

Clause put, and a division taken with the following result:—

Ayes	18
Noes	16

Majority for .. 2

AYES.

Mr. Chesson	Mr. Marshall
Mr. Collier	Mr. Millington
Mr. Corboy	Mr. Rowe
Mr. Coverley	Mr. Sleeman
Mr. Cunningham	Mr. Troy
Mr. Heron	Mr. A. Wansbrough
Miss Holman	Mr. Willcock
Mr. Kennelly	Mr. Withers
Mr. Lamond	Mr. Wilson

(Teller.)

NOES.

Mr. Angelo	Sir James Mitchell
Mr. Barnard	Mr. Richardson
Mr. Brown	Mr. J. H. Smith
Mr. Davy	Mr. J. M. Smith
Mr. Griffiths	Mr. Stubbs
Mr. E. B. Johnston	Mr. Taylor
Mr. Maley	Mr. Thomson
Mr. Mann	Mr. North

(Teller.)

Clause thus passed.

Clause 9—agreed to.

Schedule, Title—agreed to.

Bill reported without amendment and the report adopted.

House adjourned at 9 p.m.

Legislative Council,

Tuesday, 26th June, 1923.

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The PRESIDENT took the Chair at 4.30 p.m., and read prayers.

SWEARING-IN OF MEMBER.

Hon. H. Seddon (North-East) took and subscribed the oath and signed the roll.

QUESTION—NORTH-WEST AEROPLANE LANDING GROUND.

Hon. Sir EDWARD WITTENOOM asked the Chief Secretary: 1, Are the Government taking any steps to prepare on the coast in the vicinity of Wyndham or Derby, a landing place for aeroplanes so that they can land there instead of at Port Darwin and so save many miles of distance? 2, If not, will the Government consider the advisability of doing so?

The CHIEF SECRETARY replied: 1, No. 2, Air services are controlled by the Federal Government. The State Government will gladly consider if so requested.

MOTION—CONGRATULATIONS.

THE CHIEF SECRETARY (Hon. J. M. Drew—Central) [4.36]: I beg to ask leave to move, without notice, the following motion:—

That this House desires to place on record the services rendered by the late members of the Council, and congratulates the Hon. W. H. Kitson on his appointment as Honorary Minister.

The PRESIDENT: Is it the wish of the Council that the Minister have leave to move the motion without notice?

Leave granted.

The CHIEF SECRETARY: This is a most unusual motion, but it has been rendered advisable by reason of the fact that members came to an understanding that there should be no debate on the Address-in-reply. It has been the custom to make complimentary references to late members and also to offer congratulations to new members. A number of changes have taken place in this House as a result of the recent province elections. Mr. Hickey, Mr. Burvill, Capt. Potter, and Mr. Macfarlane are no longer with us, and their places have been taken by Mr. Hall, Mr. C. H. Wittenoom, Mr. Fraser, and Mr. Franklin, while Mr. Williams is the successor of the late Mr. Dodd. We can all regret the loss of the old members who were defeated without in any way reflecting on those who have succeeded them. Mr. Hickey was not only a colleague of mine as a representative of Central Province, but was also a Ministerial colleague. He always took a very active interest in the welfare of the State, with which he was thoroughly acquainted. I have no doubt that he will be missed from this

Chamber. Mr. Burvill gave close attention to his duties in this House, which had the benefit of his lengthy experience in different avenues of industry. Capt. Potter was one of the most popular members of this Chamber, one who could become warm in debate without causing any offence or even the slightest tinge of unpleasantness. Mr. Macfarlane, as a business man and a conscientious citizen, was often helpful in the course of discussions with his practical viewpoint. The new members come here with the best of credentials. Mr. Fraser is widely respected in the district that he has the honour to represent. Mr. C. H. Wittenoom and Mr. Hall both saw the light of day in the Geraldton district and have been known to me all their lives. Mr. Wittenoom, as a young man, became associated with the pastoral industry. In late years he settled at Albany, and it was a source of much gratification to me when I visited that district last year to find how much he was esteemed by all sections of the community. Mr. Hall has rendered years of public service as a councillor of the Geraldton municipality, and has been noted for his consistent solicitude for the welfare of the sick and suffering. Mr. Franklin we all know. He has had a lengthy and most successful civic record and has been Mayor of Perth for several years. Mr. Williams's success against one who occupied a prominent public position by the will of the ratepayers is proof of the confidence reposed in him by those who have known him for some years. All the new members of the House, I can assure them, will find this a fair House, and although political opinions may differ widely, there will be no display of animosity in any shape or form. I cannot conclude without offering my congratulations to Mr. Kitson, who has been appointed my lieutenant in this Chamber. All who know him—and he is well known to all the older members of this House—will be satisfied that his duties will be performed ably, efficiently and conscientiously.

HON. J. J. HOLMES (North) [4.42]: I desire briefly to support the motion moved by the Chief Secretary and to welcome the new members who have come to us. Looking around the Chamber this afternoon and recollecting what happened at the recent elections, I am inclined to remind members of the Biblical quotation, "Let him that thinketh he standeth take heed lest he fall." Four members have fallen by the way, and

we have new members in their places, and I desire to welcome them. I wish to congratulate Mr. Kitson on his elevation to the position of Honorary Minister. The selection, I consider, has been a very wise one, but I fancy—and I have a fairly good memory—that when we provided last session for two additional portfolios, a statement was made that, with those additions, no more Honorary Ministers would be appointed.

Hon. E. H. Gray: Who said that?

Hon. J. R. Brown: Who told you?

Hon. J. J. HOLMES: I should want a better authority than Mr. Brown. at all events. When Parliament passed the Bill agreeing to the creation of two additional portfolios, it was made clear to the country that there were to be no more Honorary Ministers, but if we are to have an Honorary Minister, then I think the selection of Mr. Kitson has been a wise one.

HON. SIR EDWARD WITTENOOM (North) [4.45]: I desire to support the motion, and to express my regret at the defeat of those members who are no longer with us. As we know, partings in this world are always sad, and when we have been associated with men for a period of six years, or perhaps longer, we naturally feel that it is a little hard when they are obliged to leave us. Members of Parliament put me in mind of a book I once read, the title of which was "Ships that Pass in the Night." I dare say many hon. members have read that book, and I think it applies very well to our friends who are no longer here. Let us hope, however, that like the ships, they have left such a wake behind them that they can always look back on their careers with pride. I sympathise with those who have gone, but we must not fail to remember that in Parliament changes always take place, and whilst we extend sympathy to those who are defeated, we must at the same time welcome those who come amongst us. I desire to add my congratulations to those already expressed with reference to the appointment of Mr. Kitson to the position of Honorary Minister, though I very much question whether amongst his friends the political approbation that I extend to that gentleman will be generally appreciated. However, I am sure we all welcome him on political as well as personal grounds, and I can add that I am pleased to see him occupying his new post. I hope he will long

retain it, and that it will be a stepping-stone to further honours, which I feel sure he will merit by his general ability and the attention he will devote to his new duties.

HON. J. NICHOLSON (Metropolitan) [4.48]: In supporting the motion I desire to add a few words to those already uttered by previous speakers. I join with the Leader of the House in all that he has said with regard to the various members who have left us, and those who have lately been elected. As to those who have left us, we can only hope that their memory, as I am sure will be the case, will last, and that the good they have done will be recognised in later years. In offering these remarks, we are prompted by the fact that we have such men of ability amongst us, and my wish is that the new members will follow in the footsteps of those whom they have succeeded, and that they, too, will leave as worthy a record behind them. With regard to the appointment of Mr. Kitson to the position of Honorary Minister, I rejoice in the fact that he has been selected for that important office. I feel sure, as every member will, that his natural ability will win for him the confidence and the esteem of every member of the House. We are dealing with this matter in a perfectly impartial way, and I regard Mr. Kitson in the light of a member of this House, and not as a member of any particular party, because we have always been taught to believe that the Legislative Council is a non-party House. We can esteem a man for his ability and for his uprightness and truthfulness, and I am certain that in Mr. Kitson the House will find a man who possesses in an abundant degree all those high qualities. I am sure everyone regrets that his predecessor in office is not once more with us, because he was always desirous of using his best endeavours in the interests of the State. I support the motion.

HON. J. EWING (South-West) [4.50]: I would like to take this opportunity to express regret that some of our former members have fallen by the wayside. Often at the end of a session our members have to go before the electors, and before doing so the hope has been expressed that they will return. Since the close of the previous session, a great many casualties have taken place, more than the average, a fact that we all regret. However, I would like to put on

record my appreciation of the work done by those gentlemen who suffered defeat, particularly Mr. Burvill who was an indefatigable worker, and who went into details so as to make sure that his viewpoint was well understood. The others also deserve to be paid a tribute for the work that they did in the interests of the State. Amongst those who have taken the place of the defeated members we have men whose names are well known, and who in other spheres of life have done good work. Those gentlemen are particularly welcome to this House. To Mr. Kitson I extend my sincere congratulations. I have always appreciated his work, and I can speak highly of his ability, fairness and straightforwardness. At the same time I regret that Mr. Hickey was defeated. We can say the same of him. He was a congenial man and worked very hard. Mr. Kitson is a worthy successor who will conduct himself in his new post as honourably as he did as an ordinary member of this House. I support the motion.

HON. J. CORNELL (South) [4.53]: Before the motion is put, I desire to say a few words in support of it. I have already, by letter, conveyed my expressions of regret to those members who did not return this year. Whilst listening to the expressions of regret that were offered by members who have preceded me, it occurred to me that those members were giving vent to remarks that might be made to apply to any one of us at a future date. However, I do feel that some members who have fallen by the wayside, I, as Chairman of Committees, will miss very much, particularly my old friend Mr. Hickey, whom I have known for a quarter of a century. To the new members I extend a hearty welcome. For a time, no doubt, they will find the atmosphere of this Chamber strange, and perhaps at times irksome. If I can be of assistance to those new members, either as a private member or as Chairman of Committees, it will be my pleasure to give that assistance to them. I heartily congratulate Mr. Kitson on his elevation to the position of Honorary Minister. I have watched that hon. gentleman's progress since the first day he entered this House. When he was newly elected I was glad to be able to offer him a little advice, and I think he accepted it in the spirit in which it was given. There is no need to refer to Mr. Kitson's ability, because that is well known to all of us. I would fain make this

prophecy, that Mr. Kitson will be a great acquisition to the Chamber as an Honorary Minister. I heartily congratulate him on his elevation and I repeat the assurance that if I can be of any assistance to him, as an officer of the House, or as a private member, I shall be only too glad to render that assistance.

HON. A. J. H. SAW (Metropolitan-Suburban) [4.56]: As one who, luckily for myself, escaped the lot that befell some of my former colleagues, I desire to express my regret at their having met an undeserved fate. In all instances, although we welcome those who have taken their seats in this House for the first time, I think that fellow feeling makes us wondrous kind, knowing the fate that perhaps in the future is also in store for us. Although we welcome the new members, we cannot but express regret for those who have not been successful. Particularly is this House pleased to see here Mr. Charles Wittenoom. Having had experience of the qualities of the father, undoubtedly we welcome the son. I think it was during the lifetime of Mr. Gladstone that he welcomed to the House the son of two distinguished men who had been, at one time, his colleagues—Mr. Austin Chamberlain the son of Mr. Joseph Chamberlain and Mr. Lulu Harcourt the son of Sir Vernon Harcourt. I believe it was in connection with the former that Mr. Gladstone, alluding to the son following in the footsteps of the father, made use of this phrase, "Rare and refreshing fruit to a father's eyes." No doubt that is the feeling with which Sir Edward Wittenoom saw Mr. Charles Wittenoom enter this Chamber. With reference to Mr. Kitson, I am sure the House is delighted at the promotion. I am particularly pleased because it shows what a good political tipster I am. A few years ago Mr. Millington, now Minister for Agriculture, was a member of this House. He had the misfortune to be overtaken by the same fate as that which befell some of our former colleagues at the last election. Subsequently Mr. Millington found a haven of rest in another Chamber, and I forecasted then that undoubtedly the training Mr. Millington received in the Legislative Council, and the influence this Chamber had in moulding his character, combined with his native ability, would assuredly lead him to a high position. That forecast has been realised. I made a similar prediction with

regard to Mr. Kitson. I am glad to know that the Government have stopped the tipping contests because, had I been able to enter the contests, I might have been as successful with them as I have been in respect of the two gentlemen I have named.

Hon. H. Stewart: Don't forget Mr. Cunningham; he, too, was trained here.

Hon. A. J. H. SAW: The distinction attained by those gentlemen shows clearly that this House is a good training ground for the higher positions in the Government. I express my appreciation at the fact that Mr. Kitson has attained the rank of Honorary Minister and I congratulate the new members.

HON. V. HAMERSLEY (East) [5.0]: In supporting the welcome to new members, I must also express regret for those who have just been defeated, because it is unpleasant to lose comrades who have been working with us for a number of years. We got to understand their point of view, and we have a recollection of their good work in their respective spheres and for the particular provinces they represented. Mr. Burvill was a great battler, a practical man who always gave the House definite and sound information and worked hard for the Albany end of the State. Mr. Macfarlane was always recognised in this House as a man who possessed sound practical ideas and commonsense views on matters that commanded the attention of the Chamber. His work is appreciated by us, and we regret his loss. I do not wish to refer individually to all the members who have been defeated. They have played their part, and we are sorry to lose them, but we must recognise that the electors have chosen others to take their places, and we believe this House will be enriched by the advent of the new members. As we progress, it is useful to have new ideas brought along from time to time. The new members will find that the Council is not a party House, and they will doubtless be particularly interested to see whether in the divisions Mr. C. H. Wittenoom is always on the same side as his father. In this House every member is entitled to hold his own views, and we have always welcomed a free expression of such views. In the future, as in the past, the new members will find that their views will be listened to with due attention by members who have

been here for some years and have perhaps begun to get into a somewhat set stage. New ideas are especially welcomed in these days, and I feel sure that those members who have just been elected will prove of distinct advantage to the House. I welcome them heartily and join in the expressions of congratulation and goodwill to Mr. Kitson on the appointment he has attained in the Ministry.

THE PRESIDENT (Hon J. W. Kirwan) [5.5]: Before putting the motion to the vote, I should like to say a few words. The speeches that have just been delivered are what might have been expected from members of this House. The personal good feeling that has always existed amongst members irrespective of political differences is one of the Chamber's most characteristic and traditional features. The personal good feeling that exists arises, to my mind, from a general recognition by members of the public zeal that exists among fellow members whose views may not accord with their own. It is also due to the fact, I think, that the Legislative Council generally is dominated, not by a desire to find fault or to obstruct, but on the contrary by a genuine and earnest desire to assist to further the best interests of the country, irrespective of party and regardless of what Government may be in office. Hence, when a member is no longer amongst us, we are ever ready to express appreciation of the services he has rendered, even though we may not always have been able to see eye to eye with him. In the same spirit, we are ever ready to welcome his successor and encourage him by the expression of hope that he will be successful as a member of this House. It is in this spirit that I cordially endorse every word that has been said with regard to the new Honorary Minister, Mr. Kitson, and his predecessor in that office, Mr. Hickey, and also with regard to other ex-members. I join in extending a welcome to the new members. Let me say that in common with all the older members and the officers of the House, I shall be pleased to assist them in matters of procedure and Parliamentary practice with which they may be unfamiliar, or in any other direction that will help them to do their duty to the electors who sent them here.

Question put and passed.

THE HONORARY MINISTER (Hon. W. H. Kitson—West) [5.8]: I desire to take this opportunity to thank hon. members for their many kindly references to me and for the congratulations that have been extended to me on my elevation to the position of Honorary Minister. I sincerely regret the necessity for the election of another Honorary Minister; at the same time, I fully appreciate the honour that has been conferred upon me by my colleagues, and also the responsibility that has been placed on my shoulders. There are very high traditions attached to this House, and I can only assure you, Mr. President and members, that I shall do my best to live up to those traditions. If I should exhibit any shortcomings, I trust that members will be tolerant with me. Let me say that so far as my ability will allow, I shall do my best to discharge my duties with satisfaction to the House and, of course, to those who sent me here. I sincerely thank you, Sir, for your references, and hon. members for their remarks.

BILL—FINANCIAL AGREEMENT.

Standing Orders Suspension.

THE CHIEF SECRETARY (Hon. J. M. Drew—Central): I move—

That in the event of the Financial Agreement Bill being received from the Legislative Assembly to-day, so much of the Standing Orders be suspended as is necessary to enable me to move the second reading at this sitting of the House.

Question put and passed.

Sitting suspended from 5.10 to 5.48 p.m.

First Reading.

Received from the Assembly and read a first time.

Second Reading.

THE CHIEF SECRETARY (Hon. J. M. Drew—Central) [5.50] in moving the second reading said. I suffer under no small disadvantage in presenting the case for this Bill. I have to follow a campaign of literary propaganda conducted almost exclusively by those who are opposed to the measure, and I have to encounter the prejudices which must necessarily exist in such circumstances. If week in and week out the public hear only one side of a case,

it naturally follows that that side makes a deep impression on their minds. And, although members of Parliament are not prone to arrive at hasty conclusions, yet when statements, and deductions from those statements, which will not bear close examination, are allowed to pass unchallenged, even members of Parliament,—who are mostly busy men—may be excused if they are influenced by the artificial atmosphere by which they find themselves surrounded. Mr. Lovekin set out, months ago, to prove that this Bill was against the best interests of Western Australia. In his effort to induce the public to see as he sees, he has spared neither time nor expense, and he has issued several publications from the press and given them wide circulation in order to achieve his object. His speech in the House on the question last year and his evidence before the Royal Commission on the Commonwealth Constitution have also been spread far and wide. In the course of his campaign Mr. Lovekin has been able to prove that Western Australia has suffered grave disabilities under Federation, but he has not found himself in a position to offer, in place of this agreement, anything that would appear to be possible of accomplishment, or that might be expected to receive the serious consideration of those who have the first say in the determination of the question. In his speech in this House last year on the subject, he said: "The population basis has gone, and we must get on a new basis. The factors of area and indebtedness should therefore be taken into account." And he would evidently apply this principle only to Western Australia, for when Dr. Saw interjected—"On the area basis Tasmania would get but a small bite of the apple," Mr. Lovekin replied—

I suggest that Tasmania would not be interfered with. I am not looking after the interests of that State, but doing the best I can for Western Australia. Tasmania also has special conditions. That State must be provided for if it is part of the Commonwealth, just as the conditions prevailing here must be provided for equitably as between us and the rest of the Commonwealth.

Thus, unless, Mr. Lovekin has changed his opinions, we would have an "area and indebtedness" basis of Federal contributions for Western Australia, and some other method of help for Tasmania. What principle should be applied to Victoria, New

South Wales and South Australia is not stated, but enough has been said to justify me in asking hon. members to consider seriously whether any such hybrid scheme would be acceptable to the deciding authority of a Union which we entered with our eyes open for better or for worse.

Hon. A. Lovekin: Do you suggest that everyone should wear the same coat?

The CHIEF SECRETARY: Mr. Lovekin admits that the per capita payments are gone. They are gone. They are dead, and their doom was sealed by a deliberate act of the Federal Parliament. And if this agreement, which has been endorsed by the Commonwealth and all the other States of Australia be not accepted, we shall be at the loss of the per capita payments—nearly half a million a year—and have nothing in their place, which will mean heavily increased taxation and drastic retrenchment in every shape and form. And we shall be abandoning an agreement, which though not as good as the per capita payments if we were assured of them in perpetuity, will at any rate for many years to come, prove of considerable help in the direction of making this a prosperous State. With that aspect of the question I will deal at a later stage. Mr. Lovekin has published some observations on the legal position in connection with the proposed financial agreement, and if his contentions are sound, not only would the officers of the Commonwealth Crown Law Department deserve to be dismissed for incompetency, but it would behoove this Parliament to think twice before adopting the agreement now under consideration. Mr. Lovekin wrote as follows:—

During the debates in the four States which have already passed Acts to ratify the Financial Agreement, it was urged, by the several Premiers and others, that, as the Federal Parliament had repealed the provision for per capita payments, the States were left at the mercy of the Commonwealth. The agreement, they declared, embodied the best terms which could be obtained, and, if these were rejected, it was possible the States, in the future, would receive nothing, or be impelled to submit to terms still more disadvantageous.

I proposed to challenge these pronouncements, and attempt to prove that the States have both legal and moral right to share in the Customs and Excise revenues, and to contend that, as the law of the Constitution now stands, the States will be more advantaged if the agreement be rejected than even under the per capita system which, admittedly, has now gone.

This appears to be the principal string to Mr. Lovekin's bow, and he has relied upon it largely for the purpose of influencing public opinion in his favour. I do not think it requires much effort to prove, so far as this aspect of his case is concerned, he has no string at all to his bow; and that in his anxiety to find arguments against the agreement he has overlooked concrete facts. Mr. Lovekin says the States Grant Act, 1927, repeals the Surplus Revenue Act of 1910, and therefore restores Section 87—what is known as the Braddon Blot—under which the States would be entitled to the return of at least three-fourths of the revenue of the Commonwealth from Customs and Excise. There is no doubt that if the Surplus Revenue Act of 1910 had been repealed, the operation of the Braddon Blot would be revived, and there would be rejoicing in every State. But, unfortunately, for the States, and, unfortunately, for Mr. Lovekin's case, the Surplus Revenue Act has not been repealed—that is, it has not been repealed in its entirety. Sections 4, 5, 6 and 7 of that Act have been repealed. But Section 3 of that Act has not been repealed. It reads:—

From and after 31st December, 1910, Section 87 of the Constitution *shall cease to have effect* so far as it affects the power of the Commonwealth to apply any portion of the net revenue of Customs and Excise towards its expenditure, and so far as it affects the payment of "any balance" by the Commonwealth to the several States, or the application of such balance towards the payment of interest on the debts of the several States taken over by the Commonwealth.

That is the vital section, and that remains.

Hon. A. Lovekin: Read it all.

The CHIEF SECRETARY: I have read it.

Hon. A. Lovekin: Well, I will give you the rest of it.

The CHIEF SECRETARY: Very well. That is the section that put an end once and for all to the operation of Section 87 of the Federal Constitution Act—the Braddon section under which we could claim three-fourths of the Customs and Excise revenue. Hence, Mr. Lovekin's reasoning is based on a false assumption. He is clearly under the impression that the Surplus Revenue Act in its entirety has been wiped off the statute-book, but his whole argument is undermined by the fact that one section has been left, which prevents being done that which he says can be done.

Hon. A. Lovekin: Mr. Latham pointed that out, and I replied to that contention. You should deal with that, too.

The CHIEF SECRETARY: I noticed the hon. member's reply; it was a very weak reply! We have not the right, as Mr. Lovekin declares we have, to share in the Customs and Excise revenue, and his contention, based on that misconception, that we will be even more advantaged if the agreement be rejected than under the per capita system, is, from what I have been able to read and to discover, shattered beyond hope of repair.

Hon. J. Cornell: It is not a question of right, but of might prevailing.

The CHIEF SECRETARY: With the demolition of that argument, I do not think he has been left any solid ground to stand upon, insofar as any material benefit can be gained by the State in refusing to endorse this agreement. It may not be all that we would like it to be, but from the point of view of this State, the proposals in it are far more favourable than have ever been suggested by any previous Federal Administration since the Surplus Revenue Act became law.

Hon. Sir William Lathlain: Hear, hear!

The CHIEF SECRETARY: Since 1919 when, under the agreement of 1910, the per capita payments were about to expire, many conferences have been held between the Commonwealth and the States, but, although the payments were continued on the old basis, an allowance of less value to the States was proposed at those conferences. In 1910 the Nationalist Government put forward a scheme for the progressive reduction of the per capita payments, bringing the amount down on a sliding scale from 25s. per head to 10s. per head. In 1923 there was a proposal on the part of the Commonwealth Government to abolish the per capita payment system, and to relinquish certain avenues of taxation, but that was regarded as unsatisfactory by the States. Yet, within a few weeks of the rejection of the proposal by the States, the Federal Treasurer introduced a Bill to provide for the evacuation of quite a different field of direct taxation from that which had been previously suggested, and which had for its objective an altered financial policy. This altered policy also meant a considerable saving to the Commonwealth Government over the first proposal and a big loss to some of the States, particularly to Western Australia. While the first proposal would have represented

a gain to this State in the first three years of £154,610, the second proposal would have meant a loss to Western Australia of £144,508 in the same period. Then followed shortly afterwards the introduction and passage through the Federal Parliament of the States Grants Bill, providing for the abolition of the per capita payments. This was done quite regardless of the wishes of the States, all of which through their respective Premiers—and, in nearly every State, supported by the Leaders of the Opposition—expressed views strongly in opposition to the proposed abolition. In considering the question of the continuance of the per capita payments, it must not be overlooked that the people of Australia had an opportunity in 1910 of embodying them in the Commonwealth Constitution and making them permanent, but they turned the proposition down. It may be said that the people thought the per capita payments were not sufficiently advantageous to the States. No one can tell what view operated in the minds of the electors. The fact, however, remains that the proposal was rejected by the people, and hence the Federal Parliament can, from a legal standpoint at any rate, justify their action in ending that system when it seemed to them desirable to do so.

Hon. J. Cornell: Will not the same line of argument apply to the Financial Agreement if it is rejected by the people at the referendum?

The CHIEF SECRETARY: The abolition of the per capita system, however, with nothing tangible to take its place, left every State stranded. It is true that the Bill that abolished it—the States Grants Bill—provided for the distribution to the States of any surplus revenue in the hands of the Federal Treasurer at the end of each year.

Hon. J. J. Holmes: That was a fraud. They have never made anything available to the State under that provision.

The CHIEF SECRETARY: I would not call it a fraud; but we are not considering that aspect of the question. The real value of this provision may be gauged by the fact that, although there was a similar provision in the Surplus Revenue Act of 1910, not one penny has been paid to the States under that head. Whenever a surplus occurred, it was transferred to some Trust Fund and practically earmarked as an aid to revenue for the following year. A reference to the Common-

wealth Year Book, issued by the Commonwealth Bureau of Census and Statistics, shows that the accumulated surplus on the 30th June, 1924, was over 10 millions. It is quite obvious that it was the intention of the Legislature that this 10 millions should be returned to the States as surplus revenue. Instead of being so returned, it has been used for the purpose of debt redemption, development of main roads, and of many other activities as well.

Hon. J. J. Holmes: And these are the people you are asking us to trust!

The CHIEF SECRETARY: It may be said—and probably most people will say—that this procedure was illegal, but the High Court has not said so.

Hon. A. Lovekin: The High Court has not said to the contrary.

The CHIEF SECRETARY: It has said something quite different.

Hon. A. Lovekin: No.

The CHIEF SECRETARY: It has said that the action of the Commonwealth Government was not a contravention of the Surplus Revenue Act, and that the Commonwealth Government could legally do what they did.

Hon. A. Lovekin: That was, from month to month.

Hon. H. A. Stephenson: And it was a rotten thing to do.

The CHIEF SECRETARY: The provision still remains in the States Grants Act, but, in view of past experience, one would require to be a confirmed optimist to cherish any hope that the Commonwealth could be prevailed upon to hand over any of its surplus revenue to the States. That was the position when the State Premiers were asked to consider the groundwork of this agreement, and it is the position to-day when this House is asked to pass judgment on the agreement itself. Taking everything into account, the proposals seem to be the best that have been submitted since the time arrived for a re-adjustment of the financial arrangements between the Commonwealth and States. Looking at these proposals from a purely Western Australian standpoint, they supply the means of financing the State successfully and profitably for many years to come.

Sitting suspended from 6.15 to 7.30 p.m.

The CHIEF SECRETARY: Before tea I stated that these proposals, from a purely Western Australian standpoint, supply the means for financing the State successfully and profitably for many years to come. For that view I shall endeavour to give reasons. In the first place let me view the agreement in the very worst light—that is taking no heed of the immense financial advantage it will be to us to have the sinking fund of our public debt, as it stood on 30th June, 1927, reduced in annual amount and spread over 58 years. Ignoring for the time being the advantage of that to a State in the infancy of its industrial development, I shall merely give the direct financial gain under the agreement over a term of years. The gross public debt and the net public debt of each State have been fixed in the agreement as at the 30th June, 1927. In confirmation of those figures the State Auditor General's certificate was obtained and forwarded to the Commonwealth Government. Those figures cannot be disputed in the future and they are as follows:—

Gross public debt	£70,705,913
Net public debt	£61,060,675

The difference between the gross and the net public debt is represented by the amount standing as investments or cash with the State sinking fund. This figure at the 30th June last was £9,645,238. In regard to the net public debt of the State as it existed on the 30th June, 1927, it is proposed to establish a sinking fund. That sinking fund will be at the rate of 7s. 6d. per cent., towards which the Commonwealth will contribute 2s. 6d. per cent. and the States 5s. per cent. This will mean an actual grant to Western Australia of £76,325 per annum for 58 years. In respect of all future borrowings the sinking fund will be 10s. per cent. and the Commonwealth will shoulder a share of that burden by contributing 5s. per cent. for a period of 53 years. While the annual amount of the Commonwealth contribution to our old debts will remain stationary—that is, will continue to be £76,325 a year—the contributions towards new loans will be an ever-increasing sum according to the amount of money we borrow. I am assuming that this year we shall borrow $4\frac{1}{2}$ millions, and during the next two years $4\frac{3}{4}$ millions, and after that 5 millions. On that basis, while during the first year the Commonwealth contribution would

be only £11,250, at the end of 15 years the Commonwealth would be contributing to sinking fund on our new loans no less a sum than £185,000 and in the sixteenth year as much as £197,500. Then, again, we have been paid in the past only $3\frac{1}{2}$ per cent. on our transferred properties, the capital cost of which is £736,132. Under the agreement we get 5 per cent. which means an increased interest payment of £12,152 per annum. On top of that we shall have the fixed sum of £473,432 interest payment in lieu of the per capita. That sum is based on the estimated per capita payments had such payments continued for 1927-28. That gives a total contribution by the Commonwealth of £573,159 for the first year, and of £746,909 for the fifteenth year. Now, how would this compare with the per capita payments? It is impossible to make a reliable mathematical calculation as two factors have to be considered—the amount of our borrowings and the increase of our population. Both factors are purely speculative at this stage. I am assuming that we shall not borrow more than 5 millions a year at any period during the 15 years. If we borrow more we shall get a greater contribution from the Commonwealth and, on the other hand, if we borrow less, the contribution will not be as large. I am further assuming that our population will not increase at a rate greater than 3 per cent., and that seems a fairly safe estimate, seeing that the percentage increase for the 26 years from 1900 to 1926 was 2.91. I shall deal again with this aspect at a later stage. Our population for 1927-28 was 393,400, and under the per capita system we would get £491,825. Under this agreement we get £573,159 or £81,344 more. In five years' time we would have an advantage of £68,359 and in 10 years £42,695, but in 15 years we would be only £2,988 to the good.

Hon. J. Ewing: That is based on the assumption that our population will not increase at a greater rate than 3 per cent.?

The CHIEF SECRETARY: Yes.

Hon. J. Ewing: Then you have not much faith in the country.

The CHIEF SECRETARY: During those 15 years we would receive an amount in excess of the per capita payments of no less than £745,000. But, of course, the per capita payments have been repealed, and it is not now a question of deciding which of

the two schemes would suit us the better. As Mr. Bruce said when introducing the agreement to the Federal Parliament—

Any State basing its case on the receipt of the per capita payments for 20 years and comparing what it would thus have received under that agreement is building on an unsound and unstable foundation.

So far I have dealt only with the actual contributions by the Commonwealth Government compared with the per capita payments. But this Bill means more than that. It means something that will be of immense financial help to a State like Western Australia which, though a century old, has yet much to do in the way of development. This Bill enables us to redeem a large portion of the existing sinking fund in the hands of the trustees in London—to be precise, £8,025,730. At present we are paying both interest and sinking fund on our accumulated sinking fund. This is the procedure adopted: The trustees in London invest our sinking fund principally in our own stocks. They buy our stocks with the sinking fund, and we have to continue to pay the interest and sinking fund on those stocks as if they were held by the general public. The portion of the sinking fund in the hands of the trustees will be redeemed and that will mean a saving of £293,850 every year for 58 years.

Hon. J. J. Holmes: What do you mean by "a saving"?

The CHIEF SECRETARY: A saving in expenditure.

Hon. J. J. Holmes: I think you had better continue.

The CHIEF SECRETARY: But that is not all. The new sinking fund of 7s. 6d. per cent. will come into operation in lieu of the old sinking fund, and that will mean a further advantage of £133,700 a year. I used the word "advantage" in deference to Mr. Holmes, who evidently prefers it to "savings."

Hon. J. J. Holmes: That is better. The advantage will be reaped by the present Treasurer. You say nothing about the next Treasurer.

The CHIEF SECRETARY: I may say that the sinking fund trustees in London, who represent the bondholders, were approached at an early stage of the negotiations in regard to this proposal, and they

stated that they would agree if Parliamentary authority were given. There has been no objection to this proposal from any source. Financial journals are acquainted with what is suggested. They already know that all the other States that have sinking funds have acted similarly. We floated a 3 million loan recently and it was oversubscribed, although the investors, who are advised by financial experts, must have been and no doubt were, well aware of what was in progress. All the investor seeks is security, and under this Bill, he will have not only the security of the State but the security of the whole of the Commonwealth as well. The fact remains that no bondholder has protested and the assumption is that the proposal is not unacceptable.

Hon. A. Lovekin: Are you correct in saying that no bondholder has protested? I do not mean to the Government, but bondholders have protested.

The CHIEF SECRETARY: Not to anyone so far as we know.

Hon. J. J. Holmes: Who appoints the trustees in London?

The CHIEF SECRETARY: I have the information here. There have been many trustees, some 14 or 15 different persons, up to 1907.

Hon. J. J. Holmes: The question is whether the bondholders or the Government appoint the trustees. It makes all the difference.

The CHIEF SECRETARY: The trustees since 1907 have been the Agent General and the Westminster Bank. I will now digress for a moment to remind members, as Mr. Holmes has often reminded them, that something like £9,000,000 of our loan indebtedness was not covered by a sinking fund at the 30th June, 1927.

Hon. J. J. Holmes: You have denied that.

The CHIEF SECRETARY: I have never denied it.

Hon. J. J. Holmes: Not you, but your Government did.

Hon. A. Lovekin: It was covered but not paid.

The CHIEF SECRETARY: I have never denied it.

Hon. J. J. Holmes: I mean your party.

The CHIEF SECRETARY: Not only that, but the Commonwealth Government

have raised considerable moneys for this State both in Australia and overseas, and they have said definitely that there are no contractual obligations on these borrowings. The loans to which I refer amount to £12,104,670.

Hon. J. J. Holmes: In addition to the £19,000,000?

The CHIEF SECRETARY: Yes. As our net indebtedness is £61,060,675, and as the amount not carrying sinking fund is £31,120,600, it follows that the sum on which contractual obligations existed on 30th June last was only £29,940,075—a little less than half of our indebtedness. There is a good deal of misunderstanding as to what our sinking fund really is. The term "sinking fund" conveys to most people the idea that cash is being provided on a given date to liquidate a given loan. With our sinking fund, it is not so. It is something different. Investments are made by the trustees in our own stock. The trustees buy our stock with the funds at their disposal.

Hon. A. Lovekin: Over £7,000,000 of our own stock is in the sinking fund to-day.

The CHIEF SECRETARY: About £8,000,000. The trustees buy our stock, with the funds at their disposal. Consequently, the bondholder who retains his stock until the maturity of the loan has no safeguard unless the contributions with investments equal the principal sum. I am informed by the Under Treasurer that in no case will the 10s. per cent. sinking fund contributed during the currency of our loans meet our loans when they become due. It would take 53 years for them to do so. Hence, when the time comes for their redemption, the liability must be met by the flotation of a new loan. The point I wish to make here is that of the trustees, with the authority of Parliament, invest in our own stocks, and to that extent, have only the security of the State for the repayment of the loan.

Hon. J. Cornell: Why have a sinking fund at all if it is no good?

THE CHIEF SECRETARY: That seems quite clear.

Hon. Sir Edward Wittenoom: They buy it back at a discount.

Hon. A. Lovekin: It used not to be that way.

The CHIEF SECRETARY: But under this Bill they will not only have the security of the State, but the security of the Commonwealth as well. So favourably do the sinking fund trustees regard the proposal that they have agreed to the State holding over payment of sinking fund instalments and interest on securities held pending finalisation of this agreement.

Hon. A. Lovekin: You do not contend that the whole is greater than its parts, do you?

The CHIEF SECRETARY: I wish now to stress the advantage the State gains by redeeming the eight millions of sinking funds in the hands of our trustees, and reducing our indebtedness to that extent, and by spreading the sinking fund for the balance over a period of 58 years.

Hon. J. Nicholson: How will you enlarge loans over the period? Suppose the loans are made to mature at a certain date?

The CHIEF SECRETARY: All that is provided for in this agreement. We shall have this advantage in addition to the direct gain which I dealt with in the first instance. The direct gain, as I explained, would continue for about fifteen years if our population increased and our borrowing proceeded on the basis I have laid down. But let us take the direct gain and the advantages and see what they represent. I have here a table showing the position over a period of 30 years from 1st July, 1927. It is too lengthy to read, but I will give the results in five year stages.

Hon. A. Lovekin: Is that table the same as the Premier used, that which is in "Hansard"?

The CHIEF SECRETARY: I do not know what the Premier used.

Hon. J. Cornell: Is it likely a Minister would use any other than that used by the Premier?

The CHIEF SECRETARY: The following table will explain itself:—

COMMONWEALTH-STATES FINANCIAL AGREEMENT.

Return showing Position of State, allowing for Benefits thereunder, based on:—

- 1.—Cancellation of Existing Sinking Fund.
- 2.—Loan Expenditure of £5,000,000 per annum.
- 3.—Population increase of 3 per cent. per annum.

Period.	Direct Saving by State.			Contribution to State by Commonwealth.						Total Benefit to State.	Amount of per capita payment allowing 3 per cent. increase per annum at 25/- per head.		Annual Increased Return to State.
	Interest on Cancelled Debt.	Sinking Fund Saving.	Total.	Sinking Fund at 2 7/8 per cent. on debt at 30-6-27.	Interest payment in lieu of per capita.	Increased Interest on transferred property and saving Sinking Fund.	Sinking Fund on New Debt.				Population.	Amount Payable.	
							Amount of Annual Loan Expenditure.	Contribution at 5/- per cent. per annum.	Total.				
	£	£	£	£	£	£	£	£	£	£	£	£	£
1927-28	293,850	133,700	427,550	76,325	473,432	12,152*	4,500,000	11,250	573,159	1,000,709	393,460	491,825	508,884
1931-32	293,850	133,700	427,550	76,325	473,432	12,152	5,000,000	60,000	621,909	1,049,459	442,840	553,550	495,909
1936-37	293,850	73,700	367,550	76,325	473,432	12,152	5,000,000	122,500	684,409	1,051,959	513,371	641,714	410,245
1941-42	293,850	73,300	367,150	76,325	473,432	12,152	5,000,000	185,000	746,909	1,114,059	595,137	743,921	370,138
1946-47	293,850	69,400	361,250	76,325	473,432	12,152	5,000,000	247,500	809,409	1,170,659	689,924	862,405	308,254
1951-52	293,850	69,400	361,250	76,325	473,432	12,152	5,000,000	310,000	871,909	1,233,159	779,808	999,760	233,390
1955-56	293,850	66,400	358,250	76,325	473,432	12,152	5,000,000	360,000	921,909	1,280,159	900,190	1,125,237	154,022
1956-57	293,850	66,400	358,250	76,325	473,432	12,152	5,000,000	372,500	934,409	1,292,659	927,195	1,158,994	133,685
												Total ...	£10,613,537
												Average	£353,784

* Sinking Fund Proportion is £1,913.

Hon. A. Lovelock: Are you sure you are interpreting the return correctly? It is here in "Hansard."

The CHIEF SECRETARY: I am. It is very clear.

Hon. J. Ewing: What if the population increased at the rate of four per cent. in that time?

The CHIEF SECRETARY: It would be easy to make out a return on that basis.

Hon. J. Ewing: It would be very difficult from the point of view of the benefit of the State.

The CHIEF SECRETARY: It will be seen from what I have read, that with the direct saving and the advantages in connec-

tion with our sinking fund over a period of 30 years we shall be handling over 10 millions of money more than we would handle if the per capita system was in force, or an average of £353,784 a year. And at the same time we shall have discharged much of our present liabilities per medium of the new sinking fund. It may be said that the State will be handling a lot of this money through spreading its liability over a long term of years. That is how I interpret Mr. Holmes's interjections. I have called this an advantage, and surely it is an advantage, and a great advantage to a State like this with the great work of development before it. If we had not the resources to be tapped it would be a different matter; and with this money rightly used—and it is for Parliament to see that it will be rightly used—it should be possible to make Western Australia one of the most attractive places in the world for the investor and stimulate the production of wealth in its various forms. Hon. members will have noticed that, in the table which I have read, the loan expenditure is calculated not to exceed five millions a year for the next thirty years. That, in my opinion, is a most conservative forecast. In the thirty years we are estimating that our population will increase from 393,000 to 927,000, and yet we are assuming that when it is on the borders of a million we shall be borrowing only five millions a year after having contributed to our sinking fund over a period of 30 years towards the extinction of our old debts.

Hon. J. J. Holmes: You only get that five millions with the consent of the Loan Council.

The CHIEF SECRETARY: It seems a ridiculously low figure, but no doubt that figure was submitted in order to silence carping criticism on that particular point. We must borrow more than that if we are to open up our resources and provide all the facilities necessary for those who are engaged in the work of production. And, let it be remembered, the more we find it necessary to borrow, the greater will be the contribution by the Commonwealth to this State.

Hon. A. Lovekin: And the heavier the taxation on the people.

The CHIEF SECRETARY: It has been said that the Loan Council will check our borrowing. It cannot do so if the money is available; and if it is not available, it follows as a matter of course both the Commonwealth and the States must go short.

But under the agreement there can be no interference with our estimated expenditure if the loan market is favourable. Mr. Bruce, in introducing the Bill to the Federal House of Representatives put the case clearly and concisely. He said—

The arrangement is that the Commonwealth and the States shall submit their loan programmes to the Loan Council. Those programmes are considered by the Loan Council, and if, in the opinion of the Council, it is possible and desirable to raise the amount required by the full loan programme, and at the rate that the Loan Council has determined upon, the matter goes automatically forward. It must be clearly understood that the Loan Council has no power to deal with the Estimates of either the Commonwealth or the States. That condition is essential. No sovereign Parliament in Australia would allow any outside authority to determine such a thing. If it is not possible, in view of the position of the money market, to obtain the full requirements of the Commonwealth and the States, the following basis has been set down, after exhaustive discussion. The Commonwealth is entitled to take one-fifth of the amount available for its own purposes. Of course, it need not take the full one-fifth if it does not require that amount. The remaining four-fifths is divided among the States in proportion to their loan programmes over the preceding five years.

The Loan Council has been in existence for four years and our experience as a Government of its operations is that it has not tried to check borrowing. One of its main objects has been to prevent injurious competition in the money market. Of that injurious competition we have had experience in recent years, before New South Wales became a member of the Loan Council. The then Treasurer of New South Wales went on the market for a loan. The Loan Council had fixed the rate of interest at $5\frac{1}{4}$ per cent., but the Treasurer of New South Wales offered $5\frac{1}{2}$ per cent. The result was that the rate of interest for the whole of the States went up to $5\frac{1}{2}$ per cent., and any of them borrowing, say, £1,500,000, as we do, was penalised by an extra interest payment of £11,250 per year during the currency of the loan, which currency is usually 40 years. This penalisation was due simply to having to pay $5\frac{1}{2}$ per cent. interest instead of $5\frac{1}{4}$ per cent.

Hon. J. J. Holmes: Did we have to pay $5\frac{1}{2}$ per cent.?

The CHIEF SECRETARY: I do not think that question has any bearing at all on the matter.

Hon. J. J. Holmes: Our sinking fund has, though.

The CHIEF SECRETARY: The experience of the successful working of the Loan Council has made it possible to come to an agreement such as is before hon. members to-day. The objective of the Commonwealth is to endeavour, by sound financial methods, to raise the requirements of Australia at the best interest rate obtainable. Inasmuch as the agreement provides for common borrowing and for fixing the rates of interest, harmful competition will be eliminated. It will not be a case of one State competing against another in the money market, with injurious consequences to all. The effect of such a system must mean no small gain to the Commonwealth and the States, and this is another of the advantages to be derived from the agreement. In the Bill covering the Financial Agreement, as passed by the Federal Parliament, there is a very necessary provision. One can easily see that a decision to delay the floating of a loan until the money market was favourable, might at times inconvenience some of the States from a financial standpoint. They would perhaps have engagements to meet, and it might prove awkward for them to have to wait for loan moneys pending the opportune period. Such a contingency has not been overlooked by the Federal Government, for Clause 5 of their Bill, which is now an Act, reads—

The Treasurer may make to any State such advances as in his opinion are required by that State pending the raising under the agreement of any loan on behalf of the State.

That provision is valuable inasmuch as it will enable the Loan Council to function effectively, without in any way embarrassing a State which may be short of loan moneys at a time when it is not considered wise to attempt to borrow. Under the agreement there will not be much encouragement for the States to produce deficits. No sinking fund contribution will be paid by the Commonwealth in respect of any loan raised to meet a revenue deficit in the future. But the State which has incurred the deficit must pay, each year, from its own revenue, a sinking fund contribution at a rate not less than 4 per cent. per annum of the amount of the loan. The National Debt Commission is to have control of the sinking fund. This provision should prove a curb on extravagance, and conduce to a careful handling of the finances.

Hon. J. J. Holmes: Can we use our State Savings Bank money without the consent of the Loan Council?

The CHIEF SECRETARY: It all goes into the pool, and is taken into consideration when our quota is being determined. Some hon. members may think that the estimate in regard to the 3 per cent. increase of our population is on the low side. But no country in the world, so far as I have been able to discover, has had an increase of population at that rate over a long period of years. In 40 years from 1886 to 1926 Australia's population increased at the rate of only 1.98 per cent. and during the 20 years up to 1926, the rate was 2.01. It is argued in some quarters that Western Australia's percentage of increase is likely to go up in the future, owing to land settlement. But we have had land settlement on vigorous scale during the last 20 years, and yet our increase of population has not much exceeded the normal rate in other parts of Australia.

Hon. A. Lovekin: It has gone up this year.

The CHIEF SECRETARY: It has not reached 3 per cent. for any fairly lengthy period.

Hon. A. Lovekin: It has gone up 3.6 per cent.

The CHIEF SECRETARY: Perhaps in the goldfields days too, but land settlement of itself does not mean an extraordinary augmentation of population.

Hon. J. Ewing: But what about the gold-mining industry?

The CHIEF SECRETARY: Every new selector who successfully cultivates the land provides employment in other avenues of industry. Unfortunately, however, owing to the fewness of our secondary industries, much of the employment which agriculture should give and does give, is not afforded to our own people. It is afforded to people in the Eastern States who are manufacturing annually large quantities of goods for Western Australian consumption.

Hon. J. J. Holmes: And they will collect 25s. per head for the next 58 years.

The CHIEF SECRETARY: For instance, during the year ended 30th June, 1927, we imported £5,929,000 worth of goods from the Eastern States and our exports to those States amounted to only £1,405,086. Nor does the day seem close at hand when we shall be able to eliminate this competition.

Hon. J. Ewing: Why not?

Hon. A. Lovekin: If we bring those men here and make the goods here, do you not

think we should get the 25s. per head in respect of those people?

The CHIEF SECRETARY: In view of these conditions, which show no sign of abatement—though the settlement of the South-West may improve matters so far as dairy produce is concerned—it is difficult to see how we can have an abnormal rate of increase in our population for many years to come.

Hon. A. Lovekin: Then how can we stand all this borrowing?

The CHIEF SECRETARY: If we reach the million mark in 30 years, as is estimated in the table from which I have quoted, we will have done very well indeed. From another standpoint the agreement is beneficial to this State. Under it, the basis of distribution of Commonwealth money is more favourable to us than the per capita system, for our net indebtedness per head of population is greater than that of any of the other States. Under the per capita system, we would receive according to our numbers, but in regard to the contributions to the sinking fund, we do not receive according to our numbers, but according to the amount we owe and the amount we shall raise in order to develop our young country. The Premier of Queensland, Mr. McCormack, put the case well when he said: "The per capita system would strengthen the stronger States and weaken the weaker State as time progressed."

Hon. J. J. Holmes: Are we a strong State or a weak State?

The CHIEF SECRETARY: As regards ourselves we would, under that system, be doing what we have done in the past—building up the secondary industries of our neighbours by our importations, and at the same time suffering the mortification of seeing them rewarded by larger per capita payments for population which had increased by reason of our support to their secondary industries.

Hon. J. Ewing: Why should we not have them here?

Several members interjected.

The CHIEF SECRETARY: Hon. members will have ample opportunity to reply to me later on. I do not intend to be drawn aside by interjections. I want to state my case to the House, and if it is penetrable—

Hon. A. Lovekin: I am sorry that I interjected.

Hon. J. J. Holmes: I am sorry, too, so you can get on.

The CHIEF SECRETARY: The impression is sought to be conveyed that, under the agreement, we are handing over some of our sovereign rights to the Commonwealth and giving it autocratic authority. As a matter of fact, we are handing over none of our sovereign rights to the Commonwealth. If this Bill be passed, and if the referendum be carried, the only power the Commonwealth will get is the power to make agreements with the States with respect to the public debts of the States and to validate this agreement. I defy any hon. member to prove otherwise. The power to make agreements with the States connotes the sanction of the States. It is obvious that the Commonwealth cannot make agreements with the States unless they are consenting parties.

Hon. J. J. Holmes: This State will not sanction such a proposal.

The CHIEF SECRETARY: The Commonwealth have already power to take over the public debts of the States, and the alteration of the Constitution, which they now seek, will enable them principally to provide machinery for the management of these debts. But whatever is done must be done with the approval of the States, as will be seen by a reference to Clause 2 of Part 4 of the agreement. The Loan Council have certain powers, and we give up some of our rights to that body. On receipt of a Loan programme, the Loan Council have to decide whether the amount can be obtained in Australia, London, or America. They have to consider the rates and conditions at which it can be obtained, and they will have to decide the amount that it will be possible to borrow on reasonable terms. And if there is a unanimous decision, they can proceed to allocate the amount. But if there is failure to arrive at a unanimous decision as regards the allocation, a definite method of distribution is laid down in the agreement. As Mr. Bruce has stated, the Commonwealth may have one-fifth or any less proportion, and the rest is distributed among the States on the basis of their net loan expenditure for the previous five years. And with the unanimous approval of the Loan Council any State can borrow outside of Australia and issue its own securities, but the Commonwealth will guarantee the loan.

Hon. J. Cornell: If one State objects, they cannot do so.

The CHIEF SECRETARY: The Loan Council have specific powers. But of whom will this council be composed? The council will be composed of one Minister of the Commonwealth, and one Minister from each State. It will not be an autocratic body careless as to the manner in which it acts, but it will be a body bound together in common interest and united in a common aim—the desire to do the best thing for the welfare of the partnership as a whole.

Hon. H. J. Yelland: Will each have the same voting power?

Hon. J. J. Holmes: How many votes do we have?

The CHIEF SECRETARY: For instance, in connection with our last loan, the council advised us to go on the market for three millions. It fixed the rate, and said it was a favourable time to borrow. We did not require as much as three millions, but we followed the council's advice, and the loan was over-subscribed. The Commonwealth Minister on the Loan Council will have two votes and a casting vote and each of the State Ministers will have one vote. It may be said that this is giving the Commonwealth too much voting power. But when we remember that the Commonwealth is assuming grave responsibilities; that it is taking over the whole of the public debts of the States of Australia amounting to 641 millions; and will not only be called upon to guarantee the State loans of the future, but will have to give up the same rights, apart from those in respect of loans for defence purposes, as the States to the common partnership, we cannot but agree that it has gone as far as it was justified in going. The great authorities on finance in England applaud the proposals in this Bill.

Hon. J. J. Holmes: I should think so!

The CHIEF SECRETARY: I thought, from what Mr. Holmes said, that they would raise objections to it!

Hon. J. J. Holmes: If there are public debts throughout Australia amounting to £641,000,000, and Western Australia is the only State providing a sinking fund to meet her proportion, I should think the financial authorities of England would agree with the proposal.

The CHIEF SECRETARY: Let me quote some newspaper comments. The London "Economist," on the 25th June, 1927, said—

In recent years Australia laid itself open to criticism on the grounds of over-borrowing. If Mr. Bruce's scheme leads to the strength-

ening of the Federal Loan Council, and to the adoption of a more conservative financial policy, he will have performed a useful service for Australian credit.

The "Statist" of the same date referred to—

Mr. Bruce's eminently constructive proposals for the centralisation of State finances—

and added that the agreement marked a progressive step of great importance in Australia's financial evolution.

Hon. G. W. Miles: That should have been unification instead of centralisation.

The CHIEF SECRETARY: That is not the word. The "Investors' Chronicle" mentioned—

the firmness of the price of Australian State issues, which is due to the progress made at the conference between Mr. Bruce and the State Premiers in Melbourne.

The "London Times," speaking of the proposed arrangement, observed—

These factors should undoubtedly lead to the strengthening of the credit of the individual State Governments, and so stimulate the development of those portions of the continent which are most in need of capital resources. . . . The proposals are characteristically statesmanlike and courageous, and seem calculated to make a substantial contribution both politically and financially to the strength of the Commonwealth.

The "London Financial News," of the 2nd June, 1927, made the following comments—

It is apparent that the proposal just submitted at the Premiers' Conference at Melbourne is a stand for the principle of Federation. It would seem, also, to be recognised that whatever the political liberties of confederated States may be within their own borders, there is only one proper standard to be observed in the money markets. By thus assuming responsibility for State debts and for future loan operations, Australia has undoubtedly improved its credit standing in what are likely to be its two principal banking centres in the future—London and New York.

The "Wall Street Journal," of New York, said—

From now on, always assuming that the referendum approves of the amendment of the Constitution, Australia should reap some of the benefits that come from concerted as opposed to isolated action. She will be able to mobilise the good points of each of her States and of her Commonwealth in the aid of any one—an addition to her financial troops that should make a big difference to her credit.

The "London Daily Telegraph," of the 18th June, 1927, made these remarks—

It is difficult on this side to estimate the chances of success of the scheme; but there

is no gainsaying their bold character, and if anything like these proposals should be carried into effect the result, so far as the credit of Australia in London is concerned, would undoubtedly be beneficial.

The "London Financial Times," of the 18th June, 1927, stated—

There is no doubt that the scheme will ensure for the States better terms in the money market and enhanced credit and greater security for the borrower.

I have quoted those comments for the reason that they have been made by recognised authorities on finance.

Hon. A. Lovekin: In the original article it was stated that borrowing would be less, instead of which it will be more.

The CHIEF SECRETARY: There is no alarm in England, or even in America, about the adoption of this agreement.

Hon. J. J. Holmes: Where people are getting 7s. 6d. per cent. on £640,000,000?

The PRESIDENT: Order! I must ask hon. members to allow the Chief Secretary to proceed with his speech without interruption.

Hon. A. Lovekin: One does not like to interject, but it is scarcely fair for the Chief Secretary to read only one portion of an article.

The PRESIDENT: The hon. member will have an opportunity to read it later on.

The CHIEF SECRETARY: I have given the dates, and Mr. Lovekin can read the whole of the articles.

Hon. A. Lovekin: I have read them.

Hon. J. R. Brown: Then what are you growling about?

The CHIEF SECRETARY: We owe responsibilities to posterity, and posterity is not ignored in this scheme. In the first year the State benefits by £508,884; in the thirtieth year it benefits by £133,665, and for the 30 years the total benefits amount to £10,613,537—an average annual benefit of £353,784. But posterity comes in later. The main benefits under the scheme begin to accrue in 53 years when the loan flotation made in the present year will be fully paid off.

Hon. J. Cornell: We shall not be here then to see how posterity gets on.

The CHIEF SECRETARY: The contributions on the 4½ millions raised in 1927-28 will have their effect that year when the following payments will cease: Interest, £191,250; sinking fund, £11,250; or a total of £202,500, and each year by a similar

amount, varying only according to the loan expenditure in each subsequent year. Five years later the gross debt at the 30th June, 1927, will be fully paid off and the following saving will be effected: Interest £2,747,727, and sinking fund £152,651, or a total of £2,900,378. From that time on there will be a regular annual redemption. I am quoting these figures in order to show that this is a sound agreement, even from the standpoint of posterity. If hon. members will read subclause (f) of clause 3 of Part III. of the agreement, they will find that the sinking fund benefits resulting therefrom will not end in the termination of the 53rd year. This is a very important point. Under that subclause the Commonwealth agrees to pay, subject to subclauses (h) and (j), the 5s. per cent. sinking fund during the period of 53 years from the date of the raising (after 30th June, 1927) of any new loan by a State or by the Commonwealth for and on behalf of a State. Hence, if, in 50 years time, we raise a loan, subject to this sinking fund, the Commonwealth must continue to pay the 5s. per cent. sinking fund on it for 53 years from that date or up to the year 2030. In one important respect we shall have a marked advantage over the Eastern States. No small portion of our loan moneys has been expended in the provision of water supplies and sewerage for the city, on the installation of and additions to the big electric power plant which supplies the metropolitan area with electricity, on the tramways, on water supplies for the country towns, etc. In the Eastern States most of such public utilities are either municipalised or controlled by trusts, and the loan indebtedness of the different Governments is not inflated by providing them with the necessary capital.

Hon. J. J. Holmes: In the Eastern States they have all been brought in.

The CHIEF SECRETARY: They have not. It has not been helpful to our credit in the past that all this expenditure has been taken into account in calculating the net indebtedness of Western Australia per head of population. But if it was a disadvantage in the past, necessitating explanations whenever we approached the money market, it will be a decided benefit under this agreement, for, like the rest of our liabilities, the loans raised for the purposes I have mentioned will enjoy the Commonwealth sinking fund, while money borrowed for similar pur-

poses by our Eastern neighbours will enjoy no benefit at all. I have endeavoured to explain the main principles of the agreement. I maintain it is a good agreement taking everything into consideration. We have to realise and appreciate the tremendous responsibilities of the Federal Government. We have to bear in mind that they have to finance old age and invalid pensions and maternity allowances, which serve the whole Commonwealth, and which run into something like 9 millions a year, and that they have to bear the great financial burden of the war and of repatriation after the war, with all the provision for dealing honourably with the returned soldiers. Up to the 30th June, 1927, the Commonwealth had no less than £332,000,000 of indebtedness in this connection, and that was altogether apart from soldier settlement, which has involved the Commonwealth Government in the expenditure of considerable sums of money. Nor must it be overlooked, that before this agreement expires, we may have to engage in another great war. For humanity's sake, we can all hope that it may not be so, but no one can tell. The Commonwealth Government have to calculate on such a possibility in order that some future administration may not be fettered by any financial compact they might enter into at this stage.

Hon. J. Cornell: If the Commonwealth are calculating on it, they are not making much provision to prevent it

The CHIEF SECRETARY: "There will always be an enormous Customs revenue per head of population," some people will say, "and the Commonwealth Government will not know what to do with it all." That is a proposition which cannot be accepted as sound. The probabilities are against it, and I will endeavour to explain why.

Hon. J. J. Holmes: What do they collect now, about £36,000,000?

Hon. A. Lovekin: Yes.

The CHIEF SECRETARY: If the high protection policy, which is enforced and which finds favour in Australia with the two great opposing parties, achieves the object intended, namely, to make Australia, as far as possible, a self-reliant country, it follows that imports will appreciably diminish and the Customs revenue correspondingly decline. We already have some evidence of this in the substantial falling off in Customs revenue for the present financial year, which is expected to end with a deficit of three millions.

Hon. A. Lovekin: But there are abnormal causes for that, surely.

The CHIEF SECRETARY: Yet under this agreement, the Australian States are to receive fixed payments amounting to £8,633,777 per annum for 58 years, and, during that period, the Commonwealth has also to bear half the sinking fund on Australia's new debts. Whether Customs revenue rises or falls, in every circumstance the Australian States must get that fixed sum, and that sinking fund contribution unless the Commonwealth goes into a state of insolvency. The agreement is one which should prove acceptable to this House. It represents the best offer the States have had from the Federal Government since the Surplus Revenue Act was passed in 1910. It is the outcome of several Conferences between the representatives of the Commonwealth and States, and it has not only been accepted by all those representatives, but every other Parliament in Australia, except in this State. This is the one House left to determine the fate of this important document.

Hon. J. Cornell: And this is the 13th House.

The CHIEF SECRETARY: We want something better. I have heard people say, "How are we to get something better?"

Hon. G. W. Miles: Do not you think we do want something better?

The CHIEF SECRETARY: Who is to be the leader in the movement to get something better, and by what process will his aim be achieved? These are the questions to be answered. Is a policy of supplication, persuasion or coercion to be adopted, and how far shall we get by pursuing any such tactics? Remember, the Commonwealth is adamant. Remember also that all the Premiers and all the other Parliaments have said that we cannot hope for more than is given us under this agreement. If we refuse what is offered us, we not only deprive ourselves of the benefits attainable, but we deprive all the other States also of what they have been offered, and of what they consider is the best to be had. And if we rouse their ire by pursuing such a course, what is our political future to be in so far as Commonwealth sympathy is concerned.

Hon. J. J. Holmes: Wave the flag!

Hon. A. Lovekin: I thought we were one people.

Hon. J. Ewing: They must be very vindictive, then.

The CHIEF SECRETARY: There will be no sympathy with us and we shall be treated as we deserve to be. Nearly all the criticism the agreement has received in Western Australia is of a destructive character. It is notoriously easy to find fault, but it is up to those who may seek to reject these proposals to offer something in their place—something which members can examine, deliberate upon and then decide for themselves as to whether there is the remotest chance of its ever meeting with the approval of those who have the last say on the question. Even if all that can be correctly said against the Bill were said and admitted and put in the scale, it is still the only alternative offered us other than financial chaos for all the States, followed by bitter political strife between them and ourselves for our action in bringing about the catastrophe.

Hon. J. Cornell: We are evidently all doomed if the agreement is not passed.

The CHIEF SECRETARY: Besides that, why should we, by the rejection of this agreement, take a step that will prevent the question being referred to the people?

Hon. G. W. Miles: It should have been referred to the people first.

The CHIEF SECRETARY: I know quite well that the agreement itself is not specifically to be submitted to the people, but the people will know that if they grant the powers to amend the Federal Constitution as desired, the agreement will be ratified.

Hon. J. Cornell: The question that will be put to the people will be tantamount to determining whether this agreement shall be lost or won.

The CHIEF SECRETARY: It is for them to say whether they are prepared to grant such powers. It is the procedure laid down in the Commonwealth Constitution, and it has been availed of from time to time. When the Federal Enabling Bill was about to be submitted to this Legislative Council in 1900 I said the proposed Bill was "bristling with dangers to the progress and prosperity of Western Australia," but at the same time I contended that the question was one for the people to decide. That was the stand taken by the majority of the members, and when the Bill came down it passed the second reading without a division and without dissent. With regard to the powers for the ratification of this agreement, I, to-day, hold views exactly similar

to those I held in 1900, with this difference, that at that time I was opposed to the measure which was to be submitted to the electors and I considered it disastrous to Western Australia, whereas to-day I am in favour of the agreement contained in this Bill and I regard it as conducive to the prosperity of the State. By some perverted method of reasoning it is contended that this measure will bring about unification—that the finances will be so affected that there will be no alternative left but to hand over the States to the Federal administration.

Hon. J. J. Holmes: If you put it in the hands of three men, you will certainly bring about unification.

The CHIEF SECRETARY: It is not a view that has been accepted seriously by the rest of the Commonwealth. But the view that has found most favour—and is entitled to find most favour—is that if the present reasonable proposals are rejected, we shall be marooned financially—left to shift for ourselves—and, having scorned this offer, we may never again have the opportunity of closing so satisfactory a deal. In such circumstances, the result could easily be that, in the end, our only refuge would be unification. In saying that this is the most important Bill ever presented to the House, I am perhaps repeating what has been said in every Parliament in Australia in which the question has received attention. It is a most important Bill, and, for that reason it deserves all the consideration which I am sure will be given it in this Chamber. But what I would impress upon members, if I may, is that they shall not too readily commit themselves to a course of hostility to the Bill until they have been absolutely convinced, after hearing both sides of the case in full, that it is not a measure in the best interests of Western Australia. They should not definitely oppose it until they are satisfied that the five other State Parliaments of Australia have taken either the wrong view or the selfish view; and if they have taken the selfish view, the Bruce-Page Government, for some mysterious reason, must have sanctioned an injustice to Western Australia. But I feel certain that they will not be led away by phantoms, or permit themselves to be influenced by playful imaginings, and airy speculations as to the fine things in

store for us if we drop the substance and pursue the shadow. I move—

That the Bill be now read a second time.

On motion by Hon. A. Lovekin debate adjourned.

House adjourned at 8.56 p.m.

Legislative Assembly,

Tuesday, 26th June, 1928.

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The SPEAKER took the Chair at 4.30 p.m., and read prayers.

BILL—FINANCIAL AGREEMENT.

Third Reading.

THE PREMIER (Hon. P. Collier—Boulder) [4.35]: I move—

That the Bill be now read a third time.

HON. SIR JAMES MITCHELL (Northam) [4.36]: I do not intend to deal at any great length with this matter, but I wish to refer briefly to one or two things that have happened since we adjourned on Thursday. Whatever the parties making up this House may think of the Financial Agreement. I am sure they all acquiesce in the view that we must do what we think is right by the State. There has been some misunderstanding. Apparently amongst persons outside Western Australia there is some feeling about the Financial Agreement as it relates to this State. I was surprised to find in yesterday's paper a telegram from Mr. Bruce to Sir William Lathlain, not to the Premier. The newspaper report is as follows:—

The Melbourne press reports that Sir James Mitchell moved certain amendments to the Financial Agreement in the Legislative Assembly in Perth, and that these were defeated. As some other amendments may be

moved in the Legislative Council it is essential that you should make it clear that the carrying of any of the amendments altering the agreement would nullify the agreement, and, to all intents and purposes, be equivalent to a rejection by the Council.

Many members of this House considered that the amendment I moved on Thursday should have been passed. It had to do with the distribution of the £7,584,000 that the Commonwealth have agreed to set aside for the States. The basis for that distribution is the population as it was in 1926. On that basis Victoria and New South Wales will receive a little over £5,000,000, and the other four States between them will receive the remaining £2,500,000. I should have been wanting in my duty if I had not moved the amendment I submitted. It has been contended that the population of all the States is increasing at about the same ratio, namely, 2 per cent. It cannot be shown that it ever has been so in any year in the history of the Commonwealth. My amendment merely provided that the distribution should be on the per capita basis. It did not mean that the Commonwealth Government would contribute one penny more than they are willing to contribute. It did mean that the States receiving an increase in population would receive an increased share of that sum in proportion to that increase. One can readily understand that to Tasmania this agreement would be acceptable, as it would probably be to South Australia. We know it is acceptable to Victoria and New South Wales, because those States are guaranteed a very substantial sum for 58 years. All I asked was that we should have an equal division on the basis of equal payment. That is all. The money the Commonwealth propose to give us is contributed by the people. Were it otherwise, we should have no right to look a gift horse in the mouth. But this is not a gift horse. It is merely an amount collected in addition to the requirements of the Federal Government, collected from year to year in order that it may be returned to the States. We ought to remember, the Federal Houses should remember, and everyone in Australia should remember, that this is the position. The people of the States are merely having returned to them the sums that they first must contribute. The Premier said he had tried to secure a distribution on the population basis. I have no doubt he did, and that he said this at a meeting of Premiers,