

INTERIM REPORT.

To His Excellency the Right Honourable Lord Bledisloe, G.C.M.G., K.B.E., Governor-General and Commander-in-Chief in and over His Majesty's Dominion of New Zealand and its Dependencies.

MAY IT PLEASE YOUR EXCELLENCY,—

The Commission entrusted to us by Your Excellency directed us to inquire into and report on the public expenditure in all its aspects, to indicate economies that might be effected if particular policies were either adopted, abandoned, or modified, and generally to make recommendations to the Government for effecting forthwith all possible reduction in public expenditure, having regard especially to the present and prospective position of the public revenues.

Your Excellency's Commission directed us to furnish an interim report not later than the 1st March, 1932, since extended to the 8th March, 1932.

We commenced our inquiries at Wellington on Wednesday, the 3rd February, 1932, and our work has continued since then.

METHODS EMPLOYED.

1. We received a very large number of applications from individuals and organizations to give evidence, but in view of the wide scope of our inquiry and of the necessity to submit an interim report we deemed it expedient to request those who wished to give evidence to submit same in writing, as it would have been impossible for us to have heard all witnesses in person. We shall, however, in the continuation of our inquiry take such personal evidence as may appear necessary. We have examined Permanent Heads of Government Departments in regard to various State activities under their administration, and after consideration of all available evidence and a careful study of the financial situation we have reviewed the problem of reducing expenditure.

2. We have considered carefully the question of presenting evidence with our report and have decided not to do so. We reached this decision because we believed that we would get a much clearer perspective of the problem and evidence uninfluenced by personal considerations if such evidence were treated as confidential.

3. We are pleased to be able to state that during the course of our investigations we have received valuable assistance from officers of the Public Service whom we have up to the present examined. Returns and information asked for have invariably been supplied promptly.

GENERAL REVIEW OF BUDGETARY POSITION.

4. At the commencement of our inquiry we interviewed the Right Honourable the Prime Minister, who outlined the present national financial position, and our subsequent examination of the present and prospective position of the public revenues has forced us to the conclusion that drastic measures must be adopted to reduce expenditure if the obligations of the Dominion are to be met.

5. It seems necessary to refer to the very serious decline in the national income and to the far-reaching effect of this reduction. The economic problems of New Zealand to-day are but a reflex of world-wide conditions, although in the case of New Zealand the effect is particularly severe, in that prices of primary products have fallen to a greater extent than prices of manufactured goods. The latest statistics available indicate that national production has fallen by approximately 30 per cent. as compared with the value in 1928-29, which may be regarded as the "peak year." In that year the value of production is given as £125,300,000; in 1929-30 a reduction of £7,000,000 occurred; while for 1930-31 production fell to approximately £98,000,000, or a decrease of approximately £27,000,000. It is estimated that for 1931-32 a further fall of £8,000,000 will be disclosed, bringing the value down to approximately £90,000,000. In other words, the Dominion has to accommodate itself to a fall in a period of four years of £35,000,000 in the value of production. This must not be confused with the national income, of which no reliable data is available, but it may be assumed that that income has fallen in approximately the same ratio as the value of production.

6. This fall is necessarily reflected in the State revenues, and it follows that there must be a corresponding reduction in the national expenditure, and that services which the Dominion could afford in more prosperous times must, of necessity, be severely curtailed or even discontinued.

7. The reduction in the value of production has resulted in reduced imports and reduced Customs revenue, and the indications for next financial year point to further substantial reductions. The general decline in business has resulted in a fall in income-tax receipts, and we must anticipate a further drop in the yield from this source next financial year.

8. Similarly, under other headings of general revenue further decreases must be expected.

9. In so far as expenditure is concerned, the State has been called upon to shoulder additional liabilities, mainly in connection with unemployment relief, hospital and charitable institutions, &c.