

said we are getting what we are entitled to. The Disabilities Royal Commission showed definitely that we are not getting our due. I pointed out what has happened in spite of all the concessions we have had, and compared it with what we are going to get. No one can claim that Western Australia can prosper under this Bill. If we take up a determined stand now, and demand our rights, every child in the community will later on be able to say that wise political men at this juncture saved them from being sold to the Eastern States, and saved them from unification. I oppose the second reading of the Bill.

On motion by Hon. H. Seddon, debate adjourned.

*House adjourned at 8.35 p.m.*

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## Legislative Council,

*Tuesday, 3rd July, 1928.*

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

### QUESTION—FINANCIAL AGREEMENT BILL AND STATE ACTS.

Hon A. LOVEKIN asked the Chief Secretary: 1, Has the Governor entered into an agreement with any bank in London under Section 19 of the General Loan and Inscribed Stock Act, 1910? 2, If so, what provision is contained therein for the termination of such agreement? 3, What protection is afforded under the proposed Financial Agreement to holders of any Western Australian stocks, as contemplated by Section 25 of the said Act? 4, Will the local inscribed stock register, referred to in Section 47 of the said Act, be continued if the

Financial Agreement be approved, or will such register be in the keeping of the National Debt Commission? 5, Is it intended to repeal Section 52 of the said Act? 6, Under what constitutional provision can this Parliament bind future Parliaments, as contemplated by Clause 5 of the Financial Agreement Bill? 7, Under what Constitutional authority may the Governor repeal, amend, or modify any regulation without conforming to the provisions of the Interpretation Act, as contemplated by Clause 5 of the Financial Bill? 8, Do the provisions of the Interpretation Act apply to Clause 8 of the Financial Agreement Bill?

The CHIEF SECRETARY replied: 1, Yes. 2, One year's notice on either side. 3, The relevant obligations under the agreement. 4, The register will be continued, but it will not be in the keeping of the National Debt Commission. 5, No. 6, Under Clause 5 it is within the power of Parliament to provide that other Acts, past or future, so far as they may relate to matters contained in the agreement as ratified by Parliament, must be construed as subject to, and not in derogation of, the agreement and the ratifying Act. 7, Clause 6 is subject to Section 36 of the Interpretation Act. 8, Yes.

### PERSONAL EXPLANATION

*Hon. H. Stewart and Hon. J. J. Holmes.*

HON. H. STEWART (South-East) [4.35]: I desire to make a personal explanation. In speaking to the Financial Agreement Bill I thought it unnecessary, having regard to the high intelligence of the Council, to say what I would otherwise have said, that this is a non-party question. Certainly it is such to me as a member of the Country Party, in the same way as it is to other members of that party. I take exception to some remarks made by Mr. Holmes on this aspect. The hon. member drew an illustration from the story of Esau and Jacob, and concluded by saying, as a corollary to that illustration, something that misrepresents the actual position, viz.: "The speech that we heard last night may have been uttered by the voice of Mr. Stewart, but the hand behind, pushing him to do what he indicated he would do, was the hand of some organisation." That statement is absolutely without any foundation whatever as regards either myself or any other member of the Country

Party, and I think that is made evident by the attitude of members of the Country Party in another place in regard to the Bill. That being so, I ask Mr. Holmes to accept this statement of mine and to be good enough to withdraw an imputation which might be inferred from his illustration. Many appropriate quotations may be drawn from the scriptures and notably from the Proverbs, and I will add one: "Judge not, that ye be not judged."

**HON. J. J. HOLMES** (North) [4.37]: I do not know that I have anything to withdraw. The fact remains that this, which we understand to be a non party question—

The **PRESIDENT**: Order! I am quite sure the hon. member accepts as accurate the statement made by Mr. Stewart.

**HON. J. J. HOLMES**: Very well, Sir, if that will meet the position.

**Hon. H. Stewart**: Thank you.

## **BILL—FINANCIAL AGREEMENT.**

### *Second Reading.*

Debate resumed from the 28th June.

**HON. H. SEDDON** (North-East) [4.38]: In offering a few words in support of the Bill before the House I realise, with other members, the importance of the decision we are called upon to give. We all recognise that we are dealing with a question which has arisen out of the position which obtained when Federation was first adopted by Australia, and that we are endeavouring to finalise that question, one which caused perplexity then and has been the cause of perplexity since. Therefore we all feel the importance of the issue. This is the last Australian House of Parliament to consider the Financial Agreement Bill; and from that standpoint, too, there is placed upon us a responsibility which I feel sure the House will discharge with its usual consideration and its usual thought. The opponents of the Bill have advised us to abandon it in the hope of getting better terms. Apparently they overlook the fact that if we follow their advice all the terms of the scheme and agreement will again be thrown in the melting pot, to be re-fought as they have been fought during the last few years, and with the possibility of obtaining a decision which may not be beneficial to Western Australia. The issue, in my opinion, turns largely upon Section 87

of the Commonwealth Constitution Act, a section which caused a considerable amount of debate at the time of Federation, and which was referred to then, and has been referred to since, as the "Braddon Blot." That term was, I think, adopted because of a feeling that the solution finally adopted under Section 87 was not a solution indicated by the spirit which underlay and lay behind Federation, the spirit which aims at the establishment on this continent of a united nation. It is from that standpoint, in my opinion, that we get the best perspective from which to judge this important question. We have to remember, too, that at the time Section 87 was adopted it represented a compromise between various conflicting influences. That compromise was arrived at as the result of many fears and considerable doubt on the part of the governing authorities of Australia as to what the position of the States would be under Federation. Now, 27 years after that decision, we have had experience of the Commonwealth Government and we have had experience of State Governments. One may say also that during those 27 years the States have had the opportunity of revising their financial programmes, or of having to revise them, in the light of the fact that the contributions they have received from Customs and excise have greatly diminished. It may be argued that those contributions have, therefore, become a comparatively unimportant factor or item in State finance. One thing we can recognise, and that is that the adoption of this agreement will settle once and for all a very important question, and will finally determine the relationship between the States and the Federal Government. There are critics of the Bill who ask us to refer the measure to the people. I do not regard the Financial Agreement itself as a question which need be referred to the people. In any case, the people will be divided into two camps. There will be the first section, which takes the trouble to study and to try to solve important social and governmental questions.

**Hon. J. Cornell**: Very few.

**Hon. H. SEDDON**: That section, as Mr. Cornell has just indicated by way of interjection, is unfortunately a very small section of the public. Then there is the second section, which takes very little trouble to study such questions but is guided largely by the propaganda spread about the country at the time when any great issue is being fought out. Those who recognise this ques-

tion for what it is worth have clearly placed it in the category of questions relating to the spending of public moneys—who is to have the spending of certain moneys, the Federal Government or the State Governments? Some will say, more or less cynically, "Well, we will have to pay anyhow, and it is a matter for you two Governments to decide between you; settle it for yourselves because you have the responsibility and the power." The referendum for which the Bill provides is, in my opinion, simply by way of providing machinery to enable Section 105 of the Commonwealth Constitution Act, referring to the taking over of State debts, to be put into practical operation. It is necessary to refer the question to the people and to provide for certain issues which I shall deal with in the course of my remarks later. There is this, however, that we have to recognise: the States as Governments have power to make agreements or alter them. In regard to matters of finance I consider they possess all the power that is necessary to enable them to carry out those important duties. Before proceeding further I wish to quote the preamble of the Commonwealth of Australia Constitution Act—

Whereas the people of New South Wales, Victoria, South Australia, Queensland, and Tasmania, humbly relying on the blessing of Almighty God, have agreed to unite in one indissoluble Federal Commonwealth under the Crown of the United Kingdom of Great Britain and Ireland, and under the Constitution hereby established. . . .

Considerable misconception exists as to what exactly the Commonwealth is constituted of, and I have read the preamble because I believe that the whole gist of the question lies in those words. There is a tendency, particularly on the part of State Governments, to regard the Commonwealth as a Federation of States. That preamble, however, distinctly lays down that it is the people of the various States of the Commonwealth who have united to form an indissoluble Commonwealth. In other words, the people of Australia at that time definitely decided that they would form a nation having a Commonwealth Government elected by the people, with constitutional powers allocated between the two Houses of that Commonwealth Government. That definitely fixed, once and for all, the Commonwealth as a Government answerable to no State, but answerable only to the people by whom it is elected. It was not of States, but of the people of the States—

Hon. J. Cornell: Speaking as States.

Hon. H. SEDDON: I do not agree with that interjection, because the preamble distinctly lays it down that the people of Australia united to form this Commonwealth.

Hon. A. Lovekin: But that is only a declaration; it is not part of the Constitution!

Hon. H. SEDDON: But the declaration expresses clearly and in unmistakable terms the intention of the people of Australia. I shall refer to that phase later on. The fact remains that Australia is not a federation of States, but is a federation of the people. The people will confer on matters as States. They will send their representatives to the National congresses, organisations, or whatever form they may take, and there they will vote as distinctive bodies. In the present instance, the Federal Government present their proposals to be passed by the House of Representatives, after which they are confirmed by the Senate. Then they pass into law as an Act of the Federal Government. The Constitution provides that the people shall elect both Houses of Parliament. The House of Representatives is elected by the electors in various constituencies, the boundaries of which are determined from time to time and defined by the Federal Government in an Act of Parliament. The Senate is elected by the whole people of a State voting as a united body. The people elect six senators to represent the State, the idea being that the Senate shall act as a house of review, and as a protection against the domination of a State that may become powerful in the House of Representatives, because of the numerical strength of its representatives in that Chamber compared with the voting strength of members representing a more sparsely populated State.

Hon. J. Cornell: The hon. member will find some references to the States in those particular machinery sections.

Hon. H. SEDDON: I was about to refer to the section of the Constitution Act that sets out the responsibilities of the Senate. Section 53 reads—

Proposed laws appropriating revenue or moneys, or imposing taxation, shall not originate in the Senate. But a proposed law shall not be taken to appropriate revenue or moneys, or to impose taxation, by reason only of its containing provisions for the imposition or appropriation of fines or other pecuniary

penalties, or for the demand or payment or appropriation of fees for licenses, or fees for services under the proposed law. The Senate may not amend proposed laws imposing taxation, or proposed laws appropriating revenue or moneys for the ordinary annual services of the Government. The Senate may not amend any proposed law so as to increase any proposed charge or burden on the people.

I have read that section to show that the power of the purse rests entirely with the House of Representatives. The Senate, which is the representative of the States, has not the power to initiate legislation dealing with finance.

Hon. A. Lovekin: It has power to disapprove of it.

Hon. H. SEDDON: Yes; the Senate, just as the Legislative Council in this State may do, may approve or disapprove of a financial Bill, but may not amend it. There is also machinery to meet the position should deadlocks arise. However, the principle is established that the power of the purse is vested in the House of Representatives.

Hon. A. Lovekin: But the Senate may request amendments.

Hon. H. SEDDON: So may we! The Constitution of the Commonwealth shows that Australia is a national unit, having national functions, while reserving to the State, State functions. Twenty-seven years have passed since the Commonwealth was inaugurated. To-day we have a generation that has grown up under the Federal Constitution. Many of the generation I refer to were not born when the Commonwealth was inaugurated, but to-day they are citizens of the Commonwealth, exercising the franchise. What are the conditions under which they have lived? What are the national ideals under which that generation has grown up? Have they not grown up imbued with the idea, of which they boast with pride, that they are Australians? Do we not teach the children in the schools that they are Australians? Do we not set before them our national ideals as Australians? Will the new generation in these circumstances perpetuate the old jealousies of their forefathers? On the other hand, did not our boys go to the front and fight for Australia? They did not set themselves up as residents of this State or that State; they went forward as citizens of the Commonwealth of Australia. I claim that the new generation has

grown up under the influence of that sentiment, and that they will look at this question before us now, from the standpoint of Australians and not from the standpoint of the State of their birth. The Commonwealth Government have undertaken many national obligations. They are charged with the responsibilities of defence. When the Federation was inaugurated there were no old age pensions provided. The Commonwealth has undertaken that obligation. The postal facilities were handed over to the Commonwealth, together with lighthouses, quarantine and other activities of a Federal character. In accordance with the decision of the States, the collection of Customs duties and Excise was passed on to the Commonwealth. The financial developments, since Federation was established, have been such as to increase the financial burdens and responsibilities of the Commonwealth Government, more especially in view of the war expenditure and social legislation of a national character.

Hon. G. W. Miles: And you have 30,000 Commonwealth public servants as well!

Hon. H. SEDDON: Quite so, and I will deal with these matters in due course. I wish to keep as closely as possible to my notes so that I may follow up the logical sequence of my arguments. I wish to quote from several Federal reports that may be of interest to hon. members. The first I will deal with is a financial return for 1927 in which we find the following items, indicating the financial obligations of the Commonwealth:—

	£
Interest and sinking fund on war debts .. .. .	20,700,000
War pensions .. .. .	7,400,000
Repatriation and other war services .. .. .	1,120,000
Other interest and sinking fund .. .. .	1,152,000
Invalid and old age pensions .. .. .	9,000,000
Maternity allowance .. .. .	675,000
Defence .. .. .	5,382,000
Loss on territories .. .. .	400,000
Loss on railways .. .. .	464,000
Road grants .. .. .	2,000,000
Special grants to Western Australia and Tasmania (including £150,000 for North-West) .. .. .	828,000
Government departments and miscellaneous .. .. .	3,945,000
	<hr/> £53,066,000

Hon. J. J. Holmes: Did you say £150,000 for the North-West?

Hon. H. SEDDON: Yes. The return is dated the 15th March, 1927.

Hon. A. Lovekin: Has that been paid?

Hon. J. J. Holmes: No.

Hon. H. SEDDON: It has not been paid to my knowledge.

Hon. A. Lovekin: Then what is the good of quoting a figure like that?

Hon. H. SEDDON: The fact remains that that provision is included in the Commonwealth expenditure for Western Australia, and indicates that the money was provided for the State had we chosen to exercise the right to hand over the North-West territory to the Commonwealth.

Hon. G. W. Miles: I thought you were putting up figures to show the expenditure of the Commonwealth Government?

Hon. H. SEDDON: And the amount of £150,000 was included in the Federal Estimates of expenditure.

Hon. A. Lovekin: There is the other side of the ledger to be shown, too.

Hon. H. SEDDON: In discussing that point, I would like to quote from an analysis I have made of the Commonwealth revenue and expenditure for the financial year 1926-27. Dealing with the revenue from taxation for that year, we have the following items:—

	Amount. £	Proportion of Taxation Revenue. Per cent.
Customs ..	31,832,609	54
Excise ..	11,719,878	20
Land tax ..	2,615,900	4
Probate ..	1,362,357	2
Income tax ..	11,126,278	18
Entertainment ..	366,159	.6

These figures show the total revenue of taxation was £58,994,809, or a proportion of 75 per cent. to the total revenue.

Hon. J. J. Holmes: And out of that the Federal Government are going to give Western Australia £473,000 a year.

Hon. H. SEDDON: I would like to stress those proportions because they become important when we consider the items of expenditure. Under that heading we find the following percentages of expenditure for the same year, 1926-27:—

	Amount. £	Proportion of Expenditure. Per cent.
Maternity and old age pensions ..	9,919,315	13
Defence ..	4,240,828	5.6
Payments to States ..	8,262,912	11
Road grants ..	2,000,000	2.6
War services ..	29,309,083	38.6

The proportion of all those items comes to 71 per cent. of the total revenue, and 91 per cent. of the revenue derived from taxation.

In those circumstances, can any hon. member conceive how it would be possible for the Federal Government to increase the amount of money to be made available to the States, in view of the commitments and responsibilities confronting the Federal Government in relation to war and social service requirements?

Hon. J. Cornell: Does the hon. member argue that the provisions made in the Financial Agreement are all that could be made?

Hon. H. SEDDON: My argument is that in view of the commitments of the Federal Government, I cannot see how they could increase the amount of money to be made available to the States, without imposing additional taxation on the people. Any move in that direction would be resented, because it would be recognised by the people that the Commonwealth were taxing them as a Commonwealth authority in order to distribute the money between the States.

Hon. A. Lovekin: But if the population were doubled, they would have additional funds.

Hon. H. SEDDON: I will deal with that point later on, if I am permitted to follow the logical sequence of my arguments.

Hon. A. Lovekin: And the Federal Government will give nothing back.

Hon. H. SEDDON: That phase has been dealt with freely in the course of the debate and I shall content myself with saying that I hope that argument will not carry much weight.

Hon. G. W. Miles: Is there no better way of distributing the £7,500,000?

Hon. H. SEDDON: That could be argued.

Hon. J. J. Holmes: I would be satisfied with that amount if the distribution were done properly.

Hon. H. SEDDON: I will deal with that point in due course. There have been remarks in Parliament and elsewhere regarding the position of the Federal finances and extravagance. On that point I would like to quote from the Budget speech delivered by Dr. Earle Page in 1927-1928, in the House of Representatives. In the course of his speech he said—

The outstanding features of the Government's financial policy have been rigid economy in departmental administration, the progressive reduction of war-time taxation,

measures to enhance the national credit by the systematic extinction of debt and common management of borrowing, the improvement of banking machinery and marketing methods, humanitarian legislation to ameliorate the lot of the sick, the aged, returned soldiers and their dependants, the immense extension of postal and telephonic facilities, a five-years' programme of defence development, and the fullest co-operation with the States in national development. A comparison of 1921-22, the last complete financial year before the Government took office, with the present financial year, indicates the effect of this policy on our finances. The leaders of the present Government have, during the whole period since 1921-22, had control of the finances. The following reductions in taxation have been made, which are cumulative, and are carried by each succeeding year. In 1923, a 25 per cent. reduction in postage was made, notwithstanding which the position of all officers had since been bettered and the conditions of the postal and telephonic services generally had been greatly improved. The number of telephones in Australia has been more than doubled. Provision for continuous services is being made over practically the whole of Australia. Income taxation reached its peak in 1921-22, being then 70½ per cent. above the original rate of 1914-15. Successive reductions in 1922, in 1924, in 1925, and in 1927 have reduced that rate to only 8 per cent. above the original level. The amount of non-taxable income has been raised from £100 to £300, and many additional concessions granted, such as the increased deduction for children from £26 to £50, deductions for vermin-proof fencing, medical expenses, etc., and the non-inclusion in the income of 5 per cent. of the value of the home. As a result, only £9,800,000 income tax will be collected this year as compared with £16,790,000 in 1921-22, despite the great development that has taken place in the interim and the number of income taxpayers having been reduced by 550,000. The land tax was reduced by 20 per cent. in 1922, and is now being reduced by another 10 per cent., bringing it below the level of the tax imposed in 1914, while additional concessions in the abolition of retrospective assessments, the extension of the relief clauses, and a triennial valuation are being given this year. The war-time profits tax, which in 1921-22 returned £1,306,708, has since expired. The direct taxation collected in 1921-22 totalled £22,048,483 whilst the estimated collections in 1927-28 are £13,750,000, a reduction of £8,298,483. In the same period, the per capita burden of direct taxation fell from £4 to £2 4s. 1d., a reduction of more than 45 per cent. The Customs revenue, however, has increased despite the fact that in 1922 the duties on barbed wire, wire-netting, and galvanised iron and, in 1923, the duty on sulphur, were replaced by bounties, while in 1925 revenue duties on some 49 other articles were reduced or abolished.

Hon. J. J. Holmes: What about the increases?

Hon. H. SEDDON: I shall mention them. Dr. Earle Page continued—

The increase in the three items of expenditure of the following table alone amount to £519,000 more than the total increased yield from all sources of taxation in these six years, viz.:—

Financial assistance to the States	£4,112,377
Invalid and old-age pensions ..	4,109,944
Interest and sinking fund on works loans, other than loans for business undertakings ..	1,168,540
	<hr/> £9,390,861

Hon. C. F. Baxter: There have been increases in the tariff since then.

Hon. H. SEDDON: I shall refer to them. Dr. Earle Page proceeded—

All sections of the community are in agreement with the principle involved in providing assistance to the aged and the infirm which the Commonwealth took over from the States in 1910. Every Budget debate is characterised by a request for even more liberal concessions than those which caused practically half this increase in expenditure. The other half of the increased expenditure has been incurred in rendering further financial assistance to the States. If the Commonwealth had not accepted this responsibility, the taxpayers would not have escaped the burden, but would have paid it through additional State taxation. Of this increase, £2,000,000 is provided by the Customs tariff for Federal aid roads. This is more in the nature of a charge on road-users for services rendered, rather than taxation. It is in the same category as railroad fares.

Hon. G. W. Miles: They collected that extra money from the users of the roads.

Hon. C. F. Baxter: Much more than that.

Hon. H. SEDDON: Dr. Earle Page added—

£1,050,533 additional is being paid in connection with the financial agreement to settle on a permanent and satisfactory basis the financial relations between the Commonwealth and the States. The bulk of this amount is a contribution to the sinking fund, which will more than repay itself in improved national credit. . . . The establishment of the National Debt Sinking Fund, providing for the systematic extinction of the public debt, and the formation of the Federal Loan Council to co-ordinate State and Federal borrowing, have enhanced our national credit, and brought substantial savings to the taxpayers.

Those statements were made by the Federal Treasurer in Parliament and could have been challenged. To my knowledge they have not been challenged, and in my opinion the charge of Federal extravagance made from time to time has very little founda-

tion, especially when we consider the actual facts of Federal finance.

Hon. J. J. Holmes: While on that, will you tell us about the nine millions expenditure on Canberra that is costing this State half a million a year?

Hon. H. SEDDON: Yes, I will tell the hon. member about that. Ever since Federation was consummated it has been made a charge against the Federal Government that they were under the control and domination of Melbourne influence. Again and again that statement has been made, and again and again the charge of Melbourne influence on Federal legislators has been repeated. The Federal Constitution contained a provision that there should be established a Federal capital on Federal territory, and eventually it was decided by the Federal Government to give effect to this long-delayed requirement.

Hon. G. W. Miles: And there was a wilful waste of money on the part of the commission.

Hon. H. SEDDON: The Bruce Government have given effect to that provision of the Constitution.

Hon. Sir Edward Wittenoom: One of the conditions was that the capital should be in New South Wales.

Hon. H. SEDDON: Yes; the land was taken from New South Wales and is now Federal territory. The fact remains that we have the Federal capital to-day, and Federal members are legislating in the Federal House at Canberra free from influences that might be exerted were they carrying out their duties in any particular State. The benefits arising from this factor to the whole of the outlying States, I consider, are immense. We as Australians should be gratified that the legislative work of the Commonwealth is being carried out in an impartial atmosphere and should realise that the smaller States must benefit, even though an expenditure of £9,000,000 has been incurred to secure Federal legislation in such an atmosphere.

Hon. J. J. Holmes: What about the squandering of money?

Hon. H. SEDDON: I have heard a lot of talk about the squandering of money, but I have not yet heard any facts to show what the squandering has consisted of.

Hon. J. J. Holmes: Mr. Bruce himself appointed a commission to inquire into it.

Hon. H. SEDDON: I have heard of the heavy expenditure incurred in the establishment of Canberra, and I ask members

to take into consideration the fact that the Commonwealth, in establishing the Federal capital, had to start in entirely new country and make arrangements for water supply, sewerage, and all the facilities indispensable to a modern city. They had to construct buildings in keeping with the dignity of the capital of the country such as we hope Australia will be in future. Realising the responsibilities imposed upon the commission and the work they had to do, it is possible investigation will prove that those charges of extravagance, like the charges of Federal administrative extravagance, have equal weight.

Hon. J. R. Brown: Get on with the agreement.

Hon. J. J. Holmes interjected.

The PRESIDENT: Order! I must ask members to let the Hon. Mr. Seddon proceed. He has specially appealed to members to allow him to proceed on his own lines and I would remind them of that appeal.

Hon. H. SEDDON: I have quoted the figures because I wish to bring to the notice of members this important fact, that in view of the commitments of the Federal Government there is very little chance of their increasing their payments to the States without increasing Federal taxation. To increase Federal taxation would be just as unpopular with the people as to increase any other taxation. Realising the position of the Commonwealth Government, let us now examine the position regarding the States. Are we likely to get from the other States any further consideration of the agreement in view of the conditions that surrounded its acceptance by the Premiers?

Hon. A. Lovekin: We shall not if we do not try.

Hon. J. R. Brown: It has taken 10 years to get this agreement.

Hon. H. SEDDON: It has taken a long time finally to evolve this agreement. Again and again the State Premiers have been called together to discuss the question of Federal and State relationships and again and again the meetings have been dissolved without arriving at a decision.

Hon. G. W. Miles: The Prime Minister himself admits that this is not an ideal agreement.

Hon. H. SEDDON: I have not heard any member contend that it was an ideal agreement.

Hon. G. W. Miles: Well, why cannot we get an ideal agreement?

Hon. J. R. Brown: You would not understand it if it were ideal.

Hon. H. SEDDON: One fact to be borne in mind is that the agreement represents a compromise. It is the final result of repeated negotiations between the Premiers of the various States and the Prime Minister. As a result of deliberations extending over several years, they have eventually arrived at an agreement that all are prepared to accept. I suppose that no one party to the agreement is completely satisfied with it, but I cannot see how this House can vote to upset it, or be the one party prepared to stand counter to an agreement approved of by the various financial authorities concerned. Let me ask members to consider this question: Having arrived, after considerable discussion, at a basis on which States and Commonwealth are agreed, would they throw the whole thing into the melting pot at the request of this House and reopen the question? We are to ask the other States to enter once more upon all the discussions and arouse all the feelings engendered in arriving at this agreement, simply because Western Australia is not satisfied with the deal she has got. The other States may rightly reply to us, "We are satisfied that this is the best agreement on which we can decide and, in order to solve the problem once and for all, we are prepared to adopt it. We now want to know from you some substantial reason why we should reconsider the whole question in order to give you, Western Australia, some additional advantage."

Hon. A. Lovekin: It is monstrously unfair to this State.

Hon. H. SEDDON: I shall deal with the question of its being monstrously unfair later on. Arising out of the discussion on this Bill certain very interesting constitutional points were advanced by Mr. Lovekin. I shall group them under four definite heads, and I hope the hon. member will correct me if I am wrong. They are—

(1) Section 87 and the right of the States to three-fourths of the Customs and Excise revenue.

(2) The definition of "balance and surplus revenue" and the right of the States to surplus revenue.

(3) The constitutional right of the State to delegate financial functions.

(4) The Financial Agreement Bill is inconsistent with the Constitution, and therefore invalid.

The hon. member also raised a point regarding the effect of the States Grants Bill and the disabilities grants, and the relationship between the scheduled amounts in the States Grants Bill and in the Financial Agreement Bill.

Hon. J. Cornell: Mr. Lovekin argued that it was inconsistent with our Constitution, not with the Federal Constitution.

Hon. H. SEDDON: The hon. member is referring to the question of the State delegating its financial functions. That is so. In order to refresh the minds of members, I shall read Sections 81, 82, 87, 94 and 105 of the Federal Constitution. Section 81 provides—

All revenues or moneys raised or received by the Executive Government of the Commonwealth shall form one Consolidated Revenue Fund, and be appropriated for the purposes of the Commonwealth in the manner and subject to the charges and liabilities imposed by this Constitution.

Section 87 says—

The costs, charges and expenses incident to the collection, management, and receipt of the Consolidated Revenue Fund shall form the first charge thereon; and the revenue of the Commonwealth shall in the first instance be applied to the payment of the expenditure of the Commonwealth.

Section 87 says—

During a period of ten years after the establishment of the Commonwealth and thereafter until the Parliament otherwise provides, of the net revenue of the Commonwealth from duties of Customs and of Excise not more than one-fourth shall be applied annually by the Commonwealth towards its expenditure. The balance shall, in accordance with this Constitution, be paid to the several States, or applied towards the payment of interest on debts of the several States taken over by the Commonwealth.

Section 94 says—

After five years from the imposition of uniform duties of Customs, the Parliament may provide, on such basis as it deems fair, for the monthly payment to the several States of all surplus revenue of the Commonwealth.

Section 96 says—

During a period of ten years after the establishment of the Commonwealth, and thereafter until the Parliament otherwise provides, the Parliament may grant financial assistance to any State on such terms and conditions as the Parliament may think fit.

Section 105 says—

The Parliament may take over from the States their public debts (as existing at the establishment of the Commonwealth) or a proportion thereof according to the respective



numbers of their people as shown by the latest statistics of the Commonwealth, and may convert, renew, or consolidate such debts, or any part thereof; and the State shall indemnify the Commonwealth in respect of the debts taken over, and thereafter the interest payable in respect of the debts shall be deducted and retained from the portions of the surplus revenue of the Commonwealth payable to the several States, or if such surplus is insufficient, or if there is no surplus, then the deficiency or the whole amount shall be paid by the several States.

Section 87 is a part of the Commonwealth Constitution. It contains a specially important phrase, namely—"Until the Parliament otherwise provides." The provision is made that the definite proportion of the revenue, which is to be devoted to the Commonwealth revenue, shall not exceed one-fourth. As a matter of fact, a considerably larger amount than three-fourths of the revenue from Customs and excise, during the early days of Federation, was handed back to the States. That makes a big difference. The framers saw the future possibilities in Commonwealth finance. Then there is the other phrase, "The balance." That, I think, cannot be read in any other connection than as part of Section 87, and as referring to the paragraph immediately preceding it. This says, "During a period of ten years after the establishment of the Commonwealth, etc., not more than one-fourth shall be applied annually by the Commonwealth towards its expenditure; the balance shall, in accordance with this Constitution, be paid to the several States."

Hon. A. Lovekin: The Chief Justice gave an interpretation of that in the High Court.

Hon. H. SEDDON: We have had a lot of legal advice on this question, not only in this House, but also from time to time by those who desired to obtain from the Commonwealth Government an increased amount of revenue. The fact remains that up to the present no one has seen sufficient in this reading of Section 87 to induce them to take proceedings against the Federal Government with a view to obtaining those moneys to which they thought they were entitled. The words, "the balance," must be taken in conjunction with the immediately preceding paragraph of Section 87. In support of that I say that surplus revenue is provided for in Section 94. In this connection I will read a quotation from the Commonwealth Year Book, No. 17 of 1924, page

381, under the heading of "Surplus revenue"—

Until the end of 1907 the balance of the consolidated revenue fund of the Commonwealth was paid to the States; from 1908 the States only received three-quarters of the net revenue from Customs and Excise.

It will be seen that the interpretation placed by the Commonwealth Government upon the definition of surplus revenue, contrasts with the definition of "the balance" put forward in the House by Mr. Lovekin.

Hon. J. Cornell: There may not have been any balance in 1908.

Hon. H. SEDDON: The Commonwealth Government were prepared to pay to the States, and did actually pay to them prior to 1907, three-fourths of the surplus of the Consolidated Revenue Fund of the Commonwealth. That is the difference between the definition which Mr. Lovekin has endeavoured to read into the section, and that which was acted upon by the Commonwealth Government.

Hon. A. Lovekin: Sir Samuel Griffiths says that these words are interchangeable.

Hon. H. SEDDON: The Commonwealth Government did not read them in that way. They did pay from their Consolidated Revenue Fund the surplus they had in hand during the early days of Federation. I wish to return to Section 87 of the Act and to deal with the phrase, "Until Parliament otherwise provides." In 1910, by the Surplus Revenue Act, "Parliament otherwise provided." It provided first of all that Section 87 should cease to have effect. Section 3 of the Surplus Revenue Act lays down —

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

The remaining sections deal with the 25s. per head of the population.

Hon. A. Lovekin: They altered their Constitution.

Hon. H. SEDDON: They deal also with special payments to Western Australia, and with the final payment of surplus re-

venue of the States, apart from the per capita basis.

Hon. A. Lovekin: They altered their Constitution.

Hon. H. SEDDON: Another section says—

In addition to the payments referred to in Section 4 of this Act, the Treasurer shall pay to the several States in proportion to the number of their people, all surplus revenue (if any) in his hands at the close of each financial year.

Section 3 of the Surplus Revenue Act reads—

Section 87 of the Constitution Act shall cease to have effect.

It is to have no effect in the first place in limiting the power of the Commonwealth to take any portion of the Customs and Excise revenue. It ceases to have effect in regard to the payment of any balance, and as to the application of such balance to the payment of interest. Then Section 87 ceases to have effect regarding the disposal of the revenue from Customs and Excise that is then in the hands of the Federal Parliament. In 1927 the States Grants Act was passed. That repeals Sections 4, 5, and 7 of the Surplus Revenue Act, but it does not repeal Section 3. So far as the Surplus Revenue Act is concerned, Section 3 of the Act is still in existence and operative. It is therefore necessary that the States Grants Act must be read in conjunction with the interpretation given to Section 87 of the Constitution by Section 3 of the Surplus Revenue Act.

Hon. A. Lovekin: That particular one is not valid.

Hon. H. SEDDON: Any Act of Parliament which contains an operative section must be accepted as valid until it is repealed.

Hon. A. Lovekin: But Parliament has not otherwise provided.

Hon. H. SEDDON: Parliament provided by Section 3 of the Surplus Revenue Act that Section 87 of the Constitution should cease to have effect. The States Grants Act amends the Surplus Revenue Act of 1910 by repealing Sections 4, 5, 6, and 7. It does not repeal Section 3, which is therefore operative.

Hon. A. Lovekin: Parliament then had not otherwise provided.

Hon. H. SEDDON: Parliament otherwise provided by the States Grants

Act, which laid down definitely that certain sums shall be payable to Western Australia, and that certain sums shall also be payable to Tasmania. In addition, it provided that the Treasurer shall pay to the several States of the Commonwealth any surplus revenue in his hands. Again, the surplus revenue provision is continued by the States Grants Act.

Hon. A. Lovekin: Read the next section. Under this agreement it all goes by the board.

Hon. H. SEDDON: Section 5 deals with the surplus revenue, and Section 6 deals with the payment to the States. The provision that is made under this is that certain sums prescribed in the schedule of the Act shall be payable to the various States, subject to the terms of any agreement that is made.

Hon. A. Lovekin: Instead of the other.

Hon. A. J. H. Saw: Is this the tribunal to deal with these legal niceties?

Hon. H. SEDDON: One hon. member has raised these points as part of his argument against the Bill. I take it, it is within the province of any other member to put forward his arguments, and place his views before the House upon the interpretation that he puts upon the section.

Hon. A. Lovekin: I raised the point that we ought to test them.

Hon. J. Cornell: They should not be tested.

Hon. H. SEDDON: I am bringing forward counter arguments. We are all entitled to express our opinions on this important question. I have read from the various Commonwealth Acts, because I think it is clearly shown that the whole proceedings have been linked up and connected together from Section 87 of the Constitution down to the States Grants Act, and further down to the Financial Agreement, which latter document provides for certain action to be taken in respect of the payments to be made from the Commonwealth to the States. Section 3 deals with the question of the amount of money which is received in Customs and excise, and the method by which that money can be handled by the Federal Government. I therefore contend that the hon. member's argument does not hold good, in view of the connection existing between these Acts of Parliament, all of which trend in the same direction.

Hon. A. Lovekin: Three eminent lawyers said they ought to be tested.

Hon. A. J. H. Saw: Perhaps they were looking for fees.

Hon. A. Lovekin: That may be so.

Hon. H. SEDDON: There is another aspect of the matter to which I would like to refer. This agreement has been consented to by six Premiers. When they met in 1926 they would not listen to any proposals to alter the arrangements on the contributions from the Federal Government to the States. These Premiers met again, all hungry for cash, and looking for some opportunity to get more money. If there had been anything in the hon. member's contention, particularly in view of the experience of New South Wales and the futile endeavour of that State to get £100,000, and had these needy men been able to discover any constitutional point, such as is contended by Mr. Lovekin, actually exists, that point would have been tested, and the whole thing would have been thrashed out long ago. The fact that these points were not tested by these needy Premiers, and that they could see nothing in the contention, and being assured by their financial and legal advisers that the points were not worth pressing, they decided to append their signatures to the agreement. From that standpoint, therefore, Mr. Lovekin's contention can hardly stand. The second point the hon. member has taken is that the Financial Agreement is inconsistent with the Constitution.

Hon. J. Cornell: What the hon. member said was that parts of the Financial Agreement were inconsistent with our Constitution.

Hon. H. SEDDON: He used both points.

Hon. J. Cornell: No.

Hon. H. SEDDON: He refers to the preamble of the Federal Act which reads—

Whereas permanent effect cannot be given to the proposals contained in the said scheme unless the Constitution of the Commonwealth is altered to confer on the Commonwealth Parliament power to make laws for carrying out or giving permanent effect to such proposals.

That amendment of the Constitution is known as 105A and it is printed at the back of the Bill. It is simply, in my opinion, a machinery measure to make effective the working of Section 105 which provides for the taking over of the State debts. The provision is that for 58 years there shall be a binding agreement between the contracting parties. The Federal Government possessed that power but it is not within their province to bind all the Federal Parliaments for the term of the agreement under the

Constitution. Consequently, they are asking the people of Australia to give them power to amend the Constitution by inserting a section which will enable them to make a permanent and binding agreement.

Hon. J. J. Holmes: Agreements.

Hon. H. SEDDON: Quite so. The Federal Government have the power to make such agreements at the present time, but those agreements cannot be made for all time, and it is within the power of a subsequent Government to upset any such agreement. Is it within the province of a State Parliament to pass a Bill to provide for such an agreement? Section 109 of the Commonwealth Constitution clearly sets out that a State law is invalid where it conflicts with the Commonwealth law or the Constitution. Hon. members will realise that one part is distinctly stated to be inoperative until such time as the Constitution has been amended. Other parts of the Constitution have been altered, and therefore I hold that the contention of Mr. Lovekin will not stand. Moreover, the parts that are contrary to the Commonwealth Constitution are distinctly stated to be inoperative until such time as the Constitution has been amended. Other parts that are consistent with the Constitution are operative, and again therefore I cannot see that there can be anything to sustain in his contention that the Bill we are considering is inconsistent with the Constitution under the conditions in which it was introduced. The reason it is necessary for making a permanent and binding agreement is this: The proposal is that the Commonwealth Government shall take over the State debts and provide for their elimination within a period of 58 years. The period of 58 years is arrived at by adopting an actuarial scheme, a scheme in which there shall be three-eighths per cent. sinking fund, and in which it is also provided that certain securities redeemed by that sinking fund shall carry an interest rate of  $4\frac{1}{2}$  per cent. Under those conditions, the whole amount should be repaid within the period of 58 years. That being the case, it will readily be realised that it will be impossible to inaugurate a scheme that could be altered from time to time in view of calculations involved in this period of 58 years, involved in the contributions made, and involved in the conditions governing the interest paid, and it is for that purpose necessary that the Constitution should be amended so that the Government

may arrive at an agreement that will be binding upon them for the whole period that the scheme will operate. Another point raised by the hon. member is with respect to the State constitutional disability to hand over certain of its functions. Mr. Lovekin asks whether it is within the ambit of the State constitutional powers to pass such legislation. I answer that question by asking him another: Did not the States hand over certain powers they possessed to the Commonwealth Government, when the Commonwealth was formed? Is it not a fact that enabling Bills were passed through all the State Parliaments, to enable them to do certain things and to hand over certain powers to the Commonwealth Government? That having been established, it necessarily follows that the States have demonstrated they are able to hand over certain powers they possess. There is another view to which I would direct attention, and that is whether the States are actually handing over their borrowing powers to the Loan Council. The Loan Council is composed of representatives of the Commonwealth and of all the States. The States are component parts of that council and each State has an equal vote. The States then meet in council for the purpose of co-operation in dealing with questions of finance. I think the idea of the Loan Council in the first place was that it should be formed to prevent competition in borrowing between the various States. It was recognised that in times of financial stringency, money that was wanted might not be available and so that one State should not have an undue advantage over another, it was agreed to meet together and to endeavour as far as possible to work in harmony and be sure of securing the money that was available. As I pointed out previously, the States' estimates are their own business. The States voluntarily limit their own schedules where funds are not available now. A State may do exactly the same in the Loan Council where it is determined by the council that funds are not available or that the rates are too high, or discounts too heavy. The States will do in concert what, if they were wise, they would have done individually. Will it be argued that any State is forfeiting any of its powers by joining the Loan Council? I repeat that this arrangement will be to the advantage of the States and the Commonwealth, and will prevent the States playing into the hands of those who have

money to lend, and getting an advantage one over the other, and thus making the position of the weaker States, as it were, suffer by reason of the stronger States being able to offer a better rate of interest. It is definitely provided that there shall be no interference by the Loan Council with the estimates of a State. Therefore, I contend that the freedom of the State is entirely retained. Whatever agreement may be arrived at by the Loan Council, it will be for the benefit of all. An interesting point was raised by Mr. Lovekin with regard to the difference existing between the amounts set out under the States Grants Act and the figures quoted in the Bill we are considering. In the States Grants Act the contribution to be made to the various States differs from the contribution to be provided under the Financial Agreement. For example, in the schedule of the States Grants Act there is provision for an amount of £2,978,343 to be given to New South Wales, whilst in the Financial Agreement Bill the figure is £2,917,411. The amount to be given to Western Australia under the States Grants Act is £483,750, whilst under the Bill we are considering the figure is £473,432. These variations caused hon. members to draw attention to the fact that the schedule of the States Grants Act varied from the schedule of the Financial Agreement Bill. They will find that the Act operates only to the end of the 1928 financial year, and that the Financial Agreement will come into operation afterwards. I have it on the authority of the Prime Minister that it was found, on examining the details of the population of the various States, the figures adopted for the purposes of the States Grants Act were incorrect, and revised figures were used in connection with the agreement. Thus we have the reason for the difference. I thought it as well that the point should be cleared up during the debate. The legal points raised by Mr. Lovekin have already been examined by the framers of the Bill and other constitutional and legal authorities. Having run the gauntlet of the Houses of Parliament, I am prepared to take the risk of those points being upset. I expect, however, that the Chief Secretary will give us further information on the interpretations. Reference has been made to the powers given to the Loan Council, and it has also been stated that the object of the formation of the Loan Council was two-fold—the co-ordination of Government borrow-

ing and the mobilisation and distribution of the credit of the people of Australia between the various States. The Loan Council can only determine the rates and terms governing loans. Where credit is restricted, competition is avoided and the amount that can be got is apportioned on a set formula agreed to by all the parties concerned. The council has no power to discuss a State's estimates. Those estimates are simply set out for the information of the council; they are totalled and the money obtainable is apportioned as set out in the agreement. In the case where the Loan Council arrives at an agreement, the basis taken is the amount of loan expenditure of the various States in the preceding five years. To ascertain how that would work I have taken the loan expenditure of the several States during the last five years, and worked out these figures—in the event of a disagreement, the proportion would finally be determined on this basis: the Commonwealth would take 20 per cent., and the States 80 per cent. The final proportions would be: New South Wales would take 24.8 per cent., Victoria 23.6 per cent., Queensland 9.8 per cent., South Australia 10 per cent., Western Australia 9.4 per cent., and Tasmania 2.4 per cent. Those are the proportions that will prevail in the event of the council not being able to obtain all the money it wanted, or being able to arrive at a decision regarding distribution. There is provision in the Bill to the effect that with the unanimous approval of the council, the States may borrow separately. The question has been raised as to why the approval of the council should be unanimous. We have to recognise that a State has its own investing public, and in the ordinary course of events would depend on that public to take up its loans. I understand that the Western Australian loans are raised through the London and Westminster Bank. That institution has an arrangement with certain financiers by which, when a loan becomes due, the bank is able to place the loan. It is quite evident that unless the provision about the unanimous decision existed, a sharp Treasurer might take advantage of the opportunity, realising that there was going to be a shortage of money, and step in ahead of everyone else, scoop the market and obtain all the money that might be available. As a matter of fact, New South Wales did this very thing. That State realised that there was a shortage of money. The Loan Council were prepared to pay 5¼ per cent., but as

New South Wales wanted money very badly, they stepped in ahead of the Loan Council and offered 5½ per cent. In that way they got the money they required. Under the Loan Council, all the States stand together, and they share under a mutually agreed quota. Hon. members will admit that this is a fair position for all the States associated with the Loan Council, a position that did not previously exist. The former conditions were rapidly developing into a race between the various States; this was creating a burden on the people, and it was becoming unprofitable to consider the raising of further loans. If only a limited amount was available under the old scheme, the highest bidder got the lot. There is another point in connection with the powers of the Loan Council. Certain States have strong financial institutions in their midst and it is well recognised that the insurance companies and the banks operating in Western Australia are all Eastern States concerns. What is the result? The control of these institutions is centred in the Eastern States, so that when a Government has to place loans on the market, these institutions are approached to take up the securities. The Eastern States have in their capital cities the headquarters of these financial institutions, and those States are better able to arrange loans than is Western Australia, which merely has the branches in its capital city. In order to show how this works out, I have taken out the proportions of that increase during the past six years for the various States, shown in the following table:—

State.	Debt Increase six years to 1927.	
	Overseas. per cent.	Australia. per cent.
New South Wales	60	40
Victoria ..	32.6	67.4
Queensland ..	36.8	63.2
South Australia ..	20.6	79.2
Western Australia	76	24
Tasmania ..	62.2	37.8

The point about this is that no comparison can be drawn between the borrowing policies of the various States and their overseas trade balances. As a matter of fact, the States of Western Australia, South Australia, and Queensland almost invariably have large credit balances overseas as the result of exportation of their products, while the States of New South Wales and Victoria are in the reverse position, their imports exceeding their exports. The result is that these last two States almost invari-

ably have debit balances overseas. A further result is that New South Wales and Victoria are naturally looking for funds in London to meet their accounts. Western Australia, on the other hand, is looking for funds in the Eastern States to meet its accounts. Thus it follows that our credits are made available for the Eastern States in London, while we ourselves look to the Eastern States for credits to meet our accounts. In either case the arrangement works adversely to Western Australia. Western Australia would have benefited, and benefited very considerably, by being able to float more of her public debt in Australia, instead of being compelled, as she evidently has been, to increase it abroad. I intend to deal with that phase later, and to show what the people of this State are really paying for the debts they owe. The figures will, I think, be astonishing to hon. members.

Hon. G. W. Miles: Do you maintain that we can borrow at a lower rate in Australia than at Home?

Hon. H. SEDDON: Yes, infinitely cheaper in the case of a State like Western Australia, having such large credits overseas.

Hon. W. T. Glasheen: But the actual rate per cent. paid for loans here is higher.

Hon. H. SEDDON: While the rates paid here are higher, the value received is greater because of the fact of trade balances to which I have alluded. Mr. Holmes took certain objections to the Bill. Firstly he said that Western Australia could not exist and finance her development on £500,000 of indirect taxation annually. Secondly, that the State was being beaten for £1,500,000. Then Mr. Holmes said no speaker had claimed that Western Australia was getting what it was entitled to. He challenged the statement that the agreement was more favourable to Western Australia than to any other State. He suggested that owing to the composition of the Loan Council this State could be starved into submitting to unification. Further, Mr. Holmes contrasted the advantages of borrowing under the Loan Council with the results of Western Australian and Commonwealth loans. He suggested that the Bill should be held up until the result of the referendum was known, and that then an equitable arrangement should be made. Further, he suggested that we should stump the Eastern States with a view to

getting a better deal for Western Australia. Lastly Mr. Holmes suggested that the agreement should be tried out for 10, 15, or 20 years and then readjusted on the per capita basis as it would be then.

Hon. J. J. Holmes: Readjust the distribution from year to year on the per capita basis.

Hon. H. SEDDON: I think the hon. member mentioned a term of 10 years for trying out.

Hon. J. J. Holmes: For an agreement, but distribution from year to year on the basis of population.

Hon. H. SEDDON: I will now take Mr. Holmes's first objection, that Western Australia could not exist and finance her development on £500,000 of indirect taxation only. I take it this objection involves the question of a per capita grant and the question of re-adjusting the payments on an area basis. At any rate, we are dealing with the question of Western Australia's developmental policy. It seems to me that Mr. Holmes and Mr. Lovekin have put up a splendid argument against foreign borrowing as the policy of developing this State, rather than an argument against the Financial Agreement as laid before us. I have repeatedly heard Mr. Holmes in this House refer to the burden which has been imposed upon our people by our borrowing policy. He has pointed out that it means an enormous load of debt on the people.

Hon. J. J. Holmes: Unless spent properly.

Hon. H. SEDDON: Mr. Holmes has repeatedly pointed out the fact that we have funded a deficit of some £6,000,000 sterling, the accumulation of various Governments, on which amount the people have to pay interest and sinking fund. The Financial Agreement makes one provision which, in my opinion, will entirely satisfy the point raised by Mr. Holmes, and will also entirely satisfy the financial critics who are criticising Government finance so severely. The provision is that in the case of a deficit being funded, the State will have to pay a sinking fund of 4 per cent. on it, instead of paying only  $\frac{1}{4}$  per cent., and further will be penalised by deprivation of the  $\frac{1}{8}$  per cent. contribution of the Federal Government. I consider that such a provision imposes a strong obligation on the Treasurer of every State to look to his Budget. I cannot imagine any Premier

taking the responsibility of budgeting for a deficit or running any risk that he shall have a deficit with such a penalty awaiting him in the event of a deficit being incurred. I can imagine that he will take every care to see that his Estimates are sound and that the administration of the departments is being carried out efficiently, in order that he may keep well within his Budget. That provision of the agreement should appeal to every person who is concerned for the financial progress of Western Australia. There is, however, one fact that we have to face. Our present developmental policy is being carried out at an enormous cost. The 33 per cent. reduction in taxation which we have at present as the result of Federal grants, obscures the position effectively. If the people of Western Australia realised what they would have to pay were it not for the 33 per cent. reduction, they would at once take steps to inquire whether our present developmental policy is sound. I understand that the 33 per cent. reduction will be carried on during the continuance of financial assistance from the Commonwealth.

Hon. J. J. Holmes: It was fixed only for one year.

Hon. H. SEDDON: In order to demonstrate to hon. members the exact position which obtains in Western Australia from foreign borrowing, I will take the illustration of the 1927 loan of £1,500,000 which was floated in London. The loan was floated at 97½, it carried 5 per cent. interest and ½ per cent. sinking fund, and is redeemable in 1975. The amount then repayable is £1,500,000, plus interest. The amount received, at 97½, was £1,462,500. The flotation expenses amounted to £31,539. Thus the proceeds of the loan amounted, in London, to £1,430,961. Now we come to the proceeds of the loan. It has been said, of course, that the proceeds are retained in London to meet loan charges on our public debt. The position, however, as Mr. Lovckin has pointed out, is that goods have been sent to Australia representing these debts, and that the charges paid in London by the State will ultimately have to be met in London by goods from Australia. The proceeds of the loan have been, or will be, sent to Australia in the form of goods. The overall Federal tariff is, not 18 per cent. as stated by Mr. Lovckin, but 22.63 per cent., for which figure

my authority is the "Commonwealth Year Book." Therefore the value of goods at English prices sent to Australia as representing the loan referred to is £1,166,893. But this is not the end. In 1927 imports from overseas to Australia were distributed as follows:—New South Wales 42 per cent., Victoria 34 per cent., Queensland 8 per cent., South Australia 9 per cent., Western Australia 6 per cent., Tasmania 1 per cent.

Hon. G. W. Miles: But we re-imported from the other States.

Hon. H. SEDDON: Yes, that is just the point. Our overseas finance is handled by the banks as an Australian unity. The debits and credits are set in the balance of exchange in London on Australia. In London no distinction is made between the credit due to, say, Western Australia, and the debit owing by Victoria; and in Australia the whole thing is handled as one unit. Last year Australian imports were £164,716,594, and Australian exports £144,895,183, leaving a debit balance of £19,821,411. Those figures mean that we imported more goods than we exported, and at the same time we floated loans in London amounting, I understand, to some £40,000,000 in order to meet Government expenses, interest and sinking fund charges on loans.

Hon. W. T. Glasheen: How did that adverse balance affect the exchange?

Hon. H. SEDDON: Naturally it would affect our exchange. The balance could only be met abroad by offering loans.

Hon. W. T. Glasheen: But by how much did it affect the exchange?

Hon. H. SEDDON: I have not got the figure out. I am just quoting the main items affecting the import of goods. Returning to the loan I have instanced, hon. members will see by the figures quoted that of the overseas imports to Australia, and therefore of the proceeds of the loan, 94 per cent. goes to the Eastern States, and there it meets our debits, which in the case of Western Australia are greater with the East than overseas. In support of that argument I may point out that in 1927 Western Australia's imports from overseas totalled £9,447,033, and Western Australia's overseas exports totalled £13,067,922. For the same year our imports from the Australian States totalled £8,929,028, and our exports to the Eastern States £1,405,089. Thus we have debits in the Eastern States and credits overseas, and yet we are floating loans over-

seas. Those loans come to Australia in the form of goods. The goods go to the Eastern States, and the Eastern States get the benefit of the loan money which is being made available in London to the extent of 94 per cent. Then we buy goods from the Eastern States. There is a distinct loss in that respect. Our loan comes to us in goods, six per cent. from overseas and 94 per cent. from the Eastern States, and pays freight in either case. Taking the tonnage figures of imports and the total value of imports, we get the average value of imports per ton. From the Eastern States the figure is £32.5 per ton, and from overseas £19 per ton. The minimum freight from the Eastern States amounts to 38s. per ton, whereas the minimum freight from overseas is 30s. per ton. I have taken the minimum freight charges in both instances and this is, I find, equivalent to a charge on interstate goods of 6 per cent., and on overseas goods of 8 per cent. The goods brought in on account of a loan will carry 6 per cent. on direct imports, 8 per cent. on imports to the Eastern States from overseas, and 6 per cent. on imports from the East. Of the loan of £1,166,893 in London, the values of the imports, representing 94 per cent., go to the East—that is to say, the amount of £1,096,879—on which £57,189 is paid in freight. That leaves £1,039,690 to be sent West in the form of goods on which £58,850 will be paid in freight. That will leave a balance of £980,840. The 6 per cent. direct imports, which represent £70,914, consist of goods on which £5,186 is paid in freight, leaving a balance of £64,828. Thus, we have the final total in the import purchasing value in London amounting to £1,045,668, which is equal to 70 per cent. of the loan we borrow. That is one argument I advance in support of my contention that it would pay us handsomely to borrow in the Eastern States instead of overseas, particularly when we have credits in London that we could sell to other States that had debits there.

Hon. G. W. Miles: You would not get enough money to carry out the necessary developmental work here.

Hon. J. J. Holmes: You want a new Treasurer.

Hon. H. SEDDON: In these circumstances we secured 70 per cent. of the amount we borrowed and the question may naturally arise as to what we paid for it. The loan was floated at 5 per cent. and carried a half per cent. charge for sinking

fund purposes. It will be seen that 5 per cent. on £1,500,000 equals £82,500 that has to be paid in London each year. On a loan of £1,045,668 that would represent 7.8 per cent. That is what this State has to pay for the value of the goods bought in London for £1,500,000, and it has to be remembered that the Australian rate for loans is 5¼ per cent. I have digressed a little to quote these figures, but the whole idea of developing Australia by means of foreign money has come up for serious consideration and, in common with Sir James Mitchell, I contend that the right policy for Western Australia is to concentrate upon efficiency of production and upon increased production per head of population. By this means we shall create a surplus that will enable funds to be made available for developmental purposes. That development can be regulated in proportion to the success achieved by that means.

Hon. E. Rose: You will not increase production by encouraging people to stop in the city.

Hon. H. SEDDON: That is another phase that I am not dealing with at the moment. I am merely emphasising the point that our present policy of borrowing foreign money for developmental purposes is seriously open to question.

Hon. J. J. Holmes: I do not want to interrupt you, but do you claim that the foreign money is costing us 7.8 per cent.?

Hon. H. SEDDON: Yes. There are other figures that I can quote in support of that argument. The following table shows the increases under the various headings during the period from 1921 to 1926:—

Heading.	£	Percentage
Increase Public Debt ... ..	20,971,253	42
Increase Interest and Sinking Fund Charges	1,236,194	59
Increase Production ... ..	9,354,827	45
Increase Land alienation ... ..	4,437,751 acres.	14
Increase Population ... ..	44,657 souls.	14

Hon. members will realise from these figures, the results we are getting from our population increase as the result of our loan expenditure. Mr. Holmes questioned whether Western Australia would not receive a better deal if payments were made on the per capita basis as compared with what we shall receive under the Financial Agreement. I claim that our present policy of developing the country by means of a skeleton occupation is imposing a burden upon the people that we should seriously con-



sider with a view to revision. A study of the position shows that we have extensive railway construction with a minimum utilisation of land in the vicinity of those railways. I have compiled a further table to show the progress of land settlement in this State from 1921 to 1927. I have excluded all land east of Mullewa and Southern Cross, and also the Port Hedland railway.

Hon. G. W. Miles: Do you intend to reply to the statement Mr. Holmes made about the £7,500,000 being distributed on the 1926 per capita basis?

Hon. H. SEDDON: Yes, the figures I am about to quote form part of my reply to that argument. The figures showing the relative land settlement in the years 1921 and 1926 are as follows:—

	1921. acres.	1926. acres.
Area alienated, leased or licensed	278,624,583	253,806,977
Acres alienated or in process of alienation	24,931,031	29,368,782
Acres within 12 miles of a railway, excluding dry areas	39,967,040	42,667,200
Area in agricultural use ...	7,704,242	9,757,189
Acres under crop ...	1,901,680	2,932,110
Percentage of acres under crop within 12 miles of a railway, excluding dry areas	4.7	7.0
Percentage of acres in agricultural use within 12 miles of a railway, excluding dry areas	31	38

I want to emphasise the point disclosed by these figures that 7 per cent. of the land within 12 miles of a railway was cropped, and 33 per cent. of the land in that category was put to agricultural use. I quote those figures to show that our present policy of land development does not make use of the area that is capable of development.

Hon. J. J. Holmes: What has this to do with the Financial Agreement?

Hon. H. SEDDON: I am making the point that our policy has been devised for the development of Western Australia, but it has placed the State at a very serious disadvantage and ought to be reconsidered. The problem should be studied when dealing with our borrowing policy.

Hon. J. Nicholson: Will you not have to go to foreign markets for all that?

Hon. H. SEDDON: I am trying to point out the better course to pursue with regard to our borrowings. The population increased during the years I have mentioned, 1921 to 1926, to the extent of 44,657. At that rate of progress, by the time we have alienated half of the State, we shall have acquired another 2,000,000 people, and yet that would be less

than the present population of New South Wales. In other words, the increased population we could expect would not place us in a better position to secure a more favourable grant under the per capita system.

Hon. J. J. Holmes: We would still get £450,000, no more and no less.

Hon. H. SEDDON: There is another point to be recognised. There is one factor that makes for rapid increase in population; that is a mining discovery. The only one that will make for a permanent increase in population is the development of our manufactories.

Hon. H. Stewart: What about agriculture?

Hon. H. SEDDON: From the figures I have quoted, I have pointed out the actual results, and have shown that increased agricultural development has a small effect in that direction compared with manufactories.

Hon. H. Stewart: But you referred to permanent population! You should remember that Bonds, the largest stocking factory in Australia, went bung recently.

Hon. H. SEDDON: The Eastern States have concentrated upon secondary industries and have a large population. We have concentrated upon agriculture, and have a small population.

Hon. G. W. Miles: But we are established on a solid basis.

Hon. H. Stewart: And that is the whole point.

Hon. H. SEDDON: That is the point I was making, because the hon. member suggested that the Commonwealth distribution should be on the basis of population.

Hon. J. Nicholson: Is it not true that we are going to convert the Kalgoorlie areas into farms?

Hon. H. SEDDON: That is apart from the question. I know the results of experiments in that direction. Mr. Holmes suggested that the State would not receive what it was entitled to under the Financial Agreement and challenged the assertion that it was more favourable to Western Australia than to any other State. Western Australia has always received preferential treatment from the Federal Government.

Hon. H. Stewart: From all Federal Governments?

Hon. H. SEDDON: From the Federal Government. The first point I will make in support of that statement is that Western Australia received preferential treatment for the first five years when the State was allowed to collect her own tariff. Then there was a special grant made available to this State under the Surplus Revenue Act in 1910. Then there was the special grant made on account of our disabilities.

Hon. J. J. Holmes: And where did that land us?

Hon. E. H. Harris: What about the money they were supposed to advance for the development of the mining industry?

Hon. H. SEDDON: An amount of £450,000 was set aside for Western Australia for a period of five years. Of that amount £300,000 was made available by means of a special grant, and a further £150,000 was made contingent upon the State relinquishing the control of the North-West.

Hon. J. Ewing: But the State has not done so.

Hon. H. SEDDON: That advance would have relieved Western Australia from the expenditure of money necessary to maintain the North-West.

Hon. J. J. Holmes: Was that in consequence of the Royal Commission's report?

Hon. H. SEDDON: Those grants were made available to Western Australia under the States Grants Act, and that supports my argument that Western Australia has received preferential treatment in comparison with other States.

Hon. J. Nicholson: That all goes to prove our position of mendicancy.

Hon. H. SEDDON: Mr. Holmes raised the point that Western Australia had received a worse deal from the Federal Government under the Financial Agreement than any other State. For my part, I claim that the State has received preferential treatment. Hon. members will not face the facts as they are!

Hon. J. J. Holmes: You are merely showing that we are entitled to preferential treatment, and we are not getting it.

Hon. H. SEDDON: We have received preferential treatment, yet the hon. member in his speech claimed that Western Australia was not getting a fair deal.

Hon. J. Ewing: Do you think the State is getting a fair deal?

Hon. H. SEDDON: Yes, more than any other State. In support of my argument, I will quote from Federal "Hansard."

*Sitting suspended from 6.15 to 7.30 p.m.*

Hon. H. SEDDON: Before tea I was dealing with the statement that Western Australia was not getting what it was entitled to. I was pointing out that Western Australia had always received preferential treatment from the Commonwealth. She had her own tariff for five years, she received a special grant under the Surplus Revenue Act of 1910 and a special grant for disabilities under the States Grants Act. Her net debt is greater than that of any other State and she will receive the Commonwealth contribution on the debt basis. Another advantage to Western Australia as a result of Federation is the construction of the Trans-Australian railway. That was made a very important factor when the question of Federation was being discussed. Let me remind members also that the Trans-Australian railway was constructed before the Commonwealth Government proceeded with the work of building the Federal capital at Canberra. On the question of the per capita grants I should like to make one or two quotations from Federal "Hansard." It has been contended that if the States were prepared to revise the distribution in the Financial Agreement on the basis of per capita, it would be to the advantage of Western Australia as compared with the other States. According to Federal "Hansard" 1927, page 715, Senator Pearce, in discussing the States Grants Bill, stated—

Under the Surplus Revenue Act of 1910 the per capita payments to New South Wales, from 1916 to 1926, increased by £566,000, and in Victoria by £248,000, but in the same period the payments to Western Australia decreased by £7,866. If the per capita system is right, it should be applied in all cases where grants of money are made to the States.

On page 395 is another speech by Senator Pearce on the same measure. He said—

Owing to the special grant that has been made to Western Australia, and the arrangement by which every State contributes towards it, the per capita payment works out at £1 4s. 10d. per head of population in the case of every State except Western Australia, in which it is £1 5s. per head. In addition, there is a special grant to Western Australia and Tasmania, which represents £1 3s. 7d. per head of the population in the case of the

former and £1 14s. 5d. per head of population in the case of the latter. Then there is the Federal aid roads grant which works out as follows:—

New South Wales—4s. 9d. per head of population. New South Wales is not yet taking the grant, but it is available.

Victoria—4s. 2d. per head of population.

Queensland—8s. 7d. per head of population.

South Australia—8s. 1d. per head of population.

Western Australia—£1 0s. 1d. per head of population.

Tasmania—9s. 1d. per head of population.

That is not a per capita distribution. The grant to the States for the provision of wire netting is as follows:—

New South Wales—1s. 1d. per head of population.

Victoria—6d. per head of population.

Queensland—2s. 9d. per head of population.

South Australia—1s. 9d. per head of population.

Western Australia—5s. 4d. per head of population.

Tasmania—7d. per head of population.

The total grants to the States from the Commonwealth are as follows:—

New South Wales—£3,592,424 = £1 10s. 8d. per head of population.

Victoria—£2,548,585 = £1 9s. 6d. per head of population.

Queensland—1,592,936 = £1 18s. 2d. per head of population.

South Australia—£978,058 = £1 14s. 8d. per head of population.

Western Australia—£1,412,659 = £3 14s. per head of population.

Tasmania—£758,157 = £3 18s. 11d. per head of population.

The average for the Commonwealth is £1 15s. 8d. per head of population. It will be seen that the Commonwealth Parliament has deliberately, after consideration, broken away from the idea of a per capita distribution of the surplus revenue. It has recognised that it is its duty to assist in the development of the weaker States, and by its legislation has given a varying grant to the States.

Hon. J. J. Helmes: Does not all that prove that this agreement is wrong, because it is on a different basis altogether?

Hon. H. SEDDON: I do not think so. I wish now to make reference to the report of the Disabilities Commission in dealing with the position of Western Australia. Certain information was obtained from Federal financial authorities regarding Commonwealth revenue collected from the different States during the 23½ years of Federation.

Under the heading, "Western Australia," the following amounts are shown:—

	£
Customs and Excise .. ..	25,430,666
Post Office .. ..	8,283,436
War Postage .. ..	77,514
Land Tax .. ..	1,294,386
Income Tax .. ..	5,844,389
Estate Duties .. ..	550,764
Wartime Profits Tax .. ..	492,610
Entertainments Tax .. ..	230,803
Defence (Military and Navy)	100,369
Patents .. ..	9,808
Trade Marks, Copyrights and Designs .. ..	2,483
Health .. ..	34,605
Lighthouses and Light Dues ..	353,824
Repayment of States' proportion of Pensions and Contributions of Officers towards Pensions .. ..	48,418
Kalgoorlie-Port Augusta Railway .. ..	921,986
Army of Occupation .. ..	50,845
Commonwealth Government Line of Steamers, detained enemy vessels, coinage, profit on Australian note issue, sugar, defence trust accounts, unexpended balance of London orders, Federal Territory, Northern Territory, miscellaneous revenue, etc. .. ..	1,839,129
<b>Total ..</b>	<b>£45,566,035</b>

To that total must be added the following amounts:—

Interest on loans to State for soldier land settlement ..	505,252
Interest on loans raised by the Commonwealth for the States ..	1,488,668
<b>Total revenue ..</b>	<b>£47,559,955</b>

The same publication gave, on page 135, particulars of Commonwealth expenditure, omitting interest on loans raised for the States. I shall not read the various items, but the State of Western Australia during the years 1901-24 received £88,691,535. The difference between the total revenue collected from Western Australia—£47,559,955—and the Commonwealth expenditure—£88,691,535—represents the benefit Western Australia has had from Commonwealth expenditure within the State during the 24 years of Federation. In the circumstances, I contend, successfully I am sure, that this State has benefited from Commonwealth expenditure to such an extent that it becomes impossible to contrast the probable position of the State had it remained outside the Federation. We could not have achieved the progress that has been recorded since Federation had not it been that the State re-

ceived the benefit of Commonwealth expenditure.

Hon. J. Ewing: If we had had our own tariff, we would have done so.

Hon. H. SEDDON: I am glad to have that interjection. Had we had our own tariff, the same objections that are raised against the Federal Government by members who feel the burden of the tariff would have been heard, but they would have been raised in the right direction, namely against the tariff instead of against the Government. Even if Western Australia had had her own tariff, she would still have had to raise enough revenue to effect all the improvements that have been carried out by the Commonwealth Government. She would not have had enough revenue ordinarily to carry out the improvements introduced as a result of Federal policy. The figures I have read prove conclusively and satisfactorily that unless Western Australia had a tariff infinitely higher than that of the Commonwealth, she could not have spent the funds that have been expended here as a result of Commonwealth administration. How would we have managed without Federation? This State would have been faced with a greatly increased loan expenditure to meet all the facilities in the way of postal extensions and other services provided by the Commonwealth Government. This State also would have been in an infinitely worse position as a result of its attitude during the war. Members should recollect that on both occasions when the question of conscription was put to the people, Western Australia carried it by overwhelming majorities. What would have been the result if Western Australia had been a separate State, apart from the Federation? There would have been a considerably larger number of Western Australians to leave the State to fight for the Empire. Our production would have been correspondingly decreased and the burden on the people, therefore, would have been correspondingly increased. In addition, the State would have had to bear a very much greater proportion of the war debt than is her share in the united war debt of the Commonwealth. In the circumstances it is idle to consider Western Australia as a separate entity shouldering all the responsibilities that would have been demanded of her. There is no comparison between her position as a State in the Federation and her position as it would have been as a separate State.

Hon. J. Ewing: I shall not agree with that argument.

Hon. H. SEDDON: I cannot help the attitude of the hon. member.

Hon. J. Ewing: I am quite sincere, too.

Hon. H. SEDDON: I shall listen with great interest to what the hon. member has to say in refutation of the figures I have quoted and the arguments I have advanced.

Hon. J. J. Holmes: Your argument is opposed to the Bill.

Hon. H. SEDDON: The report on the financial disabilities of the State, when carefully examined, will be found to consist largely of a recognition of the disabilities that the gold mining industry has suffered under Federation rather than any disabilities to the State as a whole. Mr. Holmes raised a very interesting point and took pains to repeat it, because he wished to make it thoroughly clear to members. He said this State had been beaten for the sum of £1,500,000 representing contributions to the sinking fund. His argument was that we had a sinking fund of £9,000,000 and we also had a deficit of £6,000,000. Taking the £6,000,000 from the £9,000,000 left £3,000,000, which was the balance of sinking fund over deficit. Mr. Holmes contends that we were entitled to receive from the Federal Government on the basis of contributions to the sinking fund, £1,500,000 as against the £3,000,000 that we had in hand over and above the difference between the deficit and the Sinking Fund. To adopt that argument would be to contend that the Financial Agreement should be made retrospective. That is a fair interpretation of Mr. Holmes' view. If this agreement is to be made retrospective it must be made retrospective for every State: in other words every other State will be entitled to claim what she was entitled to under the Commonwealth contributions in proportion to the sinking fund.

Hon. J. Ewing: Very few of the States have any sinking fund.

Hon. H. SEDDON. That is the point. The other States would put up the argument, and I think they could consistently put it up that "True, Western Australia has made contributions to a sinking fund whereas we have not; but Western Australia, on the admission of its Premier, has raised loan monies in order to make those

contributions to the sinking fund in London."

Hon. J. J. Holmes: That is not money representing the £6,000,000 I referred to.

Hon. H. SEDDON: Western Australia's loan policy has included the borrowing of money for this purpose, and these monies have been used as contributions towards the sinking fund.

Hon. J. Cornell: No. The Government got their sinking fund out of revenue, and raised loans to make up the balance of revenue required.

Hon. J. J. Holmes: It comes to the same thing.

Hon. H. SEDDON: Western Australia's consolidated revenue fund has contributed to a sinking fund whilst the other States have not contributed to any sinking fund. The other States can say "Instead of borrowing more money to make contributions to a sinking fund, or charging against our consolidated revenue fund contributions towards the sinking fund, we have avoided that and simply made our loan estimates without the assistance of the sinking fund contributions, and have drafted our revenue estimates without such contributions. Had we included these, our revenue estimates would have been swelled, or our loan estimates would have been swelled. We would, therefore, be entitled to claim that because we did not make these contributions we could rightly make application under these heads." Had they adopted our policy and borrowed money to pay into a sinking fund they would have created a sinking fund out of borrowed money.

Hon. J. Cornell: Our deficits total £6,000,000 and we have a £9,000,000 sinking fund. We are still £3,000,000 better off from the point of view of surplus than any other State.

Hon. H. SEDDON: In the eyes of the general public it is a matter of indifference whether governments keep down their annual expenditure by not contributing to the sinking fund, or whether they increase their indebtedness in order to contribute towards it.

Hon. J. J. Holmes: We set off the £6,000,000 against the £9,000,000.

Hon. H. SEDDON: On Mr. Holmes' argument New South Wales, under the Agreement, could have claimed £300,000 a year as Commonwealth contribution towards her public debt, which would have

been the annual contribution to be made on a retrospective basis, as against a million and a half total contribution to be made according to Mr. Holmes' argument!

Hon. J. J. Holmes: You had better get off that subject.

Hon. H. SEDDON: That aspect of the case should be considered when we are dealing with Mr. Holmes' contention that we are entitled to a million and a half contribution towards our sinking fund. The £9,000,000 sinking fund comes entirely off this State's loan indebtedness. No one else gets the benefit of it other than this State; consequently I say that the entire benefit belongs to this State. It will be found that Mr. Holmes' retrospective argument is a dangerous one to employ, if we are to arrive at the position when we are to ask the other States to reconsider the agreement.

Hon. J. J. Holmes: There is no doubt they beat us for a million and a half.

Hon. H. SEDDON: If the other States liked to claim on similar grounds they could put up a better case against the Commonwealth Government than we could. Mr. Holmes says that the Loan Council could starve the States into unification.

Hon. J. J. Holmes: Mr. Bruce said yesterday that the Federal Government could do that without this agreement.

Hon. H. SEDDON: Mr. Holmes' contention is that the Loan Council could by force starve all the States into unification. Against that argument I would advance this one. Here are six States, each having equal voting powers on the Loan Council. This council is gathered together for certain specific purposes. The first is to establish a common ground of borrowing, the second is to prevent competition, and the third is to provide that in the case of restricted credit the monies raised shall be apportioned out fairly. Let us assume that certain States would be in favour of unification. A majority of States would still be required to bring that about. No borrowing can take place for anyone if one State is prevented from borrowing, because that has to be determined by the unanimous opinion of the council. Public opinion has to be considered. On the Loan Council everyone has an equal vote outside the Federal Government. So long as one State hangs out it can paralyse any attempt on the part of the council in the direction of

unification. Before any steps can be taken to establish unification in Australia, public opinion would have to be on the side of unification. When public opinion in Australia is such that there is unanimity on the point, then unification will have been brought about because the States so failed in their obligations that the people thought the functions of the States could be better handled by the Federal Government. That meets the argument in regard to unification. Mr. Holmes pointed out that the statement that there were advantages to be derived by borrowing through the Loan Council was discounted by the result of the Western Australian loan and the Commonwealth loan, both of which were raised some time ago. He pointed out that owing to our better credit our loan of £3,000,000 was over-subscribed, whereas the Commonwealth loan of £8,000,000 was left to the extent of 84 per cent. in the hands of the underwriters. The circumstances governing the flotation of any loan are those which govern the general conditions of the money market either in London or elsewhere. This State took advantage of the accommodation it had at the London and Westminster Bank of running an overdraft until the time was opportune for the flotation of a loan. It was that bank which put the loan of £3,000,000 on the market. The Commonwealth Government, under pressure from certain States which were urgently in need of money, were compelled to go upon the London market at the same time with an unpremeditated loan of £8,000,000 against their advisers' recommendations.

Hon. J. J. Holmes: That does not say much for the Loan Council.

Hon. H. SEDDON: The Western Australian loan was successfully raised because the bank had made all arrangements beforehand, whereas the Commonwealth Government had their loan forced on the market regardless of the conditions of the market. They had to take advantage of the money that was available over and above the Western Australian loan, and the market itself had to digest £11,000,000 when it was ready to take only three millions of money.

Hon. J. J. Holmes: What is the good of a loan council when it forces a loan on the market like that?

Hon. H. SEDDON: The council was forced on the market by indigent States.

Hon. A. J. H. Saw: It was only a voluntary loan council.

Hon. H. SEDDON: Let us suppose a position when a sum of eleven million pounds is required. The Loan Council finds instead of raising eleven million pounds it can raise only nine million pounds. The result will be that the members of the council would share, according to proportions laid down, in the money actually raised. No State could complain that the market had been jumped, or that other people had the advantage over it. Mr. Holmes made another point in regard to the low interest rate for Western Australian loans being due to our large sinking fund.

Hon. Sir William Lathlain: Half of our loans are not covered by sinking fund.

Hon. H. SEDDON: A sinking fund is only a minor factor when a loan is being floated. Every Australian State has its stocks which receive the benefits of the Trustees Act. This Act practically guarantees every stock that is floated under its provisions. There is a recognised standard for British stocks which come under that Act. That standard is based on the fact that not one community has yet repudiated any financial responsibility in regard to its loan. It is that point which makes the British Trustees Act so operative, and which makes British trustee stocks stand so high in the financial world. The result is reflected in the interest rates. Let me take British trustee stocks and the interest earned on the securities, as against the interest earned on foreign Government securities. We find the position is such that the interest on foreign Government securities must be at a higher rate than is asked for in the case of trustee stocks. Other factors that operate are the demand for money, continental competition, and the knowledge possessed by the investors. An investor will be guided by the knowledge of the State into which he is putting his money. When that State comes upon the market and it is recommended by the London and Westminster Bank, naturally the investor is prepared to invest in that stock in preference to, say, New South Wales stock. Again, the London and Westminster Bank would naturally recommend to its clientele those stocks in which it is interested. All these factors have a bearing on the situation. Let me quote an extract from an article contributed to the "Australian Banking and Insurance Record" by Mr. Stevens who was the financial adviser of the New South Wales Government.

Hon. J. J. Holmes: Who was he?

Hon. H. SEDDON: The financial adviser prior to 1924, of the New South Wales Government.

Hon. J. J. Holmes: The New South Wales finances are in a nice mess.

Hon. H. SEDDON: This writer is referring to the effect of the knowledge of the investor upon the price of a loan. He points out that in New York there were Canadian stocks, United States Government stocks, and Queensland stocks, all quoted on the market at the same time. The quotations were: the Liberty Loan, with United States security, yielded 3.9 per cent on the market price and the stock was 4 per cent. stock, in other words, above par. The Canadian stock yielded 4.65 per cent on a market price of  $5\frac{1}{2}$  per cent., this stock also being above par. The Queensland stock yielded 6.05 per cent. on the market price, and this was 7 per cent. stock. Although the stocks were all above par, the yield per cent of money invested was very much lower in the case of the United States Liberty loan than in the case of the Queensland loan, owing to the fact that the United States investor had very little knowledge of Queensland as compared with the knowledge he possessed of his own country in the first place, and of the adjoining country, Canada, in the second place. All interest rates on capital issues which have been made in London and New York of recent years have been very much increased compared with what they were prior to the war. I have here a table which shows the capital issues in Great Britain from 1911 to 1924. In 1911 the total of all issues of capital on the London market was £196,216,000. Of all that amount the total Colonial issues were £60,932,000, and the total of foreign issues was £103,000,000. Coming down to 1924, the total of all issues was £242,529,000; it was greater than in 1911, but not greater than in 1914, in which year there were 308 millions of all issues. That was before we began to finance the war. Of these issues 85 millions represented Colonial issues—Australian, Canadian, New Zealand and the Colonies. There were 70 millions of foreign issues, which made the total 155 millions, out of a total of 308 millions. That would include home issues, municipal authorities in the Old Country and in the Dominions. In 1924 the Colonial issues totalled 63 millions as against 85 millions in 1914, and the total foreign issue was 71 millions as against 70 millions, the total of all issues being 242 millions. The point that I wish to make is that the amount of money

available for investment in trustees stocks in the Old Country, as the result of a demand for capital, is such that we cannot expect to find the same amount of money available now as was available before the war. I would like to read a quotation or two from an article entitled "The Future of Interest Rates," referring to the position of Great Britain. This article appeared in the "Manchester Guardian Commercial" of April, 1928. In the course of the article the writer says—

Both New York and London are still faced with a strong demand for capital from Europe, and several years, likely enough, will elapse before the Continental money markets will return to normal, and Europe render herself independent of America in the matter of capital supply. Until that happens interest rates in Europe will no doubt remain above normal, and British Government securities will have to face the competition of high-yielding foreign Government bonds both in the form of possible sales of the one class for reinvestment in the other and insofar as new capital is attracted rather to the latter than to the former. In other words, it would appear probable that the next few years will see rather a continuance of the tendency towards equalisation between the highest and lowest rates of interest than a fall in the now lowest rates. . . . For in the United States the funds available for investment in high-class stocks are larger than the supply, and the interest rate on such securities is low. The position in London is, of course, to some extent the reverse of this and the British interest rate is relatively high. . . . The mere news of the "listing" of Founding Loan in New York, for instance, was sufficient to raise its price here by over 2 per cent. . . . However, on balance the creation of a market for British Government securities in New York should tend to reduce the net rate of interest here, assuming which the Treasury's task of converting maturing debt will naturally be facilitated. To sum up, it would appear that although the growth in the volume of savings will in the long run give world interest rates a downward bias, the general level of rates must remain relatively high for several years yet owing to the still unusual shortage of capital, since even if it was true that the process of replacement of war-wasted capital is nearing completion, the probable improvement of methods of introduction and technique will tend in any event to slow down any decline in rates by opening out new fields for the investment of surplus funds.

In other words, for some time to come we can look forward to a high rate of interest on our loans floated on the London market. In conclusion, I would like to say that I intend to support the agreement.

Hon. J. J. Holmes: After that speech!

Hon. H. SEDDON: Yes, after that speech, because I contend that every argu-

ment I have used has been in support of concluding the Financial Agreement with the Commonwealth. By passing the Bill, we shall settle the question of Australia's credit in London, and settle also the question which has been troubling Australia for the past 27 years. The whole issue boiled down is that Western Australia, as part of the Commonwealth, is equally concerned with the other States in the position of interest rates, and the credit of the Commonwealth and the States, and it is therefore in our own interests that we should support the agreement. Mr. Holmes has raised a point that as Western Australia stands so high in the esteem of financiers abroad, she will always be able to command loan moneys at a reasonable rate of interest. I raise this aspect: if Western Australia turns down the Financial Agreement, the State will thereby imperil the undertaking arrived at which will stabilise Australian credit in London. How will it stand then in the eyes of the financiers in London?

Hon. J. J. Holmes: Are we not tearing up our agreement with the bondholders?

Hon. H. SEDDON: There is no question of tearing up any agreement with the bondholders; there is adequate provision in the Bill with regard to our bonds, and there is no question of retirement from contractual obligations on our part. The aspect from the London financiers' standpoint is not so much that of the sinking fund. The sinking fund is of greater benefit to the State because, as I have pointed out, the greatest security of all is the investor's knowledge that a British State will always carry out its obligations. The sinking fund provision is of assistance to the State to this extent, that it enables the State to surmount any temporary difficulties that may arise in the money market. The money the State has at its command will enable it to meet that portion of a maturing loan for which cash is asked, and the remainder can be converted into a new loan. Thus the sinking fund is there simply for the benefit and convenience of the State. The whole question has been carefully thought out on actuarial lines, and provision is made that where a loan matures before the expiration of the 58 years' period, arrangements can be made to carry on the balance of that loan until the period expires. The sinking

fund benefits the State. I repeat that it is a minor consideration in the eyes of the investor who realises the integrity of the community. There is very little in the contentions that have been advanced with regard to the sinking fund; no State could have a better standing in the eyes of the financial world than the Commonwealth will possess when it is carrying a sinking fund for all the States. A suggestion has been made that the Bill shall be held up until after the referendum has been taken. I have previously pointed out that the referendum is to be held simply to provide machinery under Section 105 to put the proposals into operation. All the Parliaments have passed the Financial Agreement Bill, and if the Western Australian Parliament holds up the question until the referendum has been taken, what will be the moral effect on the people who will be asked to vote on the referendum? Would not the electors be right in saying, "Are we justified in passing the referendum to provide machinery to carry out such an agreement when this State gives no assurance that she will give effect to it?"

Hon. J. J. Holmes: What about changes of Government that may take place?

Hon. H. SEDDON: The Bill is binding on any Federal Government that may be in power.

Hon. A. J. H. Saw: It is admitted that the Federal Government can change the agreement.

Hon. H. SEDDON: The Federal Government may do so only with the consent of all the contracting parties. We must not fail to recognise that this is an actuarial scheme laid down for a period of 58 years, and that the contributions that are to be made are calculated to wipe out the whole of the State's debts by the end of that period. If we are going to vary the conditions, and accept the suggestion made by Mr. Holmes, and pay the Commonwealth contribution on a per capita basis, we shall vary the contributions made to the different States by the Federal Government, and in that way imperil the working of the calculations upon which the scheme is based. There can be no question of revising the basis upon which the scheme has been drafted. The constitution of the Loan Council, in my opinion, is one of the greatest things we can count on. We have had in question the relationship between the



States and the Commonwealth, and it has been pointed out that New South Wales and Victoria have greater representation in Commonwealth Parliament than the other States. Here we shall have the Loan Council in control of borrowing with every State possessing an equal voice, and the Federal authority practically in the position of arbiter. The Commonwealth on account of the small proportion of loan flotations that she will require, will take one-fifth. That in fact will be more than the Commonwealth will need for the capital commitments of the future. That in itself will assist to place the Commonwealth in the position of arbiter, and to maintain justice in the deliberations of the Council.

Hon. J. Ewing: The Commonwealth will have three votes.

Hon. J. J. Holmes: Three votes out of nine.

Hon. H. SEDDON: Three votes in case of a tie, and I can only imagine that that position would be taken up where there was a clash of interests between two States and the remainder of the States; a clash to the extent that might lead to an injustice being perpetrated. In that case alone the Federal Government would act in the position of arbiter to maintain justice. It is my intention to support the agreement as it stands. The benefits that will accrue from it will be of immense advantage to Australia as a nation, and to Australia in her loan flotations. It will add to the benefits to be derived by the smaller States and enable them to get a better proportion of the money available for investment. Furthermore, it will enable us to secure greater advantages from our exports than is the position at the present time. The other more wealthy States will be compelled to come into line and meet Western Australia and the other States on a better basis than under existing uncontrollable conditions. I shall support the second reading of the Bill.

HON A. J. H. SAW (Metropolitan-Suburban) [8.16]: I hope the House will excuse me if I do not deal with the Bill quite as exhaustively as the last speaker. But the Bill has been so thoroughly thrashed out by so many speakers that I really do not consider it necessary to do so. I think a good deal of the opposition the Bill has encountered is due to a misconception, a

misconception largely fostered by the title of the Bill. For the title says, "An Act to approve of an agreement." There are two subjects contained in the Bill, and with reference to one of them, that dealing with the creation of a Loan Council, its powers and its limitations, I think the measure may be justly regarded as an agreement, because the essence of an agreement is there. The contracting parties have been perfectly free; they could say yea or nay. But with reference to the other section of the Bill, that dealing with the financial contribution of the Commonwealth to the States, I do not think the word "agreement" can be used, because the essence of an agreement is not there. The contracting parties are not equal each of them has not the right to say yea or nay; one of the parties is entirely at the mercy of the other. Consequently, to use the word "agreement" with reference to that portion of the Bill is, I think, an abuse of terms. The Constitution gave the Commonwealth power to abolish the contribution which was previously set to be made by it to the States, namely, a return of three-fourths of the Customs and excise revenue. The Constitution gave the Commonwealth power, after the expiration of 10 years, to repeal that contribution and to substitute what it thought reasonable. The result was the Surplus Revenue Act of 1910, which set up the per capita arrangement in place of the return of three-fourths of the Customs revenue. The referendum taken to make the per capita payment a permanent part of the Constitution having failed, the per capita payment was fixed for only 10 years. The result was that in 1926, when the Premiers refused to discuss a proposal which was made by the Prime Minister regarding a new arrangement to take the place of the per capita—the proposal being that the Commonwealth should retire from certain fields of taxation—the Prime Minister, the Federal Government, and the Federal Parliament showed that they possessed the thick end of the stick. They proceeded by an Act to wipe out the per capita payments, and then they invited the Premiers to meet in conference again. I maintain, therefore, that the Premiers did not meet the Prime Minister with a free hand. They were certainly not entitled to say yea or nay. But after they did meet the Prime Minister in conference, the per capita agreement having been abolished, certain proposals were made and negotiations took place over a long period, and the result was

the compromise which we see in this Bill. But it is perfectly idle to call that compromise an agreement. Mr. Collier, the Premier, himself admitted the force of this contention when he said, "We are at the mercy of the Commonwealth; it may do with us as it likes." Indeed, Mr. Bruce yesterday, speaking at a luncheon in the Town Hall, practically admitted the same thing, for he said that the Commonwealth agreed to contribute £7,584,000 to be divided between the States, but that the particular way in which the amount was to be distributed was a concern of the States alone, that the Commonwealth did not take part in that, and that any proposed division which resulted from the conference had been entirely the doing of the State Premiers themselves. So that the Prime Minister stands firm that the total contribution which the Commonwealth is willing to make to the States in substitution for the per capita is £7,584,000. He says that that is the ultimatum of the Federal Government. I propose to discuss the Bill from two standpoints. The first is the relationship of the States to the Commonwealth under the agreement—I have to call it an agreement because that is the term used—and the second is the relationship of the States with one another under the agreement. When dealing with the first standpoint, the question of the States-Commonwealth relationship, we are faced with the question, is this a fair arrangement as compared with the per capita. Then one is at once met with the difficulty that the per capita has gone, and so one may seem to be beating the air in comparing the conditions under the Bill with something that has vanished. But I think it is fair for the purpose of the Bill to make a comparison. Two returns have been submitted by the Premier in connection with this measure. The first, which I will call return "A," deals with the increase in the contribution which the Commonwealth will make under the agreement as compared with the payment which it would have made had the per capita remained in force under the original conditions, the total amount naturally increasing as the population of the State increased. Under that return we find that for the first 15 years the Commonwealth contributes £745,663 more than it would have done under the old per capita arrangement. Conditions which are taken into account for the purpose of the return are an increase of population reckoned at 3 per cent. and a loan expenditure of

£5,000,000. For this year the advantage would be £81,344 as compared with the per capita. The second return presented by the Premier, which I shall call return "B," shows a benefit which will accrue to the State over a period of 30 years. The benefit to the finances is shown as £10,615,537, a greater amount which the revenue will receive under the agreement than it would have received if the per capita had remained. This year's revenue, under the table, is relieved by over half a million sterling. I call it a "benefit," but it is partly made up by the cessation of payment of interest on the cancelled debt of £9,000,000 under the agreement, representing a sum of £293,000, and also by a decreased payment to sinking fund, which represents a sum of £133,700. Now, this does not represent a direct gain, but is for the most part only an easing of the finances of the State. Over the whole period of 58 years there is undoubtedly a loss to the State, although for the first 15 years there is a direct gain and for a period of 30 years an alleviation of the financial situation. So we see that on the whole the State is going to lose under the agreement as compared with the per capita arrangement. Now let us look at the matter from another point of view. Let us look at it from the Commonwealth aspect, for, after all, the people of Western Australia are citizens of the Commonwealth, although I think during the course of this debate that point has been largely overlooked. I can imagine that anybody arguing the matter from the Commonwealth standpoint would say this: "When the initial financial arrangements were made, whereby the Commonwealth returned three-fourths of the Customs revenue to the States, the fact that a period of 10 years was fixed shows that that arrangement was regarded as only tentative. Similarly, when the Federal Parliament, in the exercise of the authority which was given to it by the Constitution, thought fit to abolish the payment direct from revenue of three-fourths of the Customs receipts and to substitute the per capita arrangement, again a term of 10 years was fixed." As I have already pointed out, when an effort was made to make the per capita payment a permanent part of the Constitution—not for 10 years, but for all time—the proposal was rejected at a referendum; and so I can understand the Commonwealth supporter saying, "Under the law fixing per capita, the payment was fixed for only 10 years, clearly showing that that

also was regarded as of an experimental nature." Then the supporter of the Commonwealth would go on to say, "Five years after the per capita arrangement was made, a very important thing happened. We were concerned in a great war, something which the framers of the Constitution and the Parliament that fixed per capita could not possibly have bargained for.

Hon. A. Lovekin: If you will refer to the Convention debates, you will see that direct taxation was provided for in the event of war.

Hon. A. J. H. SAW: If any member who took part in the framing of the Constitution imagined that Australia was going to be concerned in a great war lasting for over four years and involving an expenditure both in manhood and in treasure, out of all proportion to anything which anyone could have conceived in his wildest dreams, that person was a prophet, and more than a prophet.

Hon. A. Lovekin: That was the ground upon which the right to tax direct was given.

Hon. A. J. H. SAW: We have only to read current history in Europe to know that everyone there, when the Great War started, thought it could not last for more than six months or so, owing to the financial stress. That was the opinion of practically every man except Kitchener. I am quite certain that nobody in Europe or in Australia ever dreamt for a moment that almost all the nations of the world would be concerned in a war lasting four or five years.

Hon. A. Lovekin: Nobody suggested that.

Hon. A. J. H. SAW: I understood the hon. member to suggest it.

Hon. A. Lovekin: No.

Hon. A. J. H. SAW: Then I do not know about what we have been arguing. As the result of the Great War, not only is the Commonwealth crippled in its finances through having had to raise war loans, but it is embarrassed after the war by having to finance pensions and repatriation, also things beyond the magnitude of anything that could have been conceived by the framers of the Constitution. Then there is another factor which the supporter of the Commonwealth must take into consideration, and that is the building of the capital city at Canberra. It is an obligation imposed upon the Federal Parliament by the Constitution, and in loyalty to New South Wales it was incumbent upon the Federal Parliament to start as early as possible the building of a capital city at

Canberra. Whether the expenditure upon the construction of the capital city has been extravagant or not, is a question I will not deal with, although I think the expenditure has been extravagant. As to whether it has been wise or unwise, must depend on whether we take the long or short view with reference to the future of Australia. As one who is inclined to take the short view, I think the creation of Canberra has been upon too lavish a scale for our finances. Other responsibilities that have been imposed upon the Commonwealth, or have been taken over by the Commonwealth, include the old age pensions, the baby bonus and the new proposal regarding child endowment. I think everyone must admit that the view of the finances, from a Commonwealth standpoint, has changed from what it was during the first years of Federation. So far as I have been able to gauge the feelings of the Federal Parliament, it appears to me that both political parties there seemed to be agreed that the per capita system had to go eventually. I say "seemed to be," because my personal of the debates and the various promises made, indicates that the Federal Labour Party, probably for a political dodge, threw out a hint that if they were returned to power and the agreement were not carried—of course, they knew it would be carried in the Federal sphere!—they would not abolish the per capita payments for the present. It reminds me of the old nursery song of the fox and the geese. The Federal Labour Party constitute the fox, and they probably made the mistake of imagining that the people of Australia are geese. To deal with another question that has been raised during part of the debate—I refer to the surplus revenue—one would imagine that the States were entitled under the Surplus Revenue Act of 1910 to various payments. By a subterfuge however, the Federal Government seemed to have been able to appropriate those moneys to their own use instead of that money reverting to the States, as I imagine both the framers of the Surplus Revenue Act and the people of the States thought it would revert. The Federal Government managed to appropriate the surplus revenue by placing the money in various trust accounts and so carrying it forward to another year. Thus, the States were unable to get hold of it. It seems an extraordinary thing that if the Commonwealth Parliament were not legally entitled to do that, no State had thought fit to test the legality of that action. I presume even if the States had

successfully fought the issue in the courts, and compelled the Federal Government to disgorge the surplus revenue for one year, the States would not have been successful in securing the money in the succeeding year, because it would be an easy thing for a Federal Treasurer to budget for a deficit and to see that he secured one, so as to avoid the division of any surplus revenue among the States. I do not suppose there is any Federal system in any part of the world where the States receive a fixed proportion of the revenue from Customs and Excise. The disadvantage of a State relying for a large proportion of its revenue on contributions from the Federal Customs and Excise collections, arises from the fact that the State has no control over the collection of that revenue. In fact, it would be raised entirely by the Federal Government through the tariff and in raising that money, the Federal Government would not consider the requirements of the State but rather those of the Commonwealth. I should imagine it would be a very cumbersome and irksome method of financing the States if they were to be dependent upon revenue raised by another body. Dealing with the second part of my thesis as to whether the arrangement proposed is fair as between the different States, I would remind hon. members that £7,584,000 is to be divided between the States on the per capita basis that existed in 1926. The Prime Minister, Mr. Bruce, told us emphatically yesterday—as a matter of fact, that was probably in reply to a question I put to him previously, as to why the per capita basis of 1926 had been arrived at during the conference—that the division of the £7,584,000 was entirely the doing of the State Premiers themselves, and that the Federal Government were not concerned in it at all.

Hon. J. J. Holmes: Did he not say that the arrangement was not a good one?

Hon. A. J. H. SAW: Yes, but he claimed that it was not the business of the Commonwealth but of the States. He said that the Commonwealth Government could provide that amount of money, and it was for the States to apportion it as they chose.

Hon. A. Lovekin: And it worked out exactly for them.

Hon. A. J. H. SAW: It would seem at first glance that the arrangement proposed is a fair one between the different States, but when one probes a little more closely into the division he sees that it is unfair because of the unequal rate of increase of population in the different States. A

study of the population graphs in the Australian "Year Book" will disclose the marked inequalities in the ratio increase of population in the different States at different times. For instance, in the eighties and up to the nineties, Victoria had a larger population than New South Wales, and their population was increasing at a greater rate. Since then the conditions have changed and New South Wales has a population probably 50 per cent. greater than that of Victoria. A perusal of the figures for Western Australia discloses a large increase in population during the boom year, but during the period shortly before and shortly after the war, South Australia registered a greater increase in population than Western Australia. Just after the war the rate of increase in Western Australia was lamentably slow. For the period 1907 to 1911, South Australia's population increased by 2.46 per cent., whereas Western Australia's population increased by 2.43 per cent. The rate of progress was very close, with the advantage slightly in favour of South Australia. In the period from 1917 to 1921, South Australia showed an increase of 2.34, whereas in Western Australia the increase was 1.27 only. Of course since then Western Australia has increased much more rapidly than before. At present I think Western Australia and Queensland are much on a par with regard to increased population. South Australia comes next and New South Wales some little way behind. If the rate of increase in Western Australia continued at a high percentage over the whole period of 58 years, then undoubtedly the proposed distribution of the £7,584,000 between the States would be inequitable where Western Australia's interests were concerned. On the other hand, if over that full period our rate of increase in population is the same as the average rate of increase for the rest of Australia, then no hardship will be inflicted upon this State.

Hon. J. Ewing: You would not say that our rate will be the same as the rate of the other States?

Hon. A. J. H. SAW: I am not a prophet that I should attempt to say what will happen during the next 58 years. On present indications it is quite possible that for the next 10 or 15 years, our rate of increase will be rapid, but a study of the statistics discloses a series of spurts and drawbacks.

in the population record of the various States. In view of that fact, it is hard to say what the increased population of Western Australia will be over the whole period of 58 years.

Hon. A. Lovekin: That is a good reason why we should not continue the agreement for such a period.

Hon. A. J. H. SAW: For myself I would have preferred the allocation to be made on the basis of the population at the time of distribution. That would have been perfectly fair to all the States, and I fail to see why the State Premiers did not agree to that suggestion. From what I have been able to discover from a perusal of the debates, it was because the other States would not agree, that we were not able to obtain the measure of fairness I have indicated. If our population does increase very largely—that may very well be so because of our enormous territory—we shall require a much larger share of loan moneys than the other States, and it must not be forgotten, when we consider the flotation of loans, that the Commonwealth will contribute towards the sinking fund requirements on a fifty-fifty basis with Western Australia. The second part of the Financial Agreement relates to the creation of the Loan Council. I do not propose to go very deeply into that question, but it seems to me that the creation of a Loan Council will undoubtedly act as a check on extravagant borrowing by Australia as a whole. It will prevent competition between the different States and the increased interest rates that might be paid as a result of that competition. Although the credit of Western Australia at present is very good, if, as I apprehend, very large sums of money will be required in the near future for the development of this State, in consequence of which we will have to go on the market for sums that would stagger us if we depended upon the financial resources of the State alone, then I can imagine the creation of the Loan Council will be of great benefit to Western Australia, particularly in view of the magnitude of the loans we may be called upon to raise. There again we should not forget that the Commonwealth will contribute on a fifty-fifty basis towards the necessary sinking fund. The composition of the Loan Council seems to be an eminently fair one. I am astonished that the

larger States, with their bigger populations, did not wish to have greater voting power than the smaller States. I am very glad they did not insist upon that for, had they done so, I could not have supported them. Otherwise the composition seems eminently fair and I consider it a perfectly fair arrangement that the Commonwealth, with their one representative, should count two votes and a casting vote. Members during the debate—and I have heard it this evening—referred to the voting power of the Commonwealth as three votes. That is not correct. The correct thing is that the Commonwealth will have two votes and a casting vote, which is a very different thing. From the tone of the arguments used anybody would imagine that the Premier of Western Australia had only to issue his fiat at the conference and all the other States and the Commonwealth would fall into line with his views. Of course it is not possible for one State to dictate terms, and especially so when that State is a numerically small State such as ours. Instead of the Premier having it in his power to dictate terms, I should imagine that after the Commonwealth had had its say and the other States had had their say, Mr. Collier's choice was what is known as Hobson's. I do not know whether the term "Hobson's choice" is familiar to members. I believe it originated in this way: At Cambridge many years ago there was a livery stable keeper named Hobson who, in his stable, had good horses and also some very sorry nags. The undergraduates who went there were supposed to get their choice of the mounts, but one horse had cast a shoe, another needed shoeing, and a third had already been out and was tired, and it usually resulted in the undergraduate having to take what was given to him by Hobson. So we have the expression "Hobson's choice." I can quite imagine that Mr. Bruce might have taken up that attitude at the conference, but we understand that he did not, because we have it from Mr. Collier that the proposals put forward by the Commonwealth were considerably modified before a final decision was arrived at, as is embodied in the agreement before us. Now I am going to ask members, if they reject this Bill, on what do they pin their faith for getting better terms? Can they look forward with any confidence to a

possible turn of the political wheel of the Commonwealth and the return at the next elections of the Federal Labour Party? Do they think they are likely to get any better terms from them? So far as I have been able to follow the Federal debates, Mr. Charlton, who was then Leader of the Federal Labour Party and Leader of the Opposition in the House of Representatives, expressed the opinion that the agreement was too favourable to the States, and I am not sure that that has not been the whole tone of the Federal Labour Party. If members think that a turn of the political wheel and the advent of the Labour Party to power in the Federal arena will enable them to get better terms, I think they have what is known as Buckley's chance.

Hon. A. Lovekin: Rely upon justice being done by the people.

Hon. A. J. H. SAW: How can it be put to the people? All that the referendum will submit to the people is the question of giving the Commonwealth Government power to enter into an agreement with the States. Even if the people had the knowledge, which they have not—and it is absurd to think they ever will or ever can have it—how could they appreciate the intricacies of this agreement? How could they judge between the rival arguments of Mr. Lovekin and Mr. Seddon on the legal points? Mr. Lovekin invited the House to throw out the Bill and test the legality of his view that, now the Federal Parliament has abolished the per capita payments, we are in a position to demand the return of three-fourths of the Customs and Excise revenue. I hope I am not misinterpreting the hon. member.

Hon. A. Lovekin: No, that is right.

Hon. A. J. H. SAW: He dangled the bait of £27,000,000 before the watering mouths of the State Treasurers. I would have had very much more confidence—if he will pardon my saying it—in the amateur legal opinion which has been expressed, if he had quoted various eminent authorities and constitutional lawyers, both in this State and in the other States, in confirmation of the view he takes. So far as I can understand, he said the case had never been argued. Then he quoted some cryptic statement from the bench by Sir Samuel Griffith in which he threw out a hint, apparently, that the question should be raised and argued before the court.

Hon. A. Lovekin: He expressed no opinion on it.

Hon. A. J. H. SAW: Sir Samuel Griffith could not have been dealing with this question, which has arisen only since the Commonwealth Government abolished the per capita payments. He could not have been dealing with that point at all, because it only arose in 1927 when the Commonwealth Government and Parliament abolished the per capita payments.

Hon. A. Lovekin: I stated that.

Hon. A. J. H. SAW: Sir Samuel Griffith could not have had that in mind because he has been dead for a number of years, and unless the hon. member has had the good fortune to get into touch with the late Chief Justice via a medium, how can he know the opinion of Sir Samuel Griffith on the important point which he has raised and on which he asks the House to throw out the Bill?

Hon. A. Lovekin: It was the obiter dictum in that particular New South Wales case.

Hon. A. J. H. SAW: I think it must have been a post-obit dictum—the dictum of one who has died. I have no confidence in this hypothetical claim to the £27,000,000. It reminds me of the paragraphs we frequently see in the Press containing an announcement that someone is the heir to vast estates in the Old Country or in America, and when in the Old Country usually associated with a peerage, and he proceeds to invite people to subscribe a sum of money by means of debentures to test the legality of his claim.

Hon. A. Lovekin: The hon. member has quite misinterpreted what I said.

Hon. A. J. H. SAW: I listened carefully to the hon. member and I think I understood his meaning. I do not say he invited us to subscribe the money, but he did invite the States to put up the money and test the legality of the Commonwealth's action.

Hon. A. Lovekin: No; what I suggested was that, unless the Commonwealth Parliament otherwise provided, Section 87 was restored.

Hon. A. J. H. SAW: Yes, and that the States should get that money. From the time of Mr. Orton, the celebrated claimant to the Tichborne estates, to the time of the last individual who left the shores of Western Australia, has anyone ever heard of a handsome dividend being returned to such debenture holders? The hon. member takes up this position: the people of the States

are asking for bread, in fact for part of the Commonwealth loaf; and he replies, "Let us give them a lawsuit." The agreement is not all we could wish, but I maintain it is all we can get. I was of that opinion when the Bill was introduced in another place, but in view of the action of another place in carrying the measure by a majority of ten, I am more firmly of opinion than ever that the Bill should be passed. Suppose we carry an amendment, it will first have to be submitted to another place and then re-submitted to all the Parliaments of Australia, 12 Chambers that have previously dealt with the Bill. What is going to happen if an amendment is carried and is submitted to the other Parliaments? It must be submitted to them for their ratification.

Hon. J. R. Brown: It is a money Bill.

Hon. E. H. Harris: Is it a Bill that we can amend?

Hon. J. J. Holmes: Of course we can amend it.

Hon. A. J. H. SAW: We have the power to request amendments to money Bills, but I am not dealing with that point at present. Suppose we carried an amendment and the other Chamber assented to it, the only way in which it could be dealt with would be to submit it to the other Parliaments of Australia. Thus it would have to run the gauntlet of each Parliament, and each Parliament in turn would want to insert some clause favourable to itself.

Hon. A. Lovekin: Not if we amend only the Bill. We do not touch the agreement.

Hon. A. J. H. SAW: What is the good of amending the Bill? The agreement is the essence of the Bill. If the measure has to be re-submitted on account of an amendment by this House, it will have to run the gauntlet of all the other Parliaments. Does anyone imagine that we would be able to get our amendment agreed to and secure unanimity?

Hon. A. Lovekin: Of course that is not so.

Hon. A. J. H. SAW: I take another point. Mr. Collier and the other State Premiers met in conference and after earnest negotiations—nobody doubts their bona fides—they arrived at an agreement. They really acted as plenipotentiaries from their different States or different Parliaments. They now come and report to us.

While Parliament has it in its power to reject or accept the Bill, I know of no precedent for Parliament amending a Bill so submitted.

Hon. A. Lovekin: This is not a money Bill within the Constitution.

Hon. A. J. H. SAW: I do not think it is; I think it is a constitutional measure. However, I have not raised the point that it is a money Bill. All I said was in reply to an interjection, that if it was a money Bill, we had the power to request amendments. Under those conditions I maintain that the real duty of the State Parliaments is to accept the Bill or throw it out, not to amend it. More so is that our position now, seeing that the Bill has been passed by a substantial majority in another place. During the course of Mr. Stewart's speech, I said, by way of interjection, that the Assembly had surrendered the outer forts of the defence and we who occupied the citadel must either capitulate or starve. I support the second reading.

On motion by Hon. E. H. Gray, debate adjourned.

*House adjourned at 8.58 p.m.*

## Legislative Assembly,

*Tuesday, 3rd July, 1928.*

Adjournment, special ...	...	...	...	...	...	Page 301
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The SPEAKER took the Chair at 4.30 p.m., and read prayers.

### ADJOURNMENT—SPECIAL.

THE PREMIER (Hon. P. Collier—Boulder) [4.32]: I move—

That the House at its rising adjourn until Tuesday, the 10th inst.

Question put and passed.

*House adjourned at 4.35 p.m.*