

SEPARATE ACCOUNTS.

126. We would here refer to the fact that the Public Account consists of a number of separate funds and accounts in addition to the Consolidated Fund and Public Works Fund. These separate accounts were largely created for the purposes of capital expenditure, and have been established in the past as various developmental schemes and trading activities have been inaugurated.

127. The Treasury urges that the simplification of these accounts would lead not only to economy in administration, but would also enable the Treasury to work on a smaller cash balance in the Bank than is possible at present.

128. We are of opinion that the present system of dealing with these separate accounts in the annual published statement of the Public Accounts of New Zealand is somewhat complicated and should be simplified.

129. Treasury and Audit officials are in accord as to the desirability of simplification. This could largely be effected by abolishing the permanent appropriations within the separate accounts as already recommended with regard to the Consolidated Fund.

130. Further simplification could be effected by abolishing such separate accounts as might no longer be required, and by treating the matter generally on the lines laid down by recognized authorities on governmental accounting.

131. We recommend that legislation be introduced accordingly.

SALARIES AND WAGES.

132. Apart from the permanent charges which we have already dealt with, a very large proportion of the annual expenditure is in the form of salaries and wages, and the only means of bringing about a reduction in this class of expenditure is by dismissals, or by reductions in salaries and wages, or by a combination of both. In this report we propose to deal only with reductions in salaries and wages.

133. The amount payable by the Government in salaries and wages on the 1st April, 1931, was approximately £14,000,000 per annum, but this did not include a large number of relief workers then in the employ of the Public Works Department. These salaries have already been subject to a reduction of 10 per cent. so that the total amount now payable is in the region of £12,500,000 per annum.

134. After reviewing the national expenditure in relation to the present and prospective position of public revenues, we are forced to the conclusion that further reductions are imperative. We have therefore to recommend a general reduction of 10 per cent. in salaries and wages of all public servants as from the 1st April, 1932. This is the minimum we can recommend, and, in addition to the reduction of 10 per cent. already in operation, means a total reduction of 19 per cent. We suggest that the reduction should have the same application as that imposed by the Finance Act, 1931 (No. 1). This would result in a total saving of approximately £1,250,000; but the whole of this saving would not accrue to the Consolidated Fund. We shall refer to the effect on the Consolidated Fund later.

135. We have considered the possibility of recommending reductions on a graduated scale, but feel that a recommendation on these lines would involve many anomalies; moreover, graduation is already substantially provided by income-taxation. The following table illustrates this:—

Salary.				Income-tax.	Approximate Rate per Cent.
£				£ s. d.	
300	..	..	..	2 0 2	$2\frac{1}{3}$
500	..	..	..	12 9 7	$2\frac{1}{2}$
700	..	..	..	38 14 11	$5\frac{1}{2}$
1,000	..	..	..	84 3 4	$8\frac{1}{2}$

136. If the Government decide upon a further reduction in salaries and wages, we believe that the lead will be accepted by the community, and that there will be a consequent fall in the money value of emoluments generally. Reductions in wages will not of themselves achieve a return to prosperity, but, as an important factor tending towards economy and lower costs of production, will help to bring about more stable financial conditions.

137. Turning now to the effect upon the Consolidated Fund, we find that out of a total expenditure on salaries and wages of approximately £12,500,000 per annum, the amount payable from the Consolidated Fund is approximately £5,400,000. Our recommendation of a reduction of 10 per cent. will, if given effect to, result in a direct saving of £540,000 to the Consolidated Fund.

138. There will, however, be indirect gains through the Railway Department and Post and Telegraph Department, as the savings in salaries in those Departments will result in increased returns to the Consolidated Fund for interest and profits. It is safe to assume that the benefit will be equivalent to the actual reduction in salaries, which will be approximately £624,000.

139. There will be some small indeterminate gains from other accounts, but for all practical purposes these need not be considered here.

140. We wish to refer specially to the position of the Public Trust Office, the Government Life Insurance Office, and the State Fire Insurance Office, in so far as reductions in salaries are concerned. The previous reduction of 10 per cent. was taken in those Departments from the funds of the offices as relief to the Consolidated Fund, and, while this may perhaps have been justified as being some return in respect of the guarantee of the Government, either actual or implied, we consider that the Departments should receive the benefit of any further reduction. These Departments are in competition with private institutions and should not be deprived of the advantages enjoyed by their competitors.