getting houses in this way, I believe there would be many more applications. When we consider that about one-fifth of the number of houses, say about 20, have been built out of funds generously provided by Sir Charles McNess, we must realise that insufficient has been done for those people who are not in a position to help themselves. The generosity of Sir Charles McNess will prove a standing monument to him. It is fully appreciated and the occupants of the homes are deeply grateful to him. It is a great pity that we in Western Australia have not some more public-spirited men like him. I hope something will be done to provide homes for widows, especially those with children, who experience difficulty in living on the limited income received from the Child Welfare Department. The Lotteries Commission is making substantial profits and donates about £1,200 to this scheme annually. If a substantial amount could be obtained from the Lotteries Commission and supplemented by a decent grant from the Government, it would go a long way towards providing much-needed homes for people who are sorely in want. I conclude by paying another tribute to Sir Charles McNess for his generosity in providing such a large amount of money to build homes for people who are not in a position to help themselves.

Progress reported.

House adjourned at 8.55 p.m.

Legislative Council,

Tuesday, 23rd November, 1937.

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

BILL—FINANCIAL EMERGENCY TAX ASSESSMENT ACT AMENDMENT.

Recommittal.

On motion by Hon. L. B. Bolton, Bill recommitted for the purpose of further considering Clause 5.

In Committee.

Hon. V. Hamersley in the Chair; the Chief Secretary in charge of the Bill.

Clause 5—Amendment of Section 13 of the principal Act:

Hon. L. B. BOLTON: I move an amendment—

That the following proviso be added:—"Provided that this section shall not have any retrospective effect beyond the 31st day of December, 1936."

I move this amendment, following the remarks of Mr. Cornell when the report of the Committee was being considered, because I think it is too drastic for the period during which the employer is responsible under this Act to be jumped from six months to three years. I do not desire it to be thought that I wish to assist the man who is trying to defeat the department, but I have some sympathy for the smaller type of store-keeper and the average farmer who does not keep the books by which he can show proof that the tax has been paid over the extended period of three years. I am not tied to the period of 12 months, but 12 months would be a reasonable time because the Commissioner of Taxation would have 12 months instead of six months for a start, but he would have two years the following year, and after that the three years that is provided for in Clause 5.

The CHIEF SECRETARY: If the Bill remains as it went through Committee the

section will not be retrospective. The legal advice I have received from the Crown Law authorities is as follows:—

The limitation period of three years will apply only to offences committed after the date of the enactment of the Bill, and not to offences committed before. In respect of these latter offences the limitation period will be six months.

The Government has no objection to the amendment. It will simply mean that if there should be a case over six months and less than 12 months, the department will have the right to proceed against the particular employer concerned, whereas if the Bill remains as passed in the first place, the limitation would be six months at the present time and would increase to three years as time went on.

Hon. J. CORNELL: When I drew the attention of the House to the possibility of the clause being retrospective, I said it was unusual for legislation to go back prior to the date of assent unless there was specific provision for it to be retrospective. But I think I also said there was a feeling that the Commissioner of Taxation was more or less a law unto himself, and that the taxpayer was always at a disadvantage because he could not resent any action taken or raise any objection until he had paid up and there might have to be recourse to legal action, which is a costly matter. The Committee will be wise to pass the amendment. While the Council is against retrospective legislation there is justification for making this retrospective. It has been pointed out that culprits should be punished. A period of 12 months will bring them up to scratch and the man who has disobeyed the law will find it better to pay up before being asked any questions.

Hon. E. H. H. HALL: After having listened to the assurance of the Chief Secretary I do not feel inclined to favour the amendment.

Hon. L. B. BOLTON: The Chief Secretary has certainly cleared the air somewhat. Prior to Mr. Cornell's having drawn the attention of the House to the matter we had no idea whether or not the provision would be made retrospective for three years. If the Committee thinks it not wise to pass the proviso members can vote against it, but I agree with Mr. Cornell that it may be as well to pass it because we will then have some definite date in the Act to which reference can be made in the event of some rule to the contrary.

Amendment put and passed; the clause, as amended, agreed to.

Bill again reported with a further amendment.

BILL—BUSH FIRES.

Second Reading.

THE HONORARY MINISTER (Hon. E. H. Gray—West) [4.47] in moving the second reading said: The object of the Bill is to remedy deficiencies in existing legislation governing the prevention and control of bush fires. For many years, various bodies in the country districts—more particularly the roads board authorities and farmers—have stressed the ineffectiveness of the present Act and have urged the necessity for the enactment of amending legislation. The Bill now before the House is the result of those representations. Members will find that the measure is largely based on the provisions of the Act now in operation. On the other hand, the Bill proposes a number of radical changes to meet the various situations that arise from time to time in the country districts through the outbreak of bush fires. Probably the most serious deficiency in the Act is the lack of provision for its proper policing. Apart from the forest officers, no one is empowered under the Act to ensure that the provisions of the Act will be carried out, with the result that, except in the two fire protected areas at Mundaring and Collie and in areas adjacent to State forests, there is no control whatever over bush fires. This condition will be remedied under the Bill. Necessary powers will be vested in the local authorities to ensure its observance; provision will be made for the establishment of bush fire brigades, and the various sections of the Act will be amplified in accordance with the needs of present-day conditions. Under the Act the Governor may declare any portion of the State a fire-protected area, where bush can be burned only with the permission of the Minister or an officer authorised by him. Then, again, the Governor may declare prohibited periods for burning in specified districts. During that time a person may burn off for the protection of buildings or haystacks only within 10 chains of a building, and then only between 8 p.m. and midnight. The Bill continues this provision, with a modification that will

enable settlers during gazetted prohibited times to burn clover paddocks to facilitate the collection of seed, subject to certain stringent conditions. The Act provides that no person shall burn off during the months of October to April, inclusive, unless four days' notice has been given his neighbours, and unless he keeps three men in attendance. This period is distinct from the gazetted prohibited times. From the 1st October to the 30th April, with the exception of the period that may be gazetted as prohibited times in any particular district, burning is allowed for any purpose subject to the conditions I have mentioned. These provisions are retained in the Bill with slight alterations, together with others, such as those relating to the prohibition of the use of ignitable wads in firearms between the 1st October and the 30th April. An alteration is proposed to the existing provision that prohibits smoking within 20 yards of any stable, haystack, or field of hay, unless such smoking is within a town or is carried out with a securely covered pipe. Under this measure it will be lawful to smoke on any public road or highway. Another proposal stipulates certain precautions that shall be taken by persons lighting fires in the open air during the October-April period, which are additional to those at present provided. The Bill embodies the provisions that appear in Section 12 of the Act respecting the penalty for lighting or attempting to light a fire with intent to injure, together with the section requiring a coroner, when requested, to hold an inquiry into the origin of any bush fire. Turning now to the new provisions proposed under this measure, the local authorities will be vested with very complete powers for the control and extinguishment of bush fires. They will be authorised:—

(a) To appoint bush fire control officers who will be chargeable with the policing of the Act.

(b) To expend out of revenue any money necessary for the acquisition of fire fighting equipment; for the establishment of bush fire brigades, including the subsidising of voluntary fire brigades, or for the control and prevention of bush fires.

Members are probably aware that the local authorities have for some time desired power to enter any private property on which a fire occurs to take steps to prevent its spreading. Sometimes a fire may burn on a property for weeks without the owner or occupier making any attempt to check it. Under the existing law, anybody entering private property and taking action to extinguish such a fire would be liable for damages. This has naturally seriously handicapped local efforts to combat bush fires. To render effective any attempt to prevent the spread of fires, local authorities should have the power I have mentioned. The Bill accordingly provides that the fire control officers of the local authorities, bush fire brigade officers, forest officers, and any persons acting under their authority shall have power to enter any private property in the course of their duties under the measure. They will be authorised to cut and remove fences, and generally take such action as is deemed necessary or expedient for the protection of life and property, and for the purpose of controlling the fire. Such officers will not be liable for any damage caused in the exercise of their powers. Where damage to property does occur through the activities of these officers, it shall come within the meaning of any insurance against fire. Bush fire brigades may be either established and maintained by the local authority as part of its organisation, or be formed on a voluntary basis. In the case of the former, registration by the Minister will be automatic, provided they have been established in accordance with the by-laws of the local authority. The Minister, however, will exercise his discretion in registering voluntary associations, and such registration will be subject to cancellation. The Bill stipulates that each fire brigade shall have a captain, and a first and a second lieutenant. When a fire control officer is present at any operations being conducted to check a bush fire, the officers of the brigade will be subject to his authority. Where fires occur in or near State forests, control will be vested in any forest officer present. I understand that local authorities have had power to plough breaks. We now propose to empower those bodies to direct any owner or occupier within their respective districts to make any fire breaks deemed necessary. Should their request be disregarded, they themselves will be entitled to carry out the work, in which event any costs and expenses incurred will be recoverable from the person concerned. An obligation will be imposed on all owners or occupiers of land on whose property a fire breaks out during prohibited times to take all possible measures to extinguish the fire, and, if necessary, to notify the nearest available bush fire control officer. Failure to

comply with this provision will render the person concerned liable to a penalty of £50. Furthermore, the local fire control officer or the forest officer will be entitled to enter the property, extinguish the fire and recover from him any expenses incurred. This provision should limit the possibility of the deliberate lighting of fires by owners or occupiers of land for their own purposes. As members are probably aware, a small fire, if allowed to continue during mild weather conditions, may, with the advent of a hot spell, become a fast-moving conflagration on a wide frontage. To facilitate the gathering of clover seed, the Bill contains provisions to govern burning-off operations conducted during prohibited times. The existing law does not authorise this practice. Farmers conducting these operations are not only liable for a penalty under the Act, but may be sued for damages should their fires get out of control. We propose to empower authorised officers to issue permits to persons desirous of burning clover paddocks in the prohibited period, subject to the following conditions:—

(a) The area of each burn is not to exceed 20 acres. Further, it shall be surrounded by a fire break 10 feet in width.

(b) The ground about standing trees is to be cleared to a distance of 6 feet.

(c) Burning off is to be conducted only between 4 p.m. and midnight.

(d) Three men are to be in attendance while the fire is alight.

(e) Notice must be given to adjoining owners and the local authority.

In the event of a person burning off between the 1st October and the 30th April, but outside the proclaimed prohibited time, he will be required to give four days' notice of his intention to his neighbours, the local authority, the fire control officer, and, in addition, the forest officer, if his land is within two miles of a State forest. The Bill further provides that three men shall be kept in attendance at the fire, and that a break of at least 10 feet in width shall be made around the land. The present section relating to the lighting of fires in the open air for camping or cooking purposes reappears in this measure, with an additional condition stipulating that no such fire shall be lighted within 10 feet of any log or stump between the 1st October and the 30th April. Provision is also made that where an owner or occupier of land clears a fire break along his dividing fence, and it is damaged by fire as a result of the neglect of his neighbour to take similar precautions, he may require that neighbour to make the necessary repairs. If the damage is not made good, he may recover the cost of repairs in a court of competent jurisdiction. Fires are frequently caused in country districts through the carelessness of travellers and pedestrians in throwing by the wayside lighted cigarettes, matches and sometimes cigar butts. This practice is prohibited under the Bill, and culprits will be liable to a penalty of £10. There is also a new provision that may be found in the New South Wales law empowering the Governor to prohibit the sale or use of wax matches for any period in any district. Those briefly are the main provisions of the measure. I repeat that the Bill has been brought forward at the request of the farmers and local authorities, and has been discussed by several governments.

Hon. J. J. Holmes: Do you mind telling us how that is going to be financed?

The HONORARY MINISTER: In the event of a local authority forming a fire brigade, it will have the necessary power to raise funds.

Hon. J. J. Holmes: By rating?

The HONORARY MINISTER: I commend the measure to the favourable consideration of the House, and move—

That the Bill be now read a second time.

On motion by Hon. W. J. Mann, debate adjourned.

BILL—STATE GOVERNMENT INSURANCE OFFICE.

Second Reading—Defeated.

Debate resumed from the 18th November.

HON. H. SEDDON (North-East) [5.3]: Much of the debate on the Bill has had to do with the controversy on the establishment of the State Insurance Office, and on the action taken by the insurance companies, which led to the action of the Minister who instituted the office. There is further the fact, which has a great deal to do with the delay in the legalising of the business of the State Insurance Office, that that office has been established directly in face of the expressed opinion of this Chamber on the very question of State insurance. Although there has been a great deal said one way and another with regard to what occurred at

that time, little reference has been made in the course of this discussion to the evidence of Mr. Hutchinson, who detailed the whole of the transactions between the insurance companies and the Government immediately preceding the establishment of the State Insurance Office. There is, however, every reason to say that the insurance companies were not anxious to take on the business. Their actions, at any rate, did show that. At the same time they were not by any means cursory in their decision. They did make investigations before eventually they said that they could not tender on the paucity of information made available to them. On the other hand, there is not the slightest doubt that the Minister took advantage of the opportunity to establish the State Insurance Office, using the circumstance as an excuse for his action. With regard to the continued operation of the office, the fact remains that this House did not, at the time the office was established, launch a protest in an effective way by requesting a relevant amendment to the Appropriation Bill. In that respect this House in a measure stultified itself. A great deal has been said in the course of the debate on the unfortunate position of the workers who found that their employers had not insured them. That has been used as an argument in favour of the legalisation of the State Insurance Office. In my opinion, it is an entirely fallacious argument. If the provisions of the Workers' Compensation Act had been enforced by the Government, undoubtedly many of those employers could have been brought to book for not carrying out the provisions of the statute. The penal sections are fairly solid, and they could have been used to bring defaulting employers into line. Because the Government did not see its way to approve of any companies for the purposes of workers' compensation insurance, employers were able to shelter themselves behind that excuse. Again I say that the responsibility falls on the Government for not policing the Act, and for not approving companies to enable them to accept workers' compensation business. That action would have taken the excuse away from employers who were evading their responsibility. There is a great deal in the select committee's report which is of interest to members. First of all, there is the question of the medical experience of the State Insurance Office. The workers could only come under the Miners' Phthisis Act if they had tuberculosis. If they were badly affected by dust, then before they could establish a claim under the Workers' Compensation Act they had to prove that they were incapable of carrying on their work. In other words, as long as the mining company was prepared to employ them, that was accepted as proof that they could carry on their work, and thus they were prevented from establishing a case. It was only when the Mine Workers' Relief Act of 1932 enabled the men who got the advanced ticket, to use that ticket to establish his claim, that the difficulty was overcome. Now with regard to the result of the examinations. The first examination naturally cleaned up the mines and brought to light the actual conditions obtaining at the time that that examination was made; but in studying the figures in connection with it we have to take into account that at that time the mining industry was passing through a severe depression. A good many men had left the industry, and tried to get, and had got, work elsewhere. A good many men who were suffering severely from the effects of silicosis were then no longer in the mines. So that the first examination, although it did deal with the accumulated load, was not a fair reflex of the conditions obtaining in the industry. It is interesting to note that the initial survey in 1926 of 4,067 men disclosed that 80 per cent. were to be classed as normal, and that the other 20 per cent. were suffering from silicosis in either the early or the advanced stage, and that a certain number were suffering from tuberculosis. Comparing those figures with the figures for 1936, when the men were re-examined, it appears that out of 4,221 who were re-examined 93.7 per cent. were found to be normal and the remaining 6.3 per cent. were found to be affected in some way or other with silicosis. On those figures one would say that the State Insurance Office was fully safeguarded, but it would be only reasonable to safeguard the future. With the load that may come in the future, the possibility is that it will be found necessary to continue to add to the reserve fund in order to meet contingent liabilities. There has undoubtedly been a great improvement in conditions in the mines. As I pointed out last session when we were discussing the amendment of the Mines Regulation Act, a considerable amount of expenditure has been incurred by the mining companies on the installation of improved ventilation, and there was co-operation between departmental officers and the

companies for the continuance of that improvement. That, of course, is bound to have an effect upon the health of the miners in the future. In view of the figures which have been given to us by the laboratory, the position is rapidly improving, and it looks as though we could expect that figure of 6.3 per cent. not to be exceeded. In fact, there is every indication that it will be diminished. In that case, of course, the position of the State Insurance Office will be even better than it is to-day. As regards the Government the position is that whereas the State had a heavy obligation under the Miners' Phthisis Act and is still paying moneys under that Act, it is in a comfortable position to-day with regard to financing the insurance. If hon. members will look at the figures submitted to us in various reports, they will find that the amount paid by the State Government under the Miners' Phthisis Act last year was £55,137. Of that sum, however, £25,000 was contributed by the State Insurance Office. Thus the difference of some £30,000 represents the actual charge against the State. On the other hand the Government received from the gold profits tax an amount equal to £89,000 for that year. Hon. members will see that there is quite a considerable margin between £30,000 and £89,000. Even if we add to the £30,000 the £16,000 contributed by the State to the Mine Workers' Relief Fund, it will be seen that the State is rapidly being reimbursed for the heavy load it carried prior to the imposition of the gold profits tax in 1935. The amount which the Government had paid under the Miners' Phthisis Act to the end of June, 1937, was £594,350. Of this sum a total of £145,000 was reimbursed by the State Insurance Office, leaving £449,350 as the actual amount paid by the State. As I have said, that amount is rapidly being wiped out by contributions from the gold profits tax, which during the last three years has totalled £240,000. It will be more rapidly reduced in future in view of the fact that payments under the Miners' Phthisis Act are steadily decreasing year by year. It has been stated that the Government expect to be reimbursed for the disastrous experiment of trying to make farmers out of miners and for the disastrous experiences at McPherson Rock and South Yilgarn. It was definitely proved that the attempt to make farmers out of miners was a bad experiment. The Mine Workers' Relief Fund is the fund where undoubtedly we have an unknown liability. Under the conditions of that fund, a third is contributed by the men, a third by the Government, and a third by the employers. The charges on that fund are practically unknown and it must be remembered that after a man has exhausted his £750 compensation, he then comes under the Mine Workers' Relief Fund, and continues to draw from that fund at a scale not very much different from the scale under the Miners' Phthisis Act. So that a man may live for many years and be a charge on that fund. That is the fund that is going to cause very serious concern and a headache to those who have to handle its administration. Then again, the future entirely depends upon the future of goldmining. If a bad time should be struck naturally the number of men contributing will be lower, and the Government will find itself in the position of having to increase its contribution. On the face of it, there has been accumulated a reserve of £92,000 in the Mine Workers' Relief Fund and £388,000 in the State Insurance Office up to June, 1937. Thus it will be seen that so far as financing the future is concerned both funds are being handled on sound lines. The question is what we should do with the Bill. We should get an undertaking from the Government first of all that it will police workers' compensation with regard to employers insuring their employees, and then that it will approve all insurance companies registered in 1918. Thus where the companies are found to be sufficiently sound to be approved at that date, they should be entitled to be approved under the Workers' Compensation Act. That position should be cleared up now and there should be no excuse for an employer to evade his responsibility. The Minister should bring up the Workers' Compensation Act and allow the House to make an amendment to Section 10 to enable that to be put into effect. Again there is the question of carrying on the responsibility for the silicotic men, and in order to make that secure, I think we might validate the State Insurance Office to the extent of enabling it to continue to insure the men engaged in the goldmining industry, and at the same time enable the Office to carry on the insurance associated with the various Government departments that it has carried on for so many years. To that ex-

tent we might authorise the State Office, but no further because I believe those are functions that should be continued. I should like to offer a word of warning to the workers. They will find that in the future, as some have found in the past, State Insurance is not an unmixed blessing. Limits have been drawn, and more and more drawn as time has gone on. The Workers' Compensation Act Amendment Bill introduced this session brought in limitation with a view to limiting the claims of men employed in the industry, and I consider that if a monopoly is established for workers' compensation, it will be found that the tendency is still further to limit and restrict the benefits the men are to receive under the Act. I issue that warning now because it appears that that is what will happen. There will be a monopoly established, and to that extent the men will be at the mercy of the one concern until the Government decides to give the companies an opportunity to extend their operations. Had the companies been given the fullest information at the time investigations were made, it could have been seen on what date the Government Actuary based his premium at 4½ per cent. It is significant to find, as far as the returns are concerned, that the State Office has been able to establish a reserve out of its industrial diseases section, whereas it has shown heavy losses as far as accident insurance is concerned. I intend to support the second reading of the Bill, and I hope in the Committee stage amendments will be introduced to limit the operations of the Office to the extent I have outlined.

HON. E. M. HEENAN (North-East) [5.22]: I wish to add a few remarks in support of the second reading before the debate closes. I have listened with a good deal of interest to quite a number of excellent speeches that have been made, both for and against the proposal, and whatever the fate of the Bill, I am satisfied that its pros and cons have been well presented. A good deal has been said about the origin of the State Office, and various speakers have quoted figures of the Office itself, while others have drawn parallels with South Africa and other mining countries. To my mind, those allusions have been somewhat unnecessary, because I have gone through the Bill and its simple proposals appear to be to legalise the Office which has carried on business for the past ten years, to validate its past transactions, and to extend its jurisdiction to classes of business which heretofore have not been carried on. I will deal briefly with the first proposal, that is, to legalise the Office. I do not intend to refer to the vexed question of its origin. I have read the select committee's report, and have heard what various speakers have had to say in that regard; I will content myself by saying that, rightly or wrongly, the Office came into being, and in my opinion the insurance companies must take their share of the responsibility. It has been stated by various speakers that workers' compensation insurance is something in the nature of a social service. I agree that that is so, and I assume it was for that reason that the Government of the day felt itself compelled to establish the Office. So it came into being, and it has functioned for the past ten years. It is an important factor, in my estimation, that although a non-Labour Government was in power during part of that ten years, that Government did not feel disposed to tackle the problem of abolishing the Office, and so it has gone on, and has become an integral part of the Government services of the day. For the life of me I cannot see how it can be discontinued or replaced. No one has put up any concrete proposal for its replacement. The Office has had the approval, or apparently the tacit approval, of Governments other than a Labour Government, and also the approval of the various companies so long as the Office confined its activities to the business it has been doing in the past. The State Insurance Office is on our hands, but it has no legal status. That seems to me an absurd state of affairs and I am surprised that it should have been tolerated so long. Even at this late stage there are responsible public men who are prepared to deny the Government the right to legalise the Office. Members will recall that the Solicitor General, Mr. Walker, in the course of his evidence stated that the Office had no legal status, and could not sue, and that its past transactions had no legal standing. To my mind that is a ridiculous state of affairs, and I think this House should at least carry into effect the first proposal in the Bill and that is to legalise the Office. The State Insurance Office has undoubtedly been rendering a great social service especially to the mining industry, and in that respect it has been rendering a great service also to the

State. For years past the whole of the risk under the Workers' Compensation Act has been carried by the State Office and the mining industry has been able to function for the welfare of the State generally. As regards the financial position of the Office I do not consider that I am competent to speak, but I have faith in the Government Statistician, and we know that he and the Minister in charge of the Office are responsible individuals who will safeguard the welfare of the Office and the State generally. No one appears to be able to speak with any great clarity as to whether the Office is or is not in a sound financial position. It has accumulated a reserve; no one of course can estimate what it will be called upon to pay in the future, but Mr. Minihan one of the responsible officers who gave evidence, stated that a careful policy was being carried out, that the seriousness of the position was realised, and that they were seized with the importance of accumulating an adequate fund. It seems to me that strong arguments can be advanced that silicosis, which is one of the principal risks, will tend to decrease. It has decreased in recent years, as pointed out by Mr. Seddon, and with more modern methods of mining and ventilation it is only reasonable to assume that it will tend to decrease in future. These few remarks deal with the proposal in the Bill to give legal status to the State Insurance Office. I think the Government have put up an unanswerable case in that respect. It follows that the past transactions of the State Insurance Office should be validated. Now I come to the third proposal in the Bill, namely, to extend the functions of the Office to other classes of insurance. I cannot see any objection to the proposals in the Bill in this regard. I think it is only logical to argue that if the Office is justified at all, its activities should not be confined to what are apparently the two most risky and most unremunerative classes of insurance. There is ample evidence in the select committee's report that the workers' compensation insurance is the most risky and the least profitable kind of insurance. Mr. Minihan said in answer to question No. 73, "People come round to us from the insurance companies and tell us that the companies will not take their workers' compensation insurance. I take it that is on account of the business being unprofitable." There is plenty of other evidence from representatives of the insurance companies, who said quite frankly that these classes of insurance were unprofitable. As I have already said, there does not appear to be any logical reason why the Government Office should not be able to extend its activities. I agree that the Office should not enter into unfair competition with the private companies by reason of the fact that it has not to pay rates and taxes. But I contend that all insurance is somewhat in the nature of a social service, and therefore should be made available to the public at the cheapest possible rates. I feel there is room for the State Insurance Office to extend its activities to the other classes of insurance set out in the Bill.

Hon. L. Craig: How would you prevent its entering into unfair competition with the other companies?

Hon. E. M. HEENAN: Just at the moment I cannot formulate any proposal. I confine myself to the general statement that I agree, and I think the Government would agree, that the State Office should not take advantage of its position in this respect to enter into unfair competition with the private companies. For my part I would not agree to such a course on the part of the State Office. Other companies have to pay revenue to the State, and I think that if the State Insurance Office takes those other classes of insurance, the Government should see to it that the competition is on a fair basis. In conclusion, I should like to make a few remarks about insurance in general. I have been very much disappointed in the past regarding the failure of a number of mining companies to insure their employees. We have Section 10 of the Workers' Compensation Act, but for some reason or other it has not been put into force. Although we say that workers' compensation is compulsory, actually it is not so, due to a legal shortcoming.

Hon. L. Craig: Or a ministerial shortcoming.

Hon. E. M. HEENAN: No, I would not say that. But that state of affairs exists to a greater degree than some members realise. We on the goldfields know what it has meant. Time and again we are interviewed by persons who have been working for mining companies which have neglected

to insure their employees and have subsequently gone broke. In those circumstances no recourse can be had against them, simply because they have no assets and are not worth proceeding against. Only last session I told the House of the case of a woman whose husband was killed on a mine at Southern Cross. She was left penniless, and up to this day she has not received one penny of compensation. She is an old woman and has had to battle to do the best she could for herself. Again, some three weeks ago there was a case on a mine at Celebration. A man working out there met with a very serious accident, and it seems unlikely that he will be able to resume work within the next five or six months. But he was not covered by insurance. Those are just a couple of instances, but there are many others. Then there are the local hospital committees, who have to battle for their finances. Several of them have approached me. The position is that injured miners not insured by their employers come in and are treated for weeks, and then the unfortunate hospital committee when the time comes to call up the fees cannot get them, because nobody is responsible for them. That is a bad state of affairs, and if nothing else comes of this Bill I hope it will have the effect of rectifying that position, because it has existed far too long and has been responsible for many hardships.

Hon. H. S. W. Parker: Compulsory insurance will not do that.

Hon. E. M. HEENAN: It will help to do it, because if, as I hope, the Bill be carried then Section 10 of the Workers' Compensation Act will be enforced.

Hon. H. S. W. Parker: But that will not give a man his money if his employer has not insured.

Hon. E. M. HEENAN: I take it the Minister responsible for policing this Act will see to it that it is done adequately, and that those who do not insure shall be penalised. I would make it a criminal offence to engage a man, especially in so dangerous an occupation as mining, without insuring him.

Hon. J. M. Macfarlane: But if the employer has not the money?

Hon. E. M. HEENAN: Then he should not be allowed to carry on the work if he fails to have the men insured. The remarks I have just made apply also to third party motor car insurance. I hope it will not be long before the Government bring down a measure to put that principle into effect. As I have said, all insurance is in greater or lesser degree in the nature of a social service, and some scheme should be evolved to expand and perfect it. I was pleased to see that the select committee recommended that a Royal Commission be appointed to go into the whole question of insurance and submit a report, so that members of Parliament shall have more information before them and so shall be able to legislate for the benefit of all concerned. I hope that the second reading will be carried.

THE HONORARY MINISTER (Hon. E. H. Gray—West—in reply) [5.43]: I want every member who is thinking of voting against the Bill, seriously to reconsider his action before the vote is taken. For this is one of the most important measures that have been brought down within my experience of the House. Recently Mr. Baxter asked if the Government had given assurance that approval would be granted to private insurance companies to operate under Section 10 of the Workers' Compensation Act. The reply given was to the effect that the matter was under consideration. At a meeting of Cabinet held this week the members of the Government unanimously agreed to authorise me to give an assurance that the approval would be granted to all bona-fide companies, on the understanding that the State Insurance Office is also placed in a position of being legally capable of receiving approval at the same time. I am sure that every member will receive that promise in the spirit in which it is given. As a result of that promise, I think there will be no difficulty in piloting the Bill through this Chamber. Many speeches have been made here in opposition to State insurance. These have prompted me to engage in a little research work concerning insurance in various countries. I was very surprised to learn that the origin of insurance is to be credited to Chevalier De Mere, a Flemish nobleman. He was not only a famous mathematician himself, but was also an inveterate gambler. He failed to understand what he called "the doctrine of probability," so he passed it over to one of the most famous mathematicians in history, Abbe Blaire Pascall. This mathematician perfected the doctrine of probability which is now known as insurance. As early as 1696 fire and marine insurances were effected in Europe, and in America, in 1752, various insurance companies were formed, and the renowned President Franklin was a

director. The comparatively large number of company directors in this Chamber, connected with insurance, are therefore in famous company. State insurance has been in force in many countries as a result of Labour organisations. In Bismark's time in Germany, after the Franco-Prussian war, when the socialists were splendidly organised and were threatening to capture the Government of the German Empire, Bismarck launched stern repressive measures against the Socialist Party. He treated the leaders with the utmost cruelty and promulgated the policy of the Socialist Party at the time, namely State insurance. State insurance has been in operation in many countries since. The debate on this measure has revealed that there is a twofold division of opinion amongst a section of the House regarding the proposals embodied in this Bill. Certain members, notably Mr. Baxter and Mr. Holmes, have expressed uncompromising hostility to anything savouring of State trading. In no circumstances can I associate State insurance with State trading. I have been astonished since I have been in the House, and have come into contact with State trading concerns, at the handicaps they have to overcome when carrying on their business.

Hon. L. B. Bolton: They have no right to be in business.

The HONORARY MINISTER: This House has practically crippled State trading concerns by means of obsolete legislation restricting their operations.

Hon. H. S. W. Parker: Why do you not acknowledge the facts about them?

The HONORARY MINISTER: Although there is some argument to show that State trading concerns have in some directions been failures, this has not been on account of the workmen or the knowledge of the managers thereof, but because in many instances those in charge have not had the necessary experience of outside battling and competition with firms and companies, and there have been too many leaners on Government funds.

Hon. L. B. Bolton: Government stroke again!

The HONORARY MINISTER: I would not say that. Every member of the House at certain periods of his life in this Chamber has advocated State trading concerns. Even Mr. Holmes was once an advocate of the Wyndham Meat Works. Members have advocated the policy whenever it has suited them. When it comes to the State Insurance Office, I point out that we have in the service men who are pre-eminent in actual experience, men who are at the head of the small community of men who hold in their hands the management of insurance companies, namely the State Actuary and the officers under him. Those officers have the experience and knowledge to enable them from a study of statistics, etc., on insurance to handle a State Insurance Office. The arguments of members are unsound. Let them compare the State Insurance Office with its splendidly efficient leaders in charge with any such concern as the Wyndham Meat Works, the State Sawmills or the State Brickworks and the intricate problems associated with their successful management. The State Insurance Office, to the officials concerned, is an easy thing to handle and to make a success of, for the benefit of the people of the State. It is the duty of members to save all waste expenditure possible. It can be proved that a State insurance office saves the public a lot of money in the running of the business, and members, irrespective of the party to which they belong, should support such an enterprise. There is another school of thought, however, which, although denying the State the right to engage in any business which might be expected to yield a reasonable profit, is nevertheless prepared to authorise State trading in fields less attractive to vested interest. Thus we find Mr. Parker stating that it is his intention to support that part of the Bill which deals with the insurance of industrial workers, with a view to minimising the cost of workers' compensation to industry, but not the proposals relating to the extension of the operations of the office to general insurance. There is neither logic nor equity in the hon. member's attitude.

Hon. H. S. W. Parker: You misunderstood my remarks.

The HONORARY MINISTER: That was the inference to be drawn from the hon. member's remarks. As Mr. Piesse pointed out by way of interjection, there is not a private company in the State that would take the more risky forms of workers' compensation business without the advantage of ordinary insurance business, yet Mr. Parker would restrict the scope of the State office's operations to the more unprofitable field.

Hon. H. S. W. Parker: I will not take that either.

The HONORARY MINISTER: I am glad the hon. member is supporting the proposal.

Hon. H. S. W. Parker: I am not doing so.

The HONORARY MINISTER: Mr. Parker, however, has recognised that the State office can offer cheaper insurance than the private companies, notwithstanding the very strong statements to the contrary made by Mr. Baxter.

Hon. H. S. W. Parker: I do not where you got that information.

The HONORARY MINISTER: From the hon. member's speech.

Hon. H. S. W. Parker: Then it must have been misreported in your copy.

The HONORARY MINISTER: That member suggested there was no evidence to support my contention that the expense ratio of the State Office would be something less than a third of that of the private companies, with all things equal. In this connection, Mr. Baxter adduced certain figures relating to the operations of the Queensland and Tasmanian State offices which purported to show that, in general, the government-controlled insurance businesses were conducted at a cost as high as those of the private companies. The hon. member tells only half the story. He has, for example, overlooked the Victorian State Accident Insurance Office. That office commenced business in 1914. Its operations during the five years ended 30th June last were as follows:—

—	Premiums less Re-insurance Rebates, etc.	Claims.	Accumulated Funds.	
			General Reserve.	Bonus Reserve.
	£	£	£	£
1931–32	52,453	41,400	96,560	*20,848
1932–33	52,245	47,167	96,560	4,369
1933–34	67,034	54,429	96,560	8,528
1934–35	82,115	54,051	96,560	*17,962
1935–36	118,067	73,015	96,560	9,832

* Triennial bonus distribution.

The net profit during 1935/36 was £14,832, which was appropriated as follows:—

	£
Bonus reserve	9,832
Consolidated revenue	5,000

This goes to show that the successful operations of the State office in Victoria have not only resulted in benefit to the finances of the State, but have resulted in great benefit by means of rebates for the people who insure with the State office.

Hon. T. Moore: That is the stuff we want.

The HONORARY MINISTER: The Victorian "Year Book" comments as follows:—

The expense rate of the year was 10.8 per cent. This satisfactory figure is the result of careful regard to economy, and is the lowest expense rate of any insurance office in Australasia transacting workers' compensation business.

Apparently, the compilers of the "Year Book" take no official cognisance of the Western Australian State office with its low expense ratio because it is not a legalised office. A survey of the activities of the various departments of the New Zealand State office affords a further example of a State insurance business operating at a lower expense ratio than the private companies. During 1935, the ratio of expenses, exclusive of taxes and fire board levies, to premium income in respect of the fire insurance department of the New Zealand State office, was 26.90 per cent. The comparable ratio for the private companies was 39.79 per cent., or half as much again as that of the State office.

Hon. C. F. Baxter: Neither in Victoria nor New Zealand are the State offices rendering the same service as the companies are doing.

The HONORARY MINISTER: Turning now to the State Accident Insurance Department, I find that during the same year the ratio of working expenses to premium income was 20.8 per cent., as compared with a ratio of 36.06 per cent. for the private companies. This is a very effective reply to Mr. Baxter's remarks. However, I think that Mr. Baxter's own statement to the effect that the private companies providing workers' compensation cover in Western Australia have been unable to make a profit is emphatic proof of the contention that the State can conduct certain classes of insurance business more satisfactorily than their competitors. Although the Bill does not propose to empower the State office to engage in life insurance, I submit that the record of the New Zealand office in that field rather disposes of the doubts expressed by Mr. Parker in regard to the future conduct of the Western Australian State office in the event of its being authorised to engage in general insurance business. It is generally recognised that life insurance is probably the most specialised of all forms of insurance business. Nevertheless, in New Zealand the Government has been conducting a life insurance department since 1869. To-day, that depart-

ment operates in competition with 13 private offices. It does not transact industrial insurance, however. Its activities during 1935 were as follows:—

New business—		
Number of policies	.. ..	5,670
		£
Premiums	.. .. ..	47,944
Sum assured	.. .. ..	2,005,995
Policies in force at end of year—		
Number of policies	.. ..	69,982
		£
Premiums	.. .. ..	638,371
Value of business—		
		£
Sum assured	.. .. ..	22,050,276
Bonuses	.. .. ..	3,001,016
	Total	£25,051,292

That should indicate to members that the State office has operated with advantage so far.

Hon. H. S. W. Parker: But to whose advantage? That of the State or of the individual?

The HONORARY MINISTER: To both. It operates to the advantage of the State in that it has effected a saving in the national income.

Hon. H. S. W. Parker: In comparison with the private companies?

The HONORARY MINISTER: Yes. I do not think that statement can successfullly be controverted. If State enterprise can conduct business successfully and save hundreds of thousands of pounds for the State, it will be agreed that the State Insurance Office has not only meant a saving to individuals but to the State.

Hon. G. W. Miles: Is this an argument in favour of the State dealing with life insurance?

The PRESIDENT: Order!

The HONORARY MINISTER: I am merely establishing proof of my statement that the Government can conduct the insurance office successfully.

Hon. G. W. Miles: But not in competition with mutual companies.

The HONORARY MINISTER: The total income of the New Zealand Department for 1935 was £1,120,550, including interest and rents amounting to £399,338, after payment of land and income tax. I want to stress the last-mentioned point. The ratio of expenses to total income was 8.62 per cent., and to premium income 13.39 per cent. Assets as at the 31st December, 1935, amounted to £10,107,731, while the rate of interest realised on the mean funds of the Department, after deduction of land and income tax from interest, was £4 6s. 9d. per cent. I think that members, although opposed to the principle, will agree that this record of State enterprise in the insurance field is most impressive. There is no reason to believe that our own State insurance officers are incapable of achieving an equally impressive record in the field set forth in the Bill. I should like to refer briefly to the remarks of Mr. Angelo, who appears to be confused between the operations of the Miners' Phthisis Act and the Workers' Compensation Act.

Hon. E. H. Angelo: So is the Auditor General.

The HONORARY MINISTER: The hon. member should know that the former provides compensation to men who are withdrawn from the mines because they are suffering from tuberculosis. Whether or not the State Insurance Office were in existence, compensation under the Miners' Phthisis Act would still have to be paid from consolidated revenue and the operations of the State Office make no difference whatever to the amount which has to be disbursed under that Act. While it is true that the Treasury takes a sum of £25,000 annually to meet claims which, but for the existence of the Miners' Phthisis Act, would have to be met by the State Office in accordance with the provisions of the Third Schedule, it is not correct to state that operations "are all mixed up together," as Mr. Angelo suggested. The two funds are kept quite distinct; the Miners' Phthisis Fund is administered by the Treasury, while the other, under the Third Schedule to the Workers' Compensation Act, is controlled by the State Insurance Office.

The position in regard to reserves to provide for future claims under the Workers' Compensation Act has been, and is being, carefully watched by the Government Actuary, and it is considered that the present reserve is sufficient to meet any liability the office may be called upon to bear. It is admitted, as pointed out in the Auditor General's report, that in the general accident section a loss has been made. It was occasioned almost entirely on account of the unfavourable experience in the mining industry. In view of the fact that the mining companies are already being called upon to bear a heavy burden in connection with the indus-

trial diseases section, it is considered inadvisable to increase the general accident premiums on the mines at present. If this unfavourable experience continues, however, consideration will have to be given to increasing the accident premiums payable by the companies. The loss, however, was nothing like the hypothetical amount mentioned by Mr. Angelo. Last year it was £18,752, which was the amount stated in the Auditor General's report. The figures quoted in that report do not provide for a reserve against outstanding claims because they represent payments only, and include disbursements on account of previous years. If a reserve were created, it would be necessary to deduct the total of the payments made for years other than that under review, and this sum would approximate the amount to be set aside as a reserve to meet outstanding claims. Mr. Bolton referred to remarks that he had made on a previous Bill last session. It was contended by him that "the benefits conferred under our Act, which naturally have occasioned high premiums, place us in an invidious position compared with some of our competitors in the Eastern States." To illustrate his argument, he compared the premium rates paid by a firm of motor-body builders operating in this State with those paid by a similar firm in New South Wales. He said:—

> The rates paid, as shown in the balance sheet of the firm in New South Wales, amounted to 27s. per cent. as against 110s. per cent. paid by the local manufacturer for the current year.

Taken at their face value, these figures certainly appeared to support the hon. member's argument. Here, however, I would remark that tariff rates quoted to specific firms cannot legitimately be used as a standard of comparison for rates as between States. Mr. Bolton's method of comparison runs counter to every principle of actuarial calculation. After all, general tariff rates are based not on the experience of particular individuals, but on that of the whole field. It is possible that the accident experience of the firm in New South Wales has been negligible, while the local manufacturer has been less fortunate. Figures, with which I have been supplied, appear to indicate that this is the position, for I find that in New South Wales the general tariff rates for workers' compensation in motor-body building plants is 45s. per cent., as compared with the rate of 27s. per cent. mentioned by the hon. member, while in Western Australia the general tariff rate for the same class of business is only 40s. per cent. or 5s. per cent. lower than the comparable New South Wales figure. Mr. Bolton wished to be informed whether certain charges incurred by the Queensland State Office also appeared in the expenditure of our State Office. I am informed that the following charges mentioned by Mr. Bolton are debited against the Western Australian Office:—General expenses; postage; printing and stationery; repairs and maintenance of machines; and travelling expenses. According to Mr. Bolton, these charges in Queensland amount to some £24,000. As regards the balance of items he mentioned amounting to some £18,000, I am informed that they are not met by the local Office. Mr. Parker was anxious to ascertain the amount of re-insurance effected by the State Office in the fire department. It is not the practice of the State Insurance Office to re-insure risks of £750 or less. During the year ended the 31st October last, the actual amount of insurance passed over to the companies was £486,214 5s. 8d. This sum was in respect of a total risk of £762,361 6s. 1d., which, of course, excludes the small risks I have mentioned. Reference was made by some members to marine insurance. The activities of the State Office in respect to this type of business are confined to providing cover for Government launches and Government Stores cargoes. As to hail insurance, Mr. Wood said "the State Insurance Office definitely will not accept hail business because it is too risky." It is true that to-day no business of this kind is transacted by the State Office. This is because it was asked in the past to cover crops in districts that were bad risks, and which were avoided by the private companies. As a result it was forced to demand premium rates which were not acceptable to the farmers seeking cover. With regard to premium rates, the State Office claims that, generally speaking, its tariff rates are 20 per cent. cheaper than those of the private companies. Mention has been made during the debate to the number of directors of insurance companies who are members of this Chamber. Mr. Piesse referred to it and admitted being a director. As I mentioned previously, the

famous Benjamin Franklin was at one time a director of an insurance company. I feel sure that no member in this Chamber will allow his private interests to thwart or influence in any way his public duty in reference to this measure. But to make their position absolutely clear to the general public, I respectfully submit that those members who are directors of insurance companies should either vote for the Bill or, alternatively, refrain from voting altogether. Their attitude then would be undeniably impartial, and would be approved by the people of this State. Mr. Wood indulged in hero worship of Mr. Holmes, and several members rebuked Mr. Craig for having the audacity to combat successfully the arguments put forward by the unofficial leader of the reactionaries in this Chamber. Mr. Craig, in his contribution to the debate, displayed qualities of fearless leadership, which may in the future be invaluable to his party in this Chamber. Mr. Wood made the statement that the State Insurance Office premiums were higher than those of private companies. The Third Schedule risks in the mining industry, which are only accepted by the State Office, obviously increase the average premiums. The State Office does successfully compete in industry, and its premiums in some instances are 9s. per cent. only. There has been one all-important phase almost forgotten during this debate, and that is the position, mentioned by Mr. Seddon to-day, of uninsured men—mostly young men, who are engaged in the mining industry, working for small shows and for employers with no financial backing, who to-day can successfully defy the provisions of the Compensation Act. These men total in the aggregate such numbers that it is imperative that action should be taken to protect them, and it can only be done by validating the State Insurance Office.

Sitting suspended from 6.15 to 7.30 p.m.

Personal Explanation.

Hon. H. V. Piesse: I wish to make a personal explanation. On Wednesday last, when addressing the House in connection with the State Insurance Office Bill, I may have conveyed that Mr. Moore was a director of an insurance company. That is incorrect. I really wished to convey to members that he, being a farmer, had the right to vote on all farmers' Bills, and therefore business and insurance directors should have the same privilege.

Debate resumed.

The HONORARY MINISTER: Before the tea adjournment I was referring to the important question of the comparatively large numbers of young men who were working in the mining industry and were uninsured. I made the statement that very little had been said in regard to this phase of the question during the debate on the Bill. This is an important phase. Members' speeches have repeatedly encouraged young men to scorn going to the relief office to get the dole, and the officers have spoken in high prai e of young men who were prepared to leave their homes and go into the back areas to work for their living. Large numbers of farmers' sons and other young men of independent mind from the city, who scorned the idea of seeking relief from the welfare department, have gone out prospecting, and from that have taken on mining work for small companies. It has then been discovered that many of them have not been insured. The responsibility for that position rests on this Chamber, and now is the opportunity to end such a state of affairs. Complications have arisen from the fact that compensation legislation cannot be enforced, and in regard to the State Insurance Office there is a gap in our legislation which must be remedied by the passing of this legislation. It is useless for members to try to shelve their responsibilities in this connection. If the Bill is carried, the compensation Act can be enforced. Everything will be carried out in a businesslike fashion and early steps can be taken to compel employers to insure their employees. That is one of the most important phases of the Bill, and I ask every member who intends to vote against it to consider that aspect. If the Bill is turned down, those men will remain uninsured. One has only to go to any hospital and to the Wooroloo Sanatorium to see the effect of miners' diseases, and it is reasonable to suppose that employers at small mines who neglect to protect their employees will also be more or less callous in the matter of their men's health, and the men will be liable to contract early silicosis. If these men are taking a chance in the industry in order to maintain independence, they have a right to

expect the assistance of members of this Chamber. I ask members, therefore, to consider that phase.

Hon. V. Hamersley interjected.

The HONORARY MINISTER: It is a scandalous position, and is only caused by the unreasonable attitude of members of this Chamber to what they call State trading.

Hon. J. Cornell: It could be got over by an amendment to the Mines Regulation Act.

The HONORARY MINISTER: My information is that it cannot until this matter is straightened out in a businesslike way. The State Insurance Office was not inaugurated voluntarily by the Government. The Government was compelled to establish the Office. The only offer received from the companies was for a premium of 20 guineas per cent., which was an impossible burden on the mining industry. It was that which resulted in the formation of the State Office. The leakage is apparent. I stress the numbers of the uninsured and the necessity, by passing this legislation, for protecting them. If it were a party business, there would be some excuse for members to vote against the Bill; but, as pointed out by various speakers, respective Governments have carried on this Office—both Labour and anti-Labour Governments—and it is time, from a business point of view, that the existing situation came to an end. It was reported in the "West Australian" last Friday that even the Chamber of Commerce is anticipating that this legislation will be passed, and no body of business men would refuse ratification of the State Insurance Office. If members think it is dangerous to support the whole Bill, I ask them to pass the Bill so that the Office will be legalised and then amend the Bill as they desire in Committee.

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

Ayes	12
Noes	15
Majority against ..	3

Ayes.

Hon. A. M. Clydesdale	Hon. E. H. H. Hall
Hon. J. Cornell	Hon. E. M. Heenan
Hon. L. Craig	Hon. W. H. Kitson
Hon. J. M. Drew	Hon. H. Seddon
Hon. C. G. Elliott	Hon. T. Moore
Hon. G. Fraser	(*Teller.*)
Hon. E. H. Gray	

Noes.

Hon. E. H. Angelo	Hon. J. Nicholson
Hon. C. F. Baxter	Hon. H. V. Piesse
Hon. L. B. Bolton	Hon. A. Thomson
Hon. J. T. Franklin	Hon. H. Tuckey
Hon. V. Hamersley	Hon. C. H. Wittenoom
Hon. J. J. Holmes	Hon. G. B. Wood
Hon. J. M. Macfarlane	Hon. H. S. W. Parker
Hon. W. J. Mann	(*Teller.*)

Pair.

Aye.	No.
Hon. C. B. Williams	Hon. G. W. Miles

Question thus negatived; the Bill defeated.

BILL—INCOME TAX ASSESSMENT.

Second Reading.

Debate resumed from the 18th November.

HON. V. HAMERSLEY (East) [7.41]: I understand that the Bill is to bring into conformity the different taxation systems of the Australian States and the Commonwealth. I am therefore pleased to welcome it because the lack of uniformity has been a source of great worry to a large number of our taxpayers within the State, more particularly those who derive incomes from several States. It is more particularly aggravating to those living outside Australia who have experience of our various taxation Acts. I have a letter from a person in England who happened to be taxable in several States. He felt he had been over-taxed, and decided to put his lawyer on the various taxation measures, and it cost him an enormous sum of money. He said that the different systems under which we were working were enough to stop anyone investing in Australia. The time has arrived—indeed it is long overdue—when the different Acts should be brought into line. Everyone is at all times opposed to taxation, but I have always felt that it was never dreamed by many of those who entered into Federation that the Federal authorities would so soon embark upon dual taxation, as they have done, coming in on top of the States to impose similar taxes.

Hon. J. Cornell: It was not until several years after Federation that the State passed the State Income Tax measure.

Hon. V. HAMERSLEY: It was several years afterwards. One of the first Acts we passed after Federation was our Land Tax Act and that was opposed for some years in this Chamber on the assumption that if we granted a land tax, an income tax Act would speedily be passed. I opposed the land tax because I felt we would soon have dual taxation here both in respect to land tax and

income tax. For that reason the Government introduced a measure to combine the land and income taxes so that a taxpayer would pay only one tax, either land or income tax. The idea behind that arrangement was this: If three sons were starting off with £5,000 each, one might put his money into land, another into brewery shares and another perhaps into bank shares or Government bonds. The one who was foolish enough to put his money into land would be immediately hit by what amounted to a capital levy on his investment in the shape of land tax, whereas the others who put their money into shares, which would be more likely to give a larger return, and escape the levy on their capital. They had to pay only on the income derived from the investment. That was a reason for providing for the deduction of the land tax from the amount payable by way of income tax. However, we have long since passed the stage of having only one tax. I think it would be a fair thing if we were able to deduct from the amount payable as State income tax the amount paid by way of Federal income tax. I am not regarding this matter entirely from the point of view of people resident in Australia. It is a question that Australia as a whole should seriously consider because overseas investors are affected. They are the people we want to encourage, but while there is such a divergency of views in the matter of taxation, money that would be brought to Australia for investment is being diverted elsewhere. Governments are competing with one another and with private enterprise, and are injuring bona fide investments in industries which, if encouraged, would relieve the Government of great responsibility in the matter of providing employment. If Governments throughout Australia allowed a more open go to the people willing to invest in the opportunities to build up industries, and if those people could engage in their activities without fear of competition from Government enterprises, there would be ample employment for everybody. One provision of the Bill seems rather puzzling. I refer to Subclause 2 of Clause 56. The Minister, when moving the second reading, stated that a very close scrutiny had been made by the best draftsmen in Australia to bring the various taxation measures into line, but I am at a loss to understand that provision. Subclause 1 provides that depreciation during the year of income of any property being plant or articles owned by a taxpayer and used by him to produce assessable income shall be an allowable deduction, but Subclause 2 provides that plant includes animals used as beasts of burden or working beasts in a business other than a business of primary production. Apparently Subclause 1 allows a deduction and Subclause 2 deprives the primary producer of the benefit of it.

Hon. J. Cornell: That means that all except cockies are entitled to claim the deduction.

Hon. V. HAMERSLEY: So it would appear. I cannot imagine that the best draftsmen of Australia would draw such a distinction unless it was desired to get at the people with whom I am so closely associated. Perhaps a scrutiny of the Bill will reveal further anomalies of the same kind. I am not surprised that members, in speaking to the Bill, have expressed the opinion that it is distinctly a measure for consideration in Committee. I have always failed to understand why a differentiation should be made between the rates of tax on income derived from personal exertion and on income derived from property. Income derived from property is taxable at a much higher rate than is income from personal exertion. We should bear in mind, however, that a considerable amount of hard work and thrift were necessary on the part of the taxpayer in order to accumulate money for investment in the hope that the income would relieve the Government of the burden of providing employment for him. There is no encouragement for people to save for their old age or for the support of dependants if the income from such savings is to be so heavily taxed. The whole attitude nowadays seems to be one of disregard of thrift. People no longer seem to have that pride of independence which leads them to save in order that they might not become a burden upon others or upon the State. I thought the Bill might show an improvement on the existing Act in that respect, but the position remains as before, and a higher rate is still to be imposed upon those who by hard work, ingenuity and thrift have amassed some means to provide for the rainy day. I maintain that the thrifty people of the community should be taxed only at the same rate as is charged on income from personal exertion. The Act provides for deductions

for amounts donated to educational purposes, such as scholarships, universities and libraries, and the list is to be extended by this Bill. While we are dealing with those exemptions we should include those people who contribute to agricultural societies, which are doing a truly wonderful work of an educational character throughout the State. Many people give of their time and labour and others make contributions or donate trophies and prizes to the societies with a view to improving the stock and production of the State. The more we improve the cattle and the sheep, and the greater the quantity of wool we produce, the greater is the asset to the State and the greater the volume of work provided for the railways, the ships and the men who handle our produce. The work of the agricultural societies in encouraging increased production of a higher quality is of the utmost value, and people who make contributions for the support of those societies should receive a deduction for taxation purposes, just as do those who contribute to other societies. Amongst the deductions previously allowed was one of £50 for repairs to the taxpayer's residence. That deduction, I understand, is to be deleted. I regret that that step has been taken. Such a deduction encourages people to keep their homes in a reasonably good state of repair. Surely we have not reached the stage where we want to see the homes of the people falling into disrepair. An allowance of that kind proves beneficial to the community as a whole, apart altogether from the individual. Many buildings are seen to be in a state of disrepair, and the Government has been as guilty as anyone in allowing the buildings to fall into such a condition. When travelling by railway one realises that the station names at some places have never been repainted; many of the names are now almost unreadable. Even when one is driving along the roads one cannot fail to be impressed by the fact that many of the signposts show indications of neglect. The same may be said of the buildings at Yallingup. It is unfortunate that this tendency should be apparent.

Hon. G. B. Wood: What about the premises of the Department of Agriculture?

Hon. V. HAMERSLEY: They are a terrible disgrace. I have been thinking seriously of it, but I understand that the Government do intend to put up new offices. The sooner the better. I think all hon. members are anxious to get into Committee on the Bill, and I sincerely hope that we shall all have good incomes from better prices than the wool sales have shown. I trust also that there will be a good season, and that the Government will find its revenue greater than in the past. With many other members of the community, I shall welcome the simplification of income tax returns. I support the second reading of the Bill.

HON. E. H. H. HALL (Central) [8.3]: I move—

That the debate be adjourned.

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

Ayes	12
Noes	15
Majority against ..	3

Ayes.	
Hon. C. F. Baxter	Hon. G. W. Miles
Hon. L. B. Bolton	Hon. H. V. Piesse
Hon. J. Cornell	Hon. H. Seddon
Hon. E. H. H. Hall	Hon. H. Tuckey
Hon. V. Hamersley	Hon. G. B. Wood
Hon. J. M. Macfarlane	Hon. C. H. Wittenoom (*Teller.*)

Noes.	
Hon. E. H. Angelo	Hon. E. M. Heenan
Hon. A. M. Clydesdale	Hon. J. J. Holmes
Hon. L. Craig	Hon. W. H. Kitson
Hon. J. M. Drew	Hon. W. J. Mann
Hon. C. G. Elliott	Hon. T. Moore
Hon. J. T. Franklin	Hon. J. Nicholson
Hon. G. Fraser	Hon. H. S. W. Parker
Hon. E. H. Gray	(*Teller.*)

Motion thus negatived.

Hon. E. H. H. HALL: Acting on the suggestion of various members who desire to speak to the Bill but have not had sufficient time to get their material together, and the weather being rather oppressive to-night, I asked for the adjournment of the debate. However, the numbers were against me. In connection with taxation generally, I have some ideas not shared by many people; otherwise they would long ere this have been embodied in legislation. Then, instead of the present highly unsatisfactory taxation Acts, we should have something of this nature. Take the hospital tax as an instance. I never knew so much interest to be taken in the management of Government hospitals as there has been since the imposition of that tax. I have long taken an interest in the purely Government hospital

at Geraldton. The people treated at that hospital year in, year out, have never felt it their duty to take an active part in the management of the institution. In that respect Geraldton is unlike goldfields towns, where people assist to raise funds for the building of a hospital and accept practically the whole responsibility for its conduct. Committees are elected, and they engage doctors and nurses. Geraldton is not the only town that disregards its Government hospital. Bunbury and Northam fall in the same category. There the local people accept no responsibility in respect of such institutions. The democratic spirit on the goldfields, and I may add in agricultural centres, does not tolerate such a state of things. There the people feel compelled to take upon themselves some financial and other obligations in connection with the hospitals. A few years ago it was decided—by a Labour Government, I believe—to introduce the hospital tax.

The PRESIDENT: Order! I ask the hon. member to connect his remarks with the Income Tax Assessment Bill.

Hon. E. H. H. HALL: Yes, Sir. I am endeavouring to do so. The imposition of the hospital tax caused many people to take an interest in the conduct and financing of hospitals. If a similar policy of taxation were adopted throughout, far more interest would be taken in such matters. In view of the informal votes recorded at the recent Federal election, we should endeavour to awaken an interest in taxation and governmental instrumentalities. I claim—I suppose I must be wrong, because it is not done, though that is not a reason why it should not be tried—that an experiment might be made in the direction I have suggested. I have heard a former Premier, who is an authority on these matters, express himself against my suggestion. We pay so much taxation in the pound. We pay men to compile our taxation returns. Few of us know how our assessments are arrived at. Why do we pay people to compile our taxation returns? Because the great majority of taxpayers have not the foggiest idea how the Commissioner of Taxation assesses them. Therefore I would like to see my suggestion given a trial. In this Chamber it has been stated repeatedly that the people receive numerous free services, services for which they pay nothing. That is a fallacious statement. I have more than once asked hon. members to point out to me where I am wrong. Any person who purchases a pair of boots or a hat or a glass of beer or a packet of cigarettes pays taxation—not directly, but certainly indirectly. Coming down last Monday week to Parliament I was engaged in conversation with several people, and I expressed the point of view with regard to free services which has been uttered by certain learned members of this Chamber. The argument was immediately attacked. "Free services?" I was asked to enumerate some of them. Before I could get in, one man said, "The only free service I get, to my knowledge, is free air."

Hon. H. S. W. Parker: What about free railway passes?

The PRESIDENT: Order!

Hon. E. H. H. HALL: Another passenger in the compartment happened to be a police constable, though not in uniform. I said, "Here is one of the free services, the services of a police constable." The other man retorted, "I do not need the services of a police constable." There is something in that. Many of us are taxed for services that we do not need. We shall have an opportunity shortly of dealing with the education system. I must not incur your displeasure, Mr. President, by anticipating. If there is anything in the claim made by educationists that the more educated we are the more enlightened and therefore the more law-abiding we become, the time is just about due when we should be able to reduce our police force considerably. To me it seems the height of absurdity to see able-bodied policemen patrolling the streets of Perth in broad daylight, where, I suppose, 99 per cent. of the people are law-abiding.

Mr. Clydesdale interjected.

Hon. E. H. H. HALL: I object to Mr. Clydesdale interjecting while I am talking. He seldom rises in his place to speak and yet when I get on my feet he is ready to interrupt. I do not mind interjections from some members but I will not stand them from him.

The PRESIDENT: I ask the hon. member to confine his remarks to the Income Tax Assessment Bill.

Hon. E. H. H. HALL: I am getting there, Mr. President. I have been asked to justify the non-adjournment of the debate.

The PRESIDENT: That is not the question before the House.

Hon. E. H. H. HALL: I am endeavouring to do my best. It would be much better if we were to levy a tax for all the public services about which we hear such a lot, whether

they be the police, the courts, the gaols or the hospitals. It would cause the people to sit up and take notice and then we might get them to take a little interest in the conduct of public affairs, which in my opinion 99 per cent. of the population do not take to-day. I am sorry if I contravened the Standing Orders, and with these few remarks I shall support the second reading.

THE CHIEF SECRETARY (Hon. W. H. Kitson—West—in reply) [8.18]: I was somewhat surprised to hear the hon. member say that he had been asked to justify the endeavour made by him to secure the adjournment of the debate. Mr. Hamersley when speaking gave me the impression that most members of this Chamber were satisfied that this of all Bills that might be introduced into this Chamber was a Bill that lent itself to discussion in Committee rather than on the second reading. It will be remembered that when I introduced the Bill on the 11th of this month—12 days ago—I expressed the hope that the House would help me to expedite its passage, because it meant so much to the Government. I should like to repeat that until the Bill has been finally dealt with it will not be possible for the Taxation Department to issue any assessments.

Hon. J. Cornell: The House is not responsible for the Government's delay in bringing it down.

The CHIEF SECRETARY: That applies to the Commonwealth as well as to the State Taxation Department. This House is not responsible for the so-called delay in bringing down the Bill. That is admitted, but it is the duty of the House to help the Government to expedite its business, particularly business of this kind affecting not only the State but the Commonwealth. Then, again, the State Government is not in a position to bring down its own Land and Income Tax Bill until such time as the Bill now before us has been finalised. Consequently, there will be a further delay arising from that fact. Members who have given any consideration to the Bill, particularly those who have considered the explanatory memorandum which was distributed at the request of the Premier, will realise that it is a very complicated Bill from the point of view of a lot of members. As a matter of fact, I am correct when I say that to really understand this Bill in all its ramifications, it is necessary that one should have imbibed to a certain extent the atmosphere of the Taxation Department. I know from my own experience of studying this and other Bills associated with the Taxation Department that it is necessary we should understand quite a lot of things, in addition to the mere fact that we have some tax to pay, provided, of course, we have the income from which to pay. It is a very big Bill and I think the debate on the measure so far has indicated clearly that it is essential that certain clauses in particular should be given every consideration when in Committee. Again I repeat that while the Bill endeavours to bring our own taxation laws into something like uniformity with the taxation laws of the various States and also the Commonwealth, it is not a Bill, as suggested by Mr. Hamersley, to bring our State taxation laws into conformity with those of the Commonwealth. Whilst the Government is not going to object to possible minor amendments, it is necessary for me to point out that the Bill has been arrived at as the result of very considerable research on the part of officers associated with matters of this kind, and that if the Bill be drastically amended by this Chamber there is every possibility that the Government will not be able to accept it. Members will, of course, realise that it is necessary for the State Government to receive at any rate approximately the same amount of money from taxation that it has been receiving during the last year or two, and if the Bill be agreed to without amendment it certainly will mean that the State Government will receive a few thousand pounds in revenue that it has not had in the past.

Hon. J. Cornell: Then what has become of the uniformity?

The CHIEF SECRETARY: It must be remembered that the necessities of the different States vary. The uniformity we speak of is in the broad sense.

Hon. J. Cornell: And the exemptions?

The CHIEF SECRETARY: There seems to be necessity for variation in some of the States as compared with others, perhaps on somewhat minor matters. But those are matters that can be discussed in Committee, and having regard to all the circumstances of the case, we can come to a decision upon them. It is not my intention to take the Bill into Committee tonight but I do propose to reply to some of the statements made by Mr. Seddon and also by Mr. Baxter, and those members who spoke on the second

reading. Mr. Seddon, when dealing with the proposed disallowance of Federal income tax as a deduction, was prompted to remark—

> That he did not see why that provision should have found a place in the Bill, and why people should be deprived of the right to make these deductions in their returns.

As I pointed out in introducing the Bill, this particular deduction is not allowed by any other State. I consider there is every logical reason why that deduction should not be allowed any longer. Members will realise that it is desired, by means of the Bill, to take away some of the concessions that taxpayers enjoy to-day by way of exemptions, but it is also proposed in some cases to give taxpayers privileges they do not now enjoy. I submit in connection with this point that it is considered that since the States were the first to enter the field of taxation, the subsequent entry of the Commonwealth Government into that field should not prejudice the States pre-existing right to tax incomes inclusive of the amount of the Federal tax. The Commonwealth Government came later into this field and recognised that it would be unfair to charge a tax upon a tax, and accordingly legislated to tax only what was left after the State tax had been paid. For the State then to allow Federal income tax as a deduction is not reciprocity but duplication. This has been recognised as such everywhere else except in Western Australia. The Royal Commission dealt with this subject in its third report, and I quote from that report, paragraphs 580 and 581:—

> We received many requests that Commonwealth income tax should be allowed for the purpose of both Commonwealth and State income tax. Commonwealth income tax is not allowed as a deduction by the Commonwealth, and is allowed as a deduction for State purposes in one State only (Western Australia). In this State the deduction is allowed to individuals, but not to companies.
>
> We are not prepared to recommend that Commonwealth income tax should be allowed as a deduction either for Commonwealth or State purposes. If this concession were allowed by the Commonwealth, it would merely mean that an increased rate of tax would have to be imposed upon the residue of income, so that in the long run the taxpayer would probably not benefit. If it were allowed for State purposes the yield of State income tax would be so materially diminished as to compel the States to completely revise their existing rates. For that reason alone we consider the proposal to be impracticable. Further, as uniformity is sought the concession should be discontinued by the only State which now allows it.

It will be seen that the Commissioners were so opposed to the proposal that they did not go deeply into its technical merits or demerits. Their views as to revenue losses if the deduction was to be allowed, were based upon the logical assumption that if it were to be allowed at all it would be allowed to companies and individuals equally and not only, as in this State, to individuals. I do not think there is any logical justification for this discrimination. However, even with the deduction limited to individuals the annual yield of the tax would be so reduced as to render questionable the Government's ability to afford the additional concession granted by the Bill in other directions. If any person has a grievance by reason of the fact that he has to pay two income taxes, State and Commonwealth, that grievance should be directed against the Commonwealth, not against this State. The effect of granting the deductions for Federal income tax for State assessments is to increase the Federal income tax payable by the taxpayer, for the deduction he gets in the Federal assessment is that much less, and his taxable income, therefore, that much more. It would be an extraordinary thing if Western Australia continued to be the only State which is prepared to reduce its own revenue, to the benefit of the Commonwealth revenue, by the allowance of this deduction. I propose to quote certain examples showing the effect upon the total liability of individual taxpayers, at various grades, of the allowance and disallowance, respectively, of Federal income tax. I have taken the case of a married man, with two children under 16, as typical.

FEDERAL INCOME TAX DEDUCTED.

State Assessment.

					£ s. d.
			£600		
Children	£124				
Federal Income Tax....	£3				
			£127		
Taxable Income			£473	State Tax	4 17 3

Federal Assessment.

			£500		
Children	£100				
State Income Tax	£5				
			£105		
			£395		
State exemption			£178		
Taxable Income....			£217	Federal Tax	3 0 3
				Total	£7 17 6

FEDERAL INCOME TAX NOT DEDUCTED.

State Assessment.

		£500	
Children		£124	
Taxable Income....	£376	State Tax....	4 18 6

Federal Assessment.

		£500	
Children	£100		
State Income Tax	£5		
	£105		
		£395	
State exemption		£178	
Taxable Income	£217	Federal Tax	3 0
			3
		Total	£7 18 9

It will be observed that if such a man has an income of £500 left after deducting all expenses incurred in earning it, the difference which allowance makes in his tax is only 1s. 3d.! At £1,000 (net) the difference is £1 1s. 5d., and at £2,000 (net) it is £7 8s. 6d. The position which will result from the disallowance of Federal Income Tax as a deduction may, therefore, be summarised as follows:—

(1) Companies will not be affected at all as they do not now get the deduction.

(2) 32,250 individual taxpayers out of a total of 52,230 will not be affected because they are not liable for Federal income tax.

(3) The effect upon the remaining taxpayers is illustrated by the figures I have quoted.

It should be clear to members that the deduction means little or nothing to the general body of taxpayers. After all, it offers no real benefit to the taxpayers other than those in the income range well in excess of the £1,000 level. I submit that there is no reason why Western Australia should retain in its law a provision which grants a concession only to taxpayers in the maximum groups of income, which is not granted to them in any other State. It is obvious that while the deduction remains, the taxpayers in the lower grades are bearing more than their fair share of State income tax, having regard to the negligible value of the concession to those grades, and the much larger benefit in the assessments of the wealthy. I am informed that the latest figures available indicate that the number of individuals with a net income in excess of £1,500 was 937. It is to this small section of the community that the real benefit of the deduction is confined.

I have endeavoured to deal fully with that point, and now I should like for a little while to deal with some of the points raised by Mr. Seddon. Mr. Seddon has questioned whether the person supporting one of his parents should not be classified as a married man. The present law requires not less than £26 per annum to be contributed to a relative to constitute a dependant. A single person with one dependant is allowed the married statutory exemption. The allowance of higher exemption to a son or daughter who contributes to the support of a parent raises an anomaly, because such a person may receive an income of £200 (which is the married man's exemption) and thus a virtual deduction of £100 because he may have contributed £26 to the support of the parent. Further, it frequently raises a distinction between the children of the same parents who both contribute to their support. Under the old law, only one could get the higher exemption, and frequently it was a very difficult matter to decide which was entitled to the higher exemption. Furthermore, the benefit was likely to vary from year to year, as while the contributor was deriving less than £280 he would be advantaged by the allowance of higher exemption, but immediately his earnings exceeded that sum he would be advantaged by the allowance of the sum contributed. The Bill provides for a deduction for the sum contributed up to a maximum of £40, and for a deduction irrespective of the amount of the taxpayer's income, whereas, under the previous law, the benefit of the higher exemption ceased at £300. Referring to widows and widowers, Mr. Seddon suggested that these persons might be assumed to come within the definition of a married man or woman. That is not the case. Widows and widowers are, of course, "single" within the meaning of Clause 81 and entitled only to the lower exemption. Such persons will be entitled to a deduction of, £62 for each child under 16 wholly maintained, or £40 for each child over that age maintained. The higher exemption is granted for the maintenance of a wife or husband, as the case may be—a condition which does not apply to a widow or widower. Mention was made by Mr. Seddon of provident funds that have been established by certain firms. The hon. member stated that the Bill did not make it clear whether contributions to these funds would be allowed as a deduction. I am able to reassure the hon. member on the point he has raised. The wording of the clauses (68 and 78b) is

"sums paid . . . . to a fund to provide individual personal benefits, pensions or retiring allowances for his employees," etc. This clearly covers a provident fund. A suggestion was made by Mr. Seddon that provision should be made in the Bill to allow as a deduction to discharged bankrupts any debts paid from future income. I would point out that the "losses" provision when given full application only applies for three years. It would be unusual for a debtor to even commence paying past debts within that short time of his bankruptcy. If the hon. member's proposal were adopted, it would have to be so hedged around with conditions in order to avoid a double deduction as to render it too cumbersome and unwieldy to be practicable. It is considered, moreover, that the provision of such a deduction would not induce any debtor to pay past obligations. Furthermore, I would urge that cases such as were mentioned by Mr. Seddon are not sufficiently numerous to warrant this State initiating a special provision not included in any other taxation law of the Commonwealth. Regarding the liability of agents for the payment of taxes due and payable by non-resident persons, Mr. Seddon maintained that the proposed provision "will apply to last year's income under the existing Income Tax Act." I would draw the hon. member's attention to paragraph (c) of Clause 215, which says:—

> He is hereby made personally liable for the tax payable by him on behalf of the non-resident to the extent of any amount that he has retained, or should have retained, under the last preceding paragraph; but he shall not be otherwise personally liable for the tax.

Obviously, the liability only attaches to moneys in his hands when the Bill becomes law or which are subsequently received.

It has been suggested that the new provision relating to the taxation of income of deceased persons is inequitable and will result in dual taxation, because the assets of the deceased will also be subject to probate duty. I remind members that this is a Bill to tax income. There is no logical reason why income derived from the 1st of July to the date of death should be exempt. It is interesting to note that none of the other States exempts such income from assessment. However, I understand that the Commonwealth, because it superimposes estate duty upon other taxes, does not tax income of this period. The Commonwealth is in a different position. It levies estate duty, and for that reason does not charge income tax on the income earned between the 1st July and the date of death. What an illogical position it is. If a person dies on the 29th June Mr. Seddon argues that the income tax should not be paid on that year's income. If the person died on the 1st July he would claim that it was logical that the income for the previous year should be taxed. I cannot see any logic in that. If it is right that the income earned from the 1st July to the date of death should not be taxed because probate duty would be levied on the assets of the estate, it would be right to go further back and say that no income should pay income tax because when the person dies the margin of his income in any particular year which comprises his assets will pay the probate duty.

Hon. L. Craig: It would be logical to say that the income for the year should be deducted from the assets of the deceased; that would be reasonable.

The CHIEF SECRETARY: I do not think so. It would be no more reasonable to do it for that one year than for any other year. The hon. member is not referring to taxation on income in previous years.

Hon. L. Craig: It was to avoid double taxation.

The CHIEF SECRETARY: It is not double taxation. All the assets acquired by the deceased person have, we may assume, been built up out of income.

Hon. L. Craig: That is a surmise.

The CHIEF SECRETARY: If that is so, it would be just as logical to say that you are going to exempt the income in the last year the person lived, or the income during the year in which he died. It would be just as logical to say that that sum every year should be exempt from income tax.

Hon. L. Craig: Only if the person died every year.

The CHIEF SECRETARY: It seems to me that it is because the person has died that the hon. member suggests his income should be exempt from income tax; not because there is a double tax, but because the person has died.

The PRESIDENT: I suggest that this conversation might be carried on in Committee.

The CHIEF SECRETARY: I submit that the mere fact that an estate is liable to probate duty on the value of the assets at date of death does not amount to double income taxation. All of the assets acquired by the deceased, including those acquired out of

past income upon which income tax has been paid, and which are retained up to the date of death, are subject to probate duty. Hon. members will see, therefore, that the question of double taxation is no more involved in the proposal to tax the income of the last period prior to death than it is in respect to the income of former years. If the income of this period is exempted, it will have the effect of aiding the avoidance of income tax by allowing taxpayers to maintain trading stocks at low values, and escape income tax when the values are raised to probate values for the purpose of the beneficiaries' assessments. I do not think any member has given consideration to this point. It is one upon which members may hold different views, which can perhaps best be interchanged in Committee. Mr. Seddon drew attention to the new provisions in respect to the assessment of the settlors of revocable trusts or trusts in favour of infant children. With regard to revocable trusts, the Royal Commission recommended:—

> For Commonwealth purposes, where the settlor has a power of revocation which he could have exercised in respect of the income of any year, the income in question should be taxed to the trustee at a rate ascertained by aggregating that income with the income of the settlor. For State purposes the same system could be used, or, alternatively, the income could be taxed as income of the settlor, an alternative which on constitutional grounds might possibly be difficult of adoption by the Commonwealth.

If the settlor has himself retained a definite power of revocation exercisable at any time it is thought that such a trust is not one that should have the effect of reducing the taxation payable. As regards trusts for minors, where there is a trust for minor children it is usually for their maintenance and education. Hon. members will agree, I think, that as this is the normal responsibility of parents it should not operate to reduce the income liability of the settlor. In addressing himself to this measure, Mr. Baxter expressed some concern at the omission from the Bill of a number of concessions which are allowed to taxpayers under the Federal Act, and intimated that he would press for their inclusion at the Committee stage. On the Notice Paper are many amendments dealing with the main points raised by the hon. member. Are members aware that all the hon. member's requests were for concessions not allowed to taxpayers under the existing income tax law of this State? They may be under the impression that we are taking away something that has been previously allowed. That is not so. Moreover, in advocating the adoption of certain specified provisions of the Commonwealth legislation, he even asks the Government to go further than the Commonwealth Government has gone. The hon. member requested that provision should be made in the Bill for the averaging system to apply to the income of primary producers for the purpose of arriving at the rate of tax to be applied to the actual income. In addition, however, Mr. Baxter wishes to apply the same method to shareholders in primary producing companies. This is an extension of the averaging principle not even conceded in the Federal law. My reply to this and other requests of the hon. member is that the Bill does not purport to be a measure to reduce taxation. It is necessary for the Government to obtain as much money by taxation as in the past. If by the passage of this Bill there should be any variation by way of reduction in the amount so derived, it would be necessary for the Government to raise money by other means and the burden would I assume still fall upon the same body of taxpayers. The Government is not in a position whereby it can afford to grant the additional concessions asked for. It is true that the averaging system would reduce the income tax receivable from primary producers generally, which, as Mr. Baxter has pointed out, already comprises a comparatively small percentage of the total revenue. The system, however, is erratic in its operation, and while benefiting one primary producer, will operate to the detriment of another. It has the same disadvantage in respect to its application to a particular primary producer as between one period and another. Probably the most objectionable feature of the system is that it invariably operates to increase the liability of a taxpayer at a time when he can least afford to pay the tax, that is to say, when conditions are depressed and his income is on the down grade. Furthermore, I am informed that it is a complication in the assessment which renders it difficult for a taxpayer to ascertain what his tax should be.

Hon. L. Craig: He does not worry about that until he gets his assessment.

The CHIEF SECRETARY: It is considered that the best and simplest method, and that which is the most equitable in the long run, for arriving at the taxable income for any year is to deduct unrecouped losses of the previous three years, and then to apply to the balance the rate of tax appropriate to that amount. By this means, the penalising of a taxpayer in years of low income by reference to high incomes which he has formerly earned, is avoided. Mr. Baxter also asked for the extension of the allowance for losses made by individuals and companies to be given retrospective application. Again, I would point out that in extending the allowances in this direction, the Government cannot afford to depress the revenue for this year by giving full effect to the extension immediately. Every other State which has introduced a similar provision in the interests of uniformity has limited its operation as regards past losses. Mr. Baxter also contended that there should be allowed as a deduction "depreciation on fences, dams, and other structural improvements on land used for the purposes of agricultural or pastoral pursuits." As the hon. member has pointed out, a deduction of this kind is allowed by the Commonwealth. With regard to the States, I understand that Queensland allows depreciation on fences, and bores, wells, dams or other improvements for the conservation of water. The other States do not make any such allowance. It is considered that the provision mentioned by the hon. member is unnecessary as all expenditure incurred in keeping the various items enumerated in good working order and condition, will be allowed as repairs and maintenance under clause 55. Under that clause the cost of a new fence to replace an old one, would be allowed as a repair if the latter is so far gone as to be incapable of economical repair by any other means. The underlying principle of depreciation is to cope with wastage in value which cannot be made good by repairs and maintenance. Where it can be shown that items such as fences, dams, and structural improvements, can be kept in good order indefinitely by repairs and maintenance which are allowable as deductions, then I think it will be admitted that there should be no allowance for depreciation, even if those items were specifically mentioned in the law.

Mr. Baxter wishes to see included in the Bill provisions similar to those set forth in Section 75 of the Commonwealth Act, which allows as a deduction capital expenditure incurred in the eradication of pests, clearing, and so on. This concession is purely one that the Commonwealth can afford to grant, though it may be submitted that it is not an appropriate deduction to appear in an Act which purports to tax income. It must be remembered that the Commonwealth Government is in a different position from that of every State Government and particularly the Government of Western Australia in that the Commonwealth does not experience the same difficulties with regard to finance that we have for many years past. It would appear that we will continue to experience that difficulty for some years to come although I would like to agree with the sentiments expressed by Mr. Hamersley who suggested that the better season we are enjoying this year may lead to an improvement in our financial position in the near future. However, it is considered that capital expenditure, which enhances the value of a property should not be deducted in arriving at taxable income. For example, when a person buys a property infested with pests and spends money in their eradication, the value of the property is generally enhanced to a degree in excess of the actual expenditure. His expenditure is not lost, but is reflected in the greater value of his property. On the other hand, the subsequent normal expenditure in keeping the property free of pests is allowable as a deduction without any special provision. Members are no doubt aware that the absence of a special provision similar to Section 75 of the Commonwealth Act does not mean that no expenditure of the kind described by Mr. Baxter will be allowable as a deduction under this measure. It will all be allowed except to the extent that it represents capital expenditure. There is really no warrant for the allowance of such expenditure in an income tax law. So far as disputes regarding what is capital expenditure and what is not are concerned, this is inescapable with all classes of business. But it is not a practicable solution of this difficulty to allow expenditure, whether of a capital nature or not. If this principle were extended there would be little left to tax. Mr. Baxter made a plea for another concession. He asked that a taxpayer in the outback districts who sent a child to the city to be educated, should be allowed a special deduction of £100. This

provision is not in the Federal law. The only ground upon which it could be granted would be that the Government had surplus revenue, which permitted special concessions being made to those who were in a position to send their children to the city to be educated.

Hon. J. Cornell: What about giving it to those who cannot afford to send their children down here to be educated?

The CHIEF SECRETARY: At any rate, those who propose to do so will not be deterred by lack of a deduction for income tax purposes.

Hon. C. F. Baxter: Of course, you realise the suggestion applied only to taxpayers in outback districts where no school is provided.

The CHIEF SECRETARY: I think I have dealt with almost every important point that was raised during the debate, with the exception of one mentioned by Mr. Seddon who said that the Bill provided for the first time in this State that a resident should be taxed on dividends received from any source, no matter where the profits were made. That is a rather important departure from the existing law and the point was submitted to the department for information to guide me in dealing with the matter before members. Although the reply that has been sent to me is rather lengthy, I feel it is of sufficient importance to read to the House. Mr. Seddon attached a good deal of importance to it, and I think Mr. Hamersley also stressed the point. The departmental reply is as follows:—

Taxation of Dividends.

There are various forms of investment open to those who have the necessary capital, and one of these is in shares of companies. Alternative forms which may be cited are debentures in companies, loans on mortgage, fixed deposits, or acquisition of real property.

The income return to the investor usually comes in the form of dividends, interest, or rent.

Only with regard to dividends is it seriously contended that there should be any special protection from normal income taxation.

It is somewhat difficult for a layman to understand why there should be any special protection for this form of investment. The dividend which an investor receives may represent a greater or less percentage return on his invested capital than that received by another investor who has put his capital into some other form of investment. But the anticipated income return, coupled with the degree of security which the investment offers, is approximately reflected in the price which the investor has to pay to acquire his investment, whether it be in shares, debentures, mortgage, real property, or other form of investment.

Under the present form of the law, three such investors may live side by side and enjoy exactly the same privileges and protection as citizens of the State. Two, however, whose investment return is in the form of rents and interest respectively, bear their full share of income taxation in common with the rest of the community. The third who derives, say, £1,000 per annum exclusively from dividends pays no taxes upon income at all to the State.

However, in Australian taxation, it has come to be recognised that there is, in the ownership of shares, a form of proprietorship of the profits of the company which renders it possible to regard the tax payable by the company as paid in one sense by or on behalf of the shareholders. It is paid out of the fund of profits upon which they are dependent for their dividends.

Hence, where dividends are taxed, it is recognised that a form of rebate should be allowed in recognition of the fact that the fund of profits in the hands of the company has been taxed before distribution to shareholders.

There are various forms of company and shareholder taxation operating throughout Australia, and it is worthy of mention that after an exhaustive examination of them all, the Royal Commission on Taxation in paragraph 60 of its first report stated that the Commonwealth system was preferable to them all. The general principles of this system appear in our Bill.

The question then is, what form is the rebate to take? Prior to the inquiry by the Royal Commission the Commonwealth law attempted to frame a rebate based upon the actual rate of tax which had been paid by the company upon the distributed profits, whether that tax had been paid one year, ten years, or still longer, before the actual distribution took place.

This was one of the attributes of the then existing scheme which was most severely criticised by the Royal Commission. Speaking of this attribute, the Commission said in paragraph 82 of its first report:—

> "The evidence we have quoted justifies the conclusion that under the existing system the taxpayer is irritated by receiving a complicated assessment which he cannot check or understand; that it imposes upon the Department a task which is growing more burdensome year by year, and that the time is fast approaching when it must break down under its own weight."

Again in paragraph 159 of that report, speaking of the same matter, they said—

> "We feel it our duty to say with great emphasis that until this attempt be abandoned it is hopeless to expect that any effective simplification of the present system can be looked for."

There are, however, some critics of this Bill who would still urge that, in considering what tax should be paid by a shareholder on his dividend, regard should be had to the source of the profits out of which it is paid, what tax has actually been paid upon those profits by the company, whether in this State or somewhere else, and whether last year or twenty years ago. This is quite impracticable and unnecessary.

The form of rebate recommended by the Commission, adopted by the Commonwealth and appearing in this Bill, is based upon the general method of taxation of companies and their shareholders by the particular authority imposing the tax, namely, to abandon any attempt to ascertain what actual amount of tax (if any) has been paid upon the distributed profits by the company, and to allow, in every case, a rebate based upon the shareholder's rate of tax or the rate of tax imposed generally upon companies by the particular authority for the same financial year.

It is urged in some quarters that a resident of Western Australia who invests his money in a company in Queensland or elsewhere should receive more consideration and pay less tax than one who invests his money in a local company. This argument is based upon the fact that the rate of tax levied by Queensland upon companies is considerably higher than our rate.

But why should Western Australia, in deciding what tax should be payable by its residents upon equal amounts of income derived by them, have regard to what Queensland does in the way of taxation of companies? If after making provision for all taxes, a Queensland company can pay a Western Australian resident a dividend of £1,000 on his shares, why should such a person be in any better position as regards taxation in the State than a resident who receives a similar amount from a local company?

It is obvious that if regard is to be had to such factors, there will be a direct inducement to residents to invest their money outside Western Australia in order to get the benefit of reduced local taxation.

It is further urged in some quarters that Western Australia should be content to adopt the Queensland principle of including dividends in the assessable income only for the purpose of arriving at the rate of tax upon other income (if any).

This is, in fact, what our Bill does to every person whose taxable income does not exceed £2,895, so that, to all but a negligible proportion of the community, the result desired by these critics is achieved.

The adoption of their suggestion in toto would, however, place persons with an income in excess of £2,895 in a better position than they are under the present law, for they now have to pay a tax upon their dividends to the extent to which their personal rate of tax exceeds the company rate.

In comparing the schemes in operation in various States it is not fair to pick out one aspect and ignore all others. The whole scheme of company and shareholder taxation in any particular State must be considered.

Those who advocate the adoption of this aspect of the Queensland system would not be prepared to accept that other aspect by which companies are liable to pay as high a rate as 5s. 3d. (plus 20 per cent.) per £ of taxable income.

With such a high rate of tax upon company income, Queensland can well afford to forgo any direct tax upon dividends provided it gets tax upon other income at a rate calculated after bringing the dividends into account.

Advocates of the Queensland system should, therefore, make themselves acquainted with all the implications of the adoption of that system.

Some have urged that a resident of Western Australia should pay no tax upon a dividend received from outside Australia. It should again be appreciated that no person will pay tax upon such a dividend unless his total taxable income exceeds £2,895. But why should he not have it brought to account in ascertaining his rate of tax upon his other income in Western Australia, if he has any? He should be in no better position than a person who has chosen to invest his money in Western Australia.

It has been agreed by all States that those which decide to tax dividends shall tax only their own residents upon them. There will therefore be no double tax in this regard.

I thought that the remarks of Mr. Seddon and the point raised by him were of sufficient importance for me to convey to the House in full the advice tendered to me.

Hon. G. W. Miles: What about the appeal board?

The CHIEF SECRETARY: That is another point that can be dealt with in Committee. I have information that I could give the hon. member now but it will only mean repetition when we are in Committee. I have referred to the most important points raised by those who have contributed to the debate. This is a very big Bill and I am anticipating that on some of the more important clauses there will be divergent opinions expressed in Committee, but no matter what opinions may be expressed, and what the final result may be, I appeal to the House to assist the Government on this occasion by expediting the passage of the Bill through Committee, so that the Governments concerned may have knowledge that will enable them to complete their taxation legislation as early as possible this year, and also enable the Commonwealth Government to get its assessments out at the earliest possible moment. The assessments are held up pending the finalisation of our taxation legislation, and in view of the importance of

this measure, I am rather anxious that the House should give preference to this Bill until such time as it has been finalised, and I appeal to members to assist me in that direction. For that reason I am not taking the Bill into Committee to-night. I would like hon. members to give consideration to the explanatory memorandum issued so that they may have a better understanding of the main clauses of the Bill.

Question put and passed.

Bill read a second time.

BILL—FACTORIES AND SHOPS ACT AMENDMENT.

In Committee.

Resumed from the 18th November; Hon. J. Cornell in the Chair, the Chief Secretary in charge of the Bill.

Clause 21 put and negatived.

Clause 22—Amendment of Section 45 of the principal Act:

Hon. J. NICHOLSON: The select committee considered that this clause comes within the functions of the Arbitration Court which can make its determinations after full investigations.

The CHIEF SECRETARY: I repeat that the question of fixing wages in these cases is a matter affecting those places that do not come within the scope of the Arbitration Court. Members know that in the original Act certain rates of pay were fixed. To show what happens throughout the State, I will give members some information as to wages that are operating at the present time:—

Locality.	Age.	Wage governed by an Award. £ s. d.
Within a radius of 15 miles from the G.P.O.	Between 15 and 16	0 17 3
Between 15 and 25 miles from the G.P.O.	"	0 17 6
Within 25 miles radius of the Kalgoorlie Post Office	"	0 19 0
Within 15 miles of Bunbury P.O.	"	0 15 6
Within 8 miles of Harvey P.O.	"	0 16 7
Within 5 miles of Narrogin P.O.	"	0 16 6
Within 25 miles of Pemberton P.O.	"	1 2 4

Under the Act where no award or industrial award is applicable the wage is 10s. I do not propose to give the intermediate stages for the various years, but taking the age of from 20 to 21 we find that the wages of the respective localities are as follows:—£3 1s. 1d., £3 1s. 10d., £3 16s. 9d., £2 12s. 1d., £2 12s. 1d., £2 19s., £3 10s. 9d. Where no award or industrial agreement exists the wage is £1 15s. The figures for those over 21 are as follows:—£4 11s. 8d., £4 12s. 7d., £4 19s. 6d., £4 8s. 4d., £3 6s. 5d., £4 8s. 4d., £4 8s. 10d.; and where no award is applicable, £1 15s. There is another important point with which I wish to deal in connection with Section 45 of the Act. The particular paragraph is paragraph (g). That paragraph can only mean one thing and it is that where a woman of the age of 21 is employed, she should be entitled to receive the basic wage for a woman in that district. Yet owing to the interpretation of the word "woman" it is possible at the present time for an adult woman to be paid the lowest wage for a female.

Hon. J. Nicholson: Mr. Bradshaw suggested that the definition should be altered.

The CHIEF SECRETARY: The addition of a few words is necessary. If the clause read "at a lesser rate of wage than the lowest prescribed for a woman of 21 years of age" it would be satisfactory. Advantage is being taken of this defect in many instances.

Hon. J. Nicholson: The Chief Inspector of Factories told us of it.

Hon. J. J. Holmes: Could not that be overcome by a subsequent amendment?

The CHIEF SECRETARY: The select committee recommended the deletion of the provision, but suggested nothing to replace it. I assume that the members of the committee were satisfied with the evidence, and they should therefore suggest steps to overcome the difficulty. It is most unfair that a woman of over 21 years should be engaged in industry for wages as low as 11s. 3d. a week.

Hon. J. NICHOLSON: The amendment in the Bill was so drastic that the select committee made the only recommendation possible. We thought probably the difficulty could be overcome by an alteration of the definition of "woman" in the Act. I believe it was the desire of members of the committee then as it is now to assist the Minister to overcome that difficulty.

The CHIEF SECRETARY: I move—

That the further consideration of the clause be postponed.

Motion (postponement) put and passed.

Clause 23—Amendment of Section 46:

Hon. J. NICHOLSON: I move an amendment—

That the proposed new Subsection 3 be struck out.

The CHIEF SECRETARY: Some reason should be given for the deletion of this proposal.

Hon. W. J. MANN: It is not the province of a newspaper to police every advertisement. To provide that no advertisement shall be inserted should be sufficient, as the authorities could sight the signed copy of an advertisement and take proceedings, where necessary. We would be going too far if the mere insertion of the advertisement were made an offence. A newspaper receives advertisements through a number of channels, and the proprietary, in the haste of newspaper production, could not effectively police every advertisement. Probably the draftsman had little knowledge of the organisation of a modern newspaper. The select committee did not object to the acceptance of premiums being made unlawful.

Hon. J. J. HOLMES: No such provision appears in legislation elsewhere in Australia, and I do not see why we should adopt it.

Hon. E. M. HEENAN: I did not oppose the select committee's recommendation because of the possibility of harm being done to an innocent newspaper. The intention of the clause would not be marred by the deletion of the proposed new subsection.

The CHIEF SECRETARY: Mr. Mann's reason does not appeal to me as strong enough to justify the deletion of the proposed new subsection. Unfortunately, most of the advertisements inserted in the Press are anonymous, and officials have been unable to get into touch with the advertisers. The majority of such advertisements are published in the "West Australian." In December, 1934, the advertisement manager of that paper was asked if he would assist the department by supplying the names and addresses of persons who inserted such advertisements. In subsequent communications he indicated that the proposal struck at the root of the basic principle in newspaper advertising, namely the sanctity of the identity of anonymous advertisers. There we have the reason for the proposed subsection. Subsequently, upon the advice of the Crown Law Department, all newspaper proprietors were circularised to the effect that, by virtue of Sections 126A and 138, if as the consequence of reading such an advertisement in a newspaper a person got in touch with an advertiser who obtained, or endeavoured to obtain, a premium from that person, the proprietor of the newspaper could be successfully prosecuted. Newspaper proprietors were informed that it was the intention of the department to make investigations in such cases and, if the circumstances justified it, prosecute the newspaper proprietors concerned. With this opinion the solicitor to the Newspaper Proprietors' Association disagreed. It is with a view to establishing a connecting link between the advertiser and the newspaper that the proposed subsection was inserted.

Hon. W. J. MANN: To hear the Chief Secretary, one would think that a post-office box could not be approached.

Members: No. Boxes in newspaper offices.

Hon. W. J. MANN: Advertisements are signed, and if the department desires to do so it can follow them up. I know that this course is adopted in some cases. The Chief Secretary has not improved his argument in any respect. A newspaper owes certain duties to its public, but no newspaper desires to assist in flouting or breaking the law. The department is trying to make the newspapers police the Act. It is easy for the department to obtain information by answering advertisements of the kind referred to.

Hon. H. S. W. PARKER: The proposed subsection should delete the penalty on the newspaper, but there should be another subsection to compel newspapers to give the information when asked. I do not agree with Mr. Mann that when an advertisement is inserted under a box number, application brings one into immediate touch with the advertiser. The advertiser might reply to only one or two out of a number of applications received.

The CHIEF SECRETARY: All that the department desires is that there should be a connecting link enabling the department to police the Act properly. The department has tried answering advertisements, but for some reason has never received the necessary information. Thereupon the department communicated with the newspaper, which replied to the effect I have stated. Mr. Parker's suggestion might well be adopted. I move—

That the further consideration of the clause be postponed.

Motion (postponement) put and passed.

Clause 24—agreed to.

Clause 25—Amendment of Section 48 of the principal Act:

Hon. J. NICHOLSON: I move an amendment—

That the following be added to the clause: —"The following proviso is added to Section 48:—

'Provided that nothing herein contained shall apply to any student or pupil at a university or technical college or school, or an apprentice in any trade who may attend at a factory for the purpose of gaining practical knowledge in connection with the working of any plant, process or machinery.' "

Students attending the Technical School to learn something about Diesel engines have to get a practical knowledge of its working, and this is the only way they can obtain such knowledge.

The CHIEF SECRETARY: The amendment represents an innovation. The select committee was actuated by a desire to meet a suggestion made by Mr. Lynch, of the Technical School. Though there is no objection to the proviso, it is necessary to provide a definition of "school" and to exclude schools conducted by employers. An employer may establish what he calls a school, and the students of that school would be enabled to go to a factory and work quite irrespective of any apprenticeship conditions required by awards—work any hours for low wages, and perhaps for no wages at all. This is an innovation fraught with great danger and while I am not raising any strong opposition to the suggestion, we should apply to it necessary safeguards. I might quote an instance that occurred recently in the South-West. A boy was employed in a factory in excess of 44 hours and he was not allowed the weekly half-holiday and was required to work overtime. Proceedings were instituted against the employer and the defence was that the boy was a student and therefore was not an employee within the meaning of the Act. While the proviso is all right, we have to be careful that we do not allow it to be there in such a form that it can be utilised in a way that students would be employed for the profit of the employer and perhaps at the expense of some other young fellow who should be genuinely employed. It is another of those clauses in which the select committee should agree to the addition of a few words so as to provide the necessary protection. I move—

That further consideration of the clause be postponed.

Motion (postponement) put and passed.

Clause 26—Repeal of Section 52 of the principal Act and insertion of new section:

The CHAIRMAN: The recommendation of the select committee is that the clause be negatived.

The CHIEF SECRETARY: I cannot agree with the finding of the select committee. The object of the clause is to prevent the formation of those partnerships to which I have referred so frequently, partnerships that evade the relationship of master and servant. It is by means of such partnerships that it is possible for the people concerned to get out of the restrictions in respect to working hours. The baking trade is prone to this kind of thing. At any rate, in view of the hour and the conditions under which members have been working we might at this stage report progress.

Progress reported.

House adjourned at 10.6 p.m.

Legislative Assembly.

Tuesday, 23rd November, 1937.

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

BILL—TERMINAL GRAIN ELEVATORS.

Leave to Introduce.

THE MINISTER FOR LANDS (Hon. M. F. Troy—Mt. Magnet) [4.33]: I move—

That leave be given to introduce a Bill for an Act relating to Terminal Grain Elevators.