brought in its 6⁵ increase across the board. And when all the old and the new increases in wages were added up, they came to a total increase of about \$18¹/₂M.

which when everything is subtracted leaves us with an adverse amount of about \$6½M.

That's how much extra we're in the red through rising wages and salaries. The total's \$11½M.

The same kind of thing has happened to all States.

Instead of being in the red to an amount of \$36M. the States' combined deficit is now three times as much at about \$110M.

But despite this, the Commonwealth has decided that the State Budgets should bear the brunt of these wage rises even if it means that the States cut back on the social, health and educational services their voters want them to provide.

In other words the Commonwealth decided not to provide any more money at all, although for special political reasons - namely the elections in New South Wales and Western Australia - it hasn't written its decision down. It simply told the Premiers so in private, and said the cut-back would end inflation.

The States all pointed out that because their year's spending was already committed there would be inflationary effect if their budgets were balanced by increased grants. But the P.M. was adamant. It was a case of: when in doubt, look tough even if you don't know why you feel it. And so although the press (who weren't there because only South Australia wanted them to see what really happened) said after the Premier's Conference that there might be some more money in April, nothing could be further from the truth. So what are we to do?

Well, in South Australia we won't do what the Premier of Queensland said he was going to do - cut back expenditure in education and health, nurses and teachers. This Government promises you sincerely that we will not sell-out like that. Because through careful management our drift in finances is quite significantly less than in the other States, we will be able to by and large to hold our own by firstly, insisting on real economies in public service staffing and non-essential works.

But even with real economies, given that the Commonwealth will not

cover with further monies the provision of essential services, it has been necessary to look at those relatively minor revenue areas that are still left to us as a State Government. And so the new taxes the Government has announced today will be somewhat wider in their effect than those in our last Budget. But there is an essential and important principle involved in the new measures. We get help from the Grants Commission. But we can only maximise that help if we make our taxes and charges reasonably comparable with those of Victoria and New South Wales.

To cover both the awkward situation the Commonwealth has placed us in, and to suit the conditions laid down by the Grants Commission we have decided on the following measures:

There will be a levy equal to 3 per cent of the gross revenues of the electricity trust.

Motor vehicle registration fees will be increased by 20 cents in the dollar, but with exemption to pensioners.

The tax on bookmakers turnover will be increased from 1.8 to 2 per cent.

A levy of between seven and eight cents on charges which are over the dollar from persons and authorities licensed to provide public entertainment will be applied. There will be an increase of 5 cents on the fourth, fifth, eighth and ninth sections of tram and bus fares, with exemption to pensioners,

There will be an increase of railway passenger fares so that they are brought into line with bus and tram fares, with the pension concession remaining at 50% of the fare.

And also railways freight rates will be subject to a review by the Railways Commissioner.

And finally, an increase in valuations for water and sewer rating when they are below the full present day values, together with a 5 cent increase in the water rebate charge operative from the next financial year.

These measures will give us about \$6,000,000 in a full year.

But having regard to the fact that a full year's costs of now

awards will add further costs, and all States will have to expect continuing deficits.

What we intend to do here is this.

We won't cut back on essential works and social services.

We will, however, meet the recurrent costs involved by positive revenue raising measures.

I'm sure you will agree with this course.

South Australia should not be stampeded into a programme of cutting and slashing services which would leave our sick untended and our children untaught.

When the Labor Government came to power in South Australia State services particularly in education and health and hospitals were at breaking point. The Labor Government was able during the first year of its office not only to provide service pay to daily and weekly paid Government employees, costing some $\$6\frac{1}{2}$ million, but also to make a 15% increase in education expenditure and a 20% increase in spending on health and hospitals so that the breakdown of schools and hospitals was avoided.

In order to raise the money for this, taxes were imposed on those in the community best able to pay. Reductions in death duties for the widows and workers were made but death duties were increased on the larger estates. A tax was imposed on insurance companies, wharfage rates were increased and a number of fees and charges not directly affecting the family man were also increased. This allowed us to have a budget in which all the Government funds in South Australia would work out at a balance for the year and in that provision normal wage increases were provided for. Since the budget was passed, we have had a whole series of large and unusual wage increases hitting the outgoings of the Government very hard. In the three years prior to 1969-70, the average increase ⁱⁿ of the Wages Bill of the State Government has been from $\$5$ million to $\$7$ million. In 1969-70 under the L.C.L. Government the increased Wages Bill was $\$10\frac{1}{2}$ million. This year decisions of wage fixing tribunals, not in any way controlled by the State Government, have resulted in an increase in the Wages Bill of $\$18\frac{1}{2}$ million. That is far more than was anticipated and cannot be met from the revenues we had up 'til February of this year. Always previously when unusual or even when usual wage increases were made, the Commonwealth Government paid the States extra money, to help them over the hurdle. This year the Commonwealth has taken the whole of the extra money it has got in income tax from the wage rises, paid its own extra wage costs, paid a small amount to the

States under the existing formula relating to wage increases (less than $\frac{1}{3}$ of the extra cost to the States) and then put a substantial profit in millions to the Federal Treasury and refused to help the States further. Every State in Australia is in severe financial plight as a result. Because of strict control of expenditure in South Australia we are better off than ^{any} ~~an~~ other mainland State. For example, Western Australia originally ~~was~~ budgetted for a balance but now faces a deficit of \$8.7 million. Queensland budgetted for a deficit of \$2.8 million and now has a deficit of \$16 million. New South Wales budgetted for a deficit of \$8 million and now has a deficit approaching \$50 million. Victoria's figure was

What the Commonwealth has asked us to do is to reduce our spending in the areas of State Government expansion that is in schools and health and hospitals. Victoria for instance has already announced that despite increased enrolments of school children next year, it will not appoint any more teachers and will reduce the temporary teaching staff which at present it employs. It will not recruit any more nursing staff. Queensland has announced cuts in spending on education and health and hospitals.

The Labor Government believes that any such course would be quite wrong and that people in South Australia ~~would~~ would rather pay more money in taxes and charges than to see their children untaught and their sick untended. In consequence the Labor Government has turned to the only areas of additional taxation now left to it after it has taxed the tall poppies already this year and this means increased taxes and charges which do effect the family man. We see ~~now~~ no way out. This is a deliberate policy by the Labor Government to refuse the cuts in essential services demanded by the people of South Australia which the Gorton Government has tried to foist on us.

We ask for the support of every Trade Unionist in the

course that we are taking to implement a policy of maintaining education and health and hospital services in a way which working people of this State have constantly demanded that the State Government should.