

The Attorney General: It is the fifth paragraph of Subsection 4.

The Premier: That is so. I have the Act before me.

Clause put and passed.

Title—agreed to.

[The Speaker resumed the Chair.]

Bill reported without amendment, and the report adopted.

Third Reading.

Read a third time and transmitted to the Council.

House adjourned at 11.5 p.m.

## Legislative Council,

Thursday, 21st March, 1918.

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

[For "Question on Notice" and "Papers Presented" see "Votes and Proceedings."]

### BILL—WHEAT MARKETING ACT AMENDMENT.

Introduced and read a first time.

### BILL—GENERAL LOAN AND INSCRIBED STOCK ACT AMENDMENT.

Second Reading.

The COLONIAL SECRETARY (Hon. H. P. Colebatch—East) [4.35] in moving the second reading said: The purpose of this Bill is to amend the provisions of the General Loan and Inscribed Stock Act of 1910 regarding the rate of interest which may be paid on loans raised under that Act. The State gives three classes of security for its loans. First of all there are the Treasury bills, the currency of which is limited to five years and which, according to the amending Act of 1916, may be issued up to the amount of any loan authorisation granted by Parliament and at such rate of interest as may be determined upon by the Colonial Treasurer.

Hon. Sir E. H. Wittenoom: That is during war time.

The COLONIAL SECRETARY: That is in regard to Treasury Bills: There are Bonds issued under the Treasury Bonds Deficiency Act passed in 1916. Under this Act the Treasurer may issue bonds with a currency not exceeding 30 years at a rate of interest not exceeding six per cent. and an amount not

exceeding that specifically authorised by Parliament under the Treasury Bonds Deficiency Act. The third class is the security of the loans under the General Loan and Inscribed Stock Act of 1910, which this Bill proposes to amend. Under that Act the Treasurer may issue inscribed stock domiciled in London, local inscribed stock domiciled in Australia, and debentures without domicile. The currency of any of these stocks may be determined at the time of issue. The rate of interest fixed under the original Act was four per cent., and this was increased to five per cent. by the Act passed in 1915. The purpose of the present Bill is to alter the rate of interest, prescribed in the original Act at four per cent. and amended by the Act of 1915 to five per cent., to six and a half per cent. if it is necessary to pay that amount of interest. The immediate necessity for this arises from the fact that in 1907 a loan of £250,000 was floated with a ten years' currency. About £120,000 of this was redeemed by debentures at five per cent. and the remaining £130,000 will be renewed at some higher rate. It is not possible to renew the amount at the rate of five per cent., and it is not permissible to issue Treasury bills for this purpose because Treasury bills do not carry any sinking fund. In order to observe the continuity of the sinking fund it is desirable that this new stock should be issued under the General Loan and Inscribed Stock Act. Since it is impossible to raise money under that Act as the rate of interest is limited, this Bill proposes to increase the interest rate to 6½ per cent., instead of four per cent. as it was originally or five per cent. as it was fixed in 1915. This is the entire object of the Bill. I move—

"That the Bill be now read a second time."

Hon. A. SANDERSON (Metropolitan-Suburban) [4.38]: In one sense this may be considered a Committee Bill, and therefore one might reasonably be asked, possibly, to postpone all comment or criticism until the Committee stage, but in another sense it opens up the whole financial position of the country. I hope hon. members will not be alarmed, for I am not going to embrace that great subject at present, but as I have taken the responsibility on more than one occasion when these financial measures have come before us, of making a protest—that is all I am able to do—against the methods of the Colonial Treasurer, I feel I must make some observations. It would seem that the susceptibilities of Ministers in this House are so tender, and the methods of defence are so extraordinary, that possibly it is better to leave them alone altogether. It will be within your recollection, Sir, that a few remarks and comments that I made on a similar matter were received in a very curious spirit, and the Honorary Minister defended himself by abandoning his colleagues, quite a novel method of Parliamentary Government as we have hitherto known it. So anxious am I to avoid any personal wrangling and to avoid hurting the susceptibilities of the tenderest Minister, that on this occasion he, and possibly his colleague, can hardly be surprised if I practically ignore them. My remarks are

directed to the Treasurer of this country. I will, for the purposes of the observations I am about to make, admit that the Treasurer is placed in a very difficult position, that he is doing his best, that he has no ulterior object to serve, but that he is devoting the whole of his time to an attempt to put the finances of this country on a sound footing. I am quite prepared to concede all that, but not only has he lamentably failed to do that, but in my opinion and in the opinion, I should imagine, of a great many people outside, he has done more damage to the credit of Western Australia, inside and outside the country, than any Treasurer we have ever had. The papers which were laid on the table of the House yesterday afternoon are very interesting and, in connection with the last file we had, I indicated that the Ministers responsible for the performances revealed in that file were unfit to sit in the Cabinet and should be unfit to sit in Parliament. I was not prepared to force that observation on the Minister, and if it hurt him I would be prepared to withdraw it, throwing the responsibility on his colleague in another place. But with regard to the Colonial Treasurer, I would repeat the words deliberately, having weighed my own opinion on the subject, that the Colonial Treasurer who is now conducting the affairs of this country has done more damage than any other Treasurer we have ever had. He is a positive danger to the community, and any Bill that he brings forward with regard to the finances of the country will be pursued by me, I regret to say, with suspicion and distrust. There was a time when I expressed my disapproval in a mild manner, of the performances of the Colonial Treasurer, simply asking that he should look into the matter, and I think in justice to myself and to other critics, he should be reminded, or you, Sir, should be reminded, that he specially asked us to assist him in dealing with the finances of Western Australia. On the 24th July, the Colonial Treasurer said:—

The fullest information is to be given to members to show where economies can be made, and members will have every opportunity of discussing the proposals.

I would ask hon. members to mark this.

The country has to be told that ours is a fixed determination that we must live within our income. The country has to be told and re-told this. Members of Parliament also have to be told this, and they will have to tell it to their constituents, that for the good government of the State the question of finance is all-important.

After some heroics, he told us that he got out of the Speaker's Chair to save the country, with the assistance of members of Parliament, and then he went on—

When I speak of revenue expenditure, I am going to say more emphatically of future loan expenditure, that borrow and let posterity pay has landed us where we are. Posterity is the day after to-morrow in Australia, and we are pretty near to-morrow now. In future there is going to be no talk of borrowing millions. There cannot be and there must not be any talk of borrowing

millions. Since December, 1914, this State has borrowed something like six million pounds, the interest on which would probably amount to £300,000 per annum, roughly speaking. I very much question if at the present juncture we will see as the result of that expenditure more than £75,000 to £100,000 directly in the way of interest. Consequently, this State has to make up a deficiency from loan of something like £200,000 per annum.

There is much of the same sort in his speeches, and now I come to the file, and just as I treated that other file, instead of running right through the financial position of the country, I will take the papers which were laid on the Table of the House yesterday, and confine my remarks entirely to them, and show hon. members the damage that the Treasurer has done in London, to say nothing of the damage he has done here, to the good name and credit of Western Australia. The file is a short one, and in contrast to what we may call the "jam" file, instead of dealing with a few paltry thousands of pounds, it deals with millions. I am going to make it even shorter than it is by omitting the references to what the other States have done, although it might be pointed out, in passing that so far as the questions asked of New South Wales, Victoria, and South Australia in regard to the suspension of the sinking fund are concerned, it appears that only South Australia replied in the affirmative, that the sinking fund had been suspended. Personally, I do not consider that of any great importance, and therefore, will pass it by. There is also another small matter to which I will refer, but not discuss, and that is the reference on the file to the Solicitor General's opinion on page 8—"Herewith a copy of the opinion of the Solicitor General." I was unable to find that opinion on the file. It is possible that it was left off the file inadvertently, but in any case it is not of any great consequence, and we can come now to the Treasurer. And just as I attempted the other day to explain quite clearly the attack I was making, and on whom I was making that attack, so this afternoon there is no question of the leader of the House or the Honorary Minister. Neither is there any question of the Premier or any of his colleagues—I will have an opportunity of dealing with them on another occasion. To prevent confusion, it will be better to deal with Ministers one by one and this afternoon, therefore, I will confine my remarks to the Treasurer, whose position and responsibility we all fully realise. The Governor's Speech told us of the proposed suspension of the sinking fund, and I am taking it for granted that everyone here clearly understands what that means. People outside might require a lengthy explanation, but in this Chamber that is entirely unnecessary. Members know what it means. The suspension of the sinking fund was proposed last year when the Governor's Speech was before us. Following the request of the Treasurer to assist him in the difficult position in which he was finding himself, I took it upon myself, at a

moment's notice, to point out to him the danger of this proposal. Whether I was right or wrong, my language was clear, and unmistakable. If the Treasurer or any other Minister is really seeking assistance from members of Parliament, he has only to study the remarks of members. My remarks in November last in regard to that subject were perfectly clear—

I have one protest only, and that is in regard to the raiding of the sinking fund. It is obviously impossible, and it is undesirable, to discuss the financial position of the country at the present time. I sympathise with the leader of the House in his position, but after all said and done the finances of the country are outside his hands. . . . I sympathise with him and with the Government. Looking at it in any way, it is a most difficult contract we have on hand. But surely there are some limits to what we may do, or should do, or must do, and one is that we should not be dishonest. By raiding the sinking fund we put ourselves on a low grade and it will be a difficult contract to get back to the level on which we stood. . . . The position is very serious. I do not want to be aggressive in my criticism of the Government; I fully realise the difficulties of the position. There are so many things entirely beyond our control, but there is one limit. There is nothing dishonourable in going bankrupt; many straightforward and honest men have gone bankrupt. . . . At the present time nothing has been done; this is only a proposal, and I hope members of the Ministry, members of Parliament and the public will have the time to consider whether they will tax the sinking fund and the interest fund. I do not care what the circumstances or the position of affairs may be, it would be ten times better from every point of view that we should not do this, whether we are thinking of our own credit and honour or whether we are thinking of our creditors. When we consider the vituperation that we heard against the Labour party for their unbusinesslike and dishonest methods of finance, we realise that the present Government, the Government of all talents, will come down to the level of a fraudulent bankrupt if they dare to carry out this proposal. That is the protest I wish to make. I hope that the leader of the House will not think that I have attempted to discuss the financial position, or that I wish to embarrass either himself or the Government at a juncture like this.

That was just before the referendum campaign.

The Government will find it a fatal mistake from every point of view, whether of honour, or of the interest of ourselves or our creditors, if they dare to touch these trust funds.

That is what I said immediately the proposal was brought up. On reference to other utterances of mine, I find I made a protest again later on, when I was on the track of

this thing. I felt convinced that it was a dishonest proposal, and while I was not positive, I thought there must be some obstacle in the way of raiding this sinking fund. I was very near getting on to the subject, being able to give—which is most important in discussing these financial matters—chapter and verse for everything I was saying. But I frankly admit that I had not sufficient time to get the correspondence I wanted from London. I had not to look up the matter myself, but I think that after that ten minutes' protest against the proposal, some attempt should have been made by the Treasurer to look into the matter. I did not make any reckless statements—I might say that very few members of the Legislative Council do. Therefore, we should have some little attention given to any comments or criticisms we make; but no notice whatever was taken of what was said. Needless to say, it is not a personal question. I did not ask the Treasurer to take notice of it on personal grounds, but I do ask him to take notice of observations, criticisms, and suggestions from members of this Chamber. They are dealing with the most important question in the country at the present time, that is, the financial position. Hon. members will see from a perusal of this file that it would have been worth while the Treasurer taking some little notice of what was said, and looking the matter up himself. I have dealt with the introductory part of the file; I have dealt with one or two small matters. I now come to the cables from London of the 8th, 11th, and 16th January, and in about five minutes I shall be able to explain the position. Hon. members, however, can see for themselves the position in which this country is at the present time, owing to the action of the Treasurer in dealing with the sinking fund. This cable was sent by the Treasurer to the Agent General on the 8th January, 1918—

Government intend asking Parliament authority suspend sinking fund contributions accruing from second half financial year. Please therefore withhold contributions accordingly after 15th January this year.

The answer which came was dated the 11th January, and this is a copy of the cablegram from the Agent General addressed to the Treasurer—

Referring to your letter 23rd November last and referring to your cable 8th January of this year regarding suspension sinking fund both of which I received yesterday. This is the first intimation received here. Have seen Crown agents who cannot give official reply until to-morrow, as they have to consult Colonial Office, London. Have also seen London County and Westminster Bank, Limited, also brokers who state they—

That means the proposals.

would be universally condemned by stock holders who would no doubt take steps to protect themselves and lodge protest with Imperial Government. Besides, it would be most damaging to our credit, and it would make future borrowings difficult—

I wish members to take particular notice of these words.

and expensive. They say they cannot too strongly advise that Bill should not be proceeded with. Will cable further to-morrow.

The following day—

London, 14th January, 1918. The Agent General to the Colonial Treasurer. Replying to our cable of 10th January this year re sinking fund. Crown agents decline approval. Being trustees they cannot do anything to reduce stock holders' security. Colonial Office, London, strongly opposed. Have cabled Governor of Western Australia direct.

This is not the report of a Royal Commission, mere verbiage, some wordy document, acres of words and very little meaning or sense in them. Every word of this is paid for and every word has a very direct bearing on this Bill. The charge I am making against the Colonial Treasurer is that he has done more to damage the credit of Western Australia than anything I know. I regret my acquaintance with constitutional practice and procedure is not as extensive as yours, Mr. President, or that of the Chairman of Committees, and perhaps it is rather an audacious thing to do. I am expressing this opinion offhand that, for the Colonial Office in London to cable to the Governor of Western Australia direct in a matter of this kind—I speak subject to correction, not having looked up all the authorities, but I venture to say it is almost unparalleled within recent years, and it is the strongest protest the Imperial Government could make against the performance of the Colonial Treasurer.

Have cabled the Governor of Western Australia direct, Bill, suspension sinking fund—

And there is always something amusing in these files—I am referring now to the "jam" file. It is very comical, and here is something entertaining—

Bill suspension sinking fund would violate Colonial Stock Act, 1900. See your Order-in-Council page 2865.

In case there is any mistake they give the page.

and "Government Gazette" 1901, also Act No. 12.

You see how careful they are that there shall be no possibility of a mistake. I do not know what opinion they have—it cannot be a very high one when they give even the page of the "Government Gazette."

Also Act Number 12 of 1900.

That struck me as a little lighter than the rest of the cable and I can believe the Agent General, or whoever drafted and sent the cable, laughed at the idea of cabling Western Australia to look up their own "Government Gazette," to look up a matter of vital importance. The last line of this cable is possibly the most important of the lot.

Notwithstanding State's present financial position, for reason stated two cables, recommend Government not proceed with Bill. Writing fully.

We do not want the letter. This cable is quite sufficient to condemn the Treasurer from holding his position and to condemn the Government for permitting him to hold his position.

Therefore, when a man with this record before him, with this reprimand from the highest quarters, comes down to us with a Bill such as that which we have under discussion now, what are we to think of it? View it with distrust and suspicion, and not only that but to go through letter by letter and clause by clause to verify everything in it. Either it is gross carelessness or gross ignorance on the part of the Colonial Treasurer, who has brought us into this state of things. I say that cable is sufficient, but I wish to refer briefly to a local performance. Yesterday I got a reply from the leader of the House on this subject. I asked the Colonial Secretary yesterday—

Has any protest been made by the fire insurance companies against the proposed levy by the Colonial Treasurer of £5,000 per company? If so, will the Colonial Secretary place on the Table of the House the correspondence or report of the interview between the parties?

And this was his answer:—

Representatives of the fire insurance companies waited upon the Colonial Treasurer to discuss the Bill and made certain suggestions which have been embodied in the measure. There is no correspondence on the subject and no report of the interview between the parties.

I am not surprised after this sinking fund file that he does not want any record of his performances put down on paper, and I was entirely satisfied with the answer. I had been at work on this subject, as I have been at work on the sinking fund, but I had to work in the dark—I had to reconstruct this interview—a kind of Sherlock Holmes business—which it is admitted took place, and of which there is no record, with the assistance of the jam file and with the assistance of this sinking fund file, and this is how I worked it out. The Treasurer openly acknowledges he must have the money. If members will turn to page 46 of last year's "Hansard" they will find this from the same Colonial Treasurer—

We can neither retrench nor tax a community into prosperity, but we shall have to save, beg or borrow sufficient money to give every encouragement to primary production and the necessary secondary industries for their assistance, because that is the only rectification for this position from which we hope to emerge.

There is the position to start with. We must have money—beg or borrow. I say this is political highway robbery, what has been going on with the insurance companies. I am not the spokesman of the insurance companies, I have no interest in them except as a member of the public, but I want to put this note in. Whatever the insurance companies are, while you and I, Mr. President, may have a high opinion of them, there are people in this country who regard them with aversion and distrust, but whatever they are the insurance people are not fools, and we may be quite sure that what took place at this interview was not anything foolish. The Colonial Treasurer wishes to obtain £5,000 from each company, giving in round figures £200,000, to establish the jam factory and the grindstone

industry. We must have the money! Why did not the insurance people make a protest? That is a reasonable remark for a politician like myself to make. Why did they not make a protest?

Hon. Sir E. H. Wittenoom: Patriotic.

Hon. A. SANDERSON: I thank the hon. member for that interjection; the patriotism of the insurance companies. I think there are some people who say the insurance companies do not conduct their business on patriotic grounds. I do not suggest that. I say the insurance companies have done wonders during this war in subscribing to the funds of the Commonwealth Government for patriotic purposes. So, do not let us throw any aspersions either on the intelligence or the patriotism of the fire insurance companies. What was the lever that the Colonial Treasurer used to extract this money from people who, admittedly, are not fools? Why was there no protest made by them? Those are two of the questions. There is no use in trying to rob men who have no money, therefore there is no use in trying to tax the farmer. So the Government had to look round. This Country party Treasurer has been a very astute person. He must look round to extract money to carry out the Country party's pledges. He knows the difficulties of the position and he pitches on the fire insurance companies. Here again I am working, to some extent, in the dark. I believe arguments are put forward that we should protect the public. It is the duty of the Colonial Treasurer to protect the public, who insure with the fire insurance companies; we must make them put up a sufficient deposit. Although they put up a deposit now it is not enough; we must make them put up £5,000 each. Not to hand over to the pig factories and grindstone factories. Nothing of the sort. We will make them put up that money in order to protect the insured." Could anything be more grotesque? An insurance company—I am speaking here again without figures, which, however, are quite immaterial—carries hundreds of thousands of pounds of liabilities even in this small community; and to suggest that £5,000 is put up to protect us, the insurers, the general taxpayers, and the general policy holders, is too ridiculous. Therefore, it cannot be anything of the sort. The object cannot be to protect. The object is simply to get hold of the cash from the easiest possible source, and regardless of the equities of the situation. And Western Australia has fallen as low as this at a time like this, when everybody knows the financial difficulties, but when at any rate the credit and the honour of the country can be protected to the last. "All is lost save honour"—we remember that great phrase. How much honour is left when we endeavour to abolish our sinking fund in the City of London, and when we extract here from one tiny section of the community this sum of £200,000 to distribute amongst the Country party? How can we expect to get out of our difficulties, and how can the Treasurer expect us to pass the Bills which he is bringing down? But let me finish this little outline of the insurance companies' interview, of which we have no record. I think there ought to be

a record. I think any business man dealing even with comparatively small matters would in such circumstances say to his confidential clerk, "Put that down on paper, and let us see exactly what took place." When there has been a general discussion, one knows the difficulty of being quite precise as to what exactly has happened and what exactly was said by the different parties. It would be a perfectly legitimate thing to reply that the interview was so confidential that a record could not be made public. But here we have a statement that there was no record whatever kept of the interview. What was the pressure that the Colonial Treasurer brought to bear on these people? Here I wonder if one is permitted in matters of high finance to attribute motives. However, it is not so much a question of attributing motives, as of trying to find an explanation of what is admittedly a difficult problem. We are entitled, and the public are entitled, to know what took place at that interview, and why the insurance people apparently have given way without any protest. The Queensland Government are the people to follow if we wish to know what is going on in high Labour circles. We have seen the result of the recent Queensland election, and anyone who wishes to know what the Labour party are doing in Australia must go to Queensland. Of course, the Labour party there have their hand in every political move in Australia, for good or evil, and therefore we can bring in the Labour party, and ask now what part are the Labour party playing in this business? If we look at the Queensland Statute-book and look up the Queensland "Hansard" and make ourselves acquainted with Queensland finance, we find that the Queensland Government are going in for State insurance. Not like the New Zealand Government, of life only, but also of fire insurance. Without going into technical and legal details, if hon. members will refer to a very important case decided by the Privy Council only a few months ago, they will find that the Queensland Government won. Although the Fire Insurance Act of Queensland, to my way of looking at it, was most unfair to the Queensland people and to the general public, it was passed by the Queensland legislature and it got the legal sanction—legal, mark you, Sir—of the Privy Council. So far as I understand the position now, the Queensland Government have the fire insurance business and the fire insurance companies—I will put it in the mildest way I can—a great deal more under their thumb than is the case in any other State in Australasia.

Hon. J. Duffell: A very wise step, too.

Hon. A. SANDERSON: I hope, Mr. President, you clearly heard that remark. A most illuminating remark, as most of the remarks in the Chamber are. That enables me to put in another little touch on this picture. Let us leave the Colonial Treasurer alone for a little while, and let us put my colleague (Mr. Duffell) in the position of negotiating with the fire insurance companies. We all heard his remark, "A very good thing, too." I am not quarreling with that interjection. The hon. member is perfectly entitled to that view.

Moreover, he may be right. We are not discussing that question. What I am discussing is how the Colonial Treasurer got this money out of the fire insurance people, and what lever he used to get it, admitting that the fire insurance companies have got the money and admitting that they are a clever, shrewd lot of people. I think there is very little doubt, after that interview, which possibly we should not pry into; but I will put it this way, that I have very little doubt that if my colleague had been the party negotiating with the fire insurance companies he would have used this lever, "If you do not provide that money, I, having no principles at all, will introduce a fire insurance Act into Western Australia." I admit the danger of the ground on which I am treading; but we are compelled, if the Government will not lay on the Table of the House the report of that interview, to proceed by inference. Anyone who takes an intelligent interest in the finances of the country is, in these circumstances, compelled to re-construct that interview for himself in order to find out the position of affairs. I am under the impression, at any rate, that something like that lever was used in order to compel these fire insurance people to hand over that money to the Treasury at 4½ per cent. Apparently the fire insurance people were prepared to do that in the most friendly manner. I could say something about the insurance companies. I could sketch a little line of what the insurance companies were after. However, I shall forbear. After all said and done, the insurance companies have nothing to do with me, and I am only interested in the public finances, and in what our Treasurer has been doing. Now, when we have a record in the sinking fund file of what he has been doing, it is the most damaging paper which I have seen in connection with the finances of Western Australia since I have been in this country, close on 25 years. It is a record which absolutely puts Western Australia on a plane from which it will take, I was going to say a generation, to lift us up again. We have to remember that under this Bill we are going to the London market, through the Commonwealth, with this record behind us; and we did not stop because we thought the thing was dishonest, and we were so stupid that we did not even know our own rules and regulations, and had to be corrected from London. We are going to London now for money, or are trying to raise money there through the Commonwealth, and this with a Colonial Treasurer such as we have at present. We are going to London with a record like this, in which our own officer states that what was proposed would be most damaging to our credit and would make our borrowing very difficult and expensive. We have evidence this afternoon of that, evidence in the Bill here. With regard to the performances which take place on public financial grounds behind sealed doors, we have this insurance business, which at any rate demands some explanation. Those who take an interest in the matter will demand an explanation of that business. Is there any place in the world where misfortune is treated more leniently than in the City of

London? Is there any place in the world where, in view of the magnificent patriotic record of Western Australia, we should have been treated more indulgently if we had behaved fairly and honestly? Is there any place in the world where contempt and disgust are so great when there is any suggestion of double-dealing or repudiation, as in the City of London? And what have we done by our own folly, or by the folly of our Treasurer? We have thrown away our good name, and we have not even got the cash. The Treasurer himself, I suppose, would have been mighty glad to get the cash at any price, as apparently he is with the insurance companies. This is the Treasurer and this is the Government that this unfortunate country has to put up with at the most critical juncture in its affairs. As for any remarks of mine stopping the thing, I cannot stop it. I can only make these protests, and shall continue to do so here and from the public platform, thinking something of the good name and something of the credit and something of the future of this State of Western Australia. But it is almost an impossible task, it is a task which will take us years, to wipe out what has been done by this Country party Government, to recover ourselves from the position into which they have dragged us. There is the situation in a nutshell—we have a Country party Government. Where does the Treasurer come from? Who is he? He was the leader of the Country party. And how did he get into office? He descended from the Speaker's Chair to take his place as saviour of Western Australia. And what is the record he has put up?

The PRESIDENT: The hon. member is hardly speaking to the Bill before the Chamber.

Hon. A. SANDERSON: No, Sir, except in so far, you will allow, as this is a Bill coming from the Colonial Treasurer.

Hon. J. DUFFELL (Metropolitan-Suburban) [5.28]: As regards this Bill I have no intention of indulging in any stone-wallling tactics. The measure is short and to the point, and I shall support it. The fact remains that we are faced with the problem of redeeming a loan which has now reached maturity, and for which the sinking fund amounts to no less a sum than £120,000 out of the total loan of £250,000. No matter how one may try, one cannot get away from the necessity for keeping Western Australia's credit good; and the action of the Colonial Treasurer is designed to provide the £130,000 or thereabouts needed for the redemption of the loan. We know that at present it is impossible to get that money at four or five per cent. In view of the legislation under which the Colonial Treasurer is working, it is not possible for him to raise the amount at anything less than the current value of money. Therefore it is necessary that this Bill shall become an Act, authorising the Government to raise £130,000 at 6½ per cent. A good deal of what has been said by my colleague this afternoon could very well have been left until the Appropriation Bill comes before this Chamber, when we shall have an opportunity of dealing with financial

matters generally and also with the question of what the insurance companies are doing, and what they propose to do, and whether the State should be in a position to reap advantages in regard to that matter. When this Bill is in Committee, I shall hope to obtain some further information regarding the application of the measure, as to which point, I must admit, the remarks of the leader of the House this afternoon left me unsatisfied. He has not given us sufficient information in regard to the application, whether present or future. When the Bill is in Committee we shall have an opportunity of getting the information required. If I cannot get it I shall have some further remarks to make on the point. I will support the second reading.

Hon. J. W. KIRWAN (South) [5.31]: The hon. member who has just sat down seems to think that the Bill has reference to a sum of £130,000 only. I, too, would like to get some information from the Colonial Secretary as to the meaning of the Bill, as to whether the loans that will be raised under the Bill will be purely for redemption purposes. Does Clause 3 mean that the loans we are to raise under the Bill will be solely for redemption purposes or that the loans can be applied to other purposes? Clause 3 is the crux of the Bill, and it seems to me the clause would permit of the Treasurer going considerably farther than merely raising money for redemption purposes.

The Colonial Secretary: That is so.

Hon. J. W. KIRWAN: I ask hon. members to seriously consider that aspect of the question. We must be all agreed that where money is wanted for redemption purposes, it must be provided, whether at  $6\frac{1}{2}$  per cent. or even a higher percentage. The rate must be paid in order to maintain the credit of the State, but at present I do not believe in giving the Government power to raise money at  $6\frac{1}{2}$  per cent. for any other purposes. By a small amendment in Committee I think we could limit the operations of the Bill to the raising of money for redemption purposes. It is essential that the Government should have this power in order to meet the loans falling due. The Treasury bills that will mature by the end of next year amount to the enormous sum of over six millions. I am quoting from the "Public Accounts."

The Colonial Secretary: You mean those issued to the Commonwealth.

Hon. J. W. KIRWAN: Yes, short dated bills, most of them. But the Bill as it stands will allow the Government to raise money for any other purposes at a rate of interest not exceeding  $6\frac{1}{2}$  per cent. If in Clause 3 we were to strike out "and to debentures issued after the commencement of this Act," it would limit the power of the Government to the borrowing of money at  $6\frac{1}{2}$  per cent. to meet the loans that are maturing. I think that is all the power we should give the Government in this regard, more especially in view of the remarks of Mr. Sanderson and others, who say that they have not confidence in the financial policy of the present Ministry. When in Committee, therefore, I will move that the words quoted be struck out from Clause 3. That will

limit the Government to the redemption of Treasury bills and—

Hon. Sir E. H. Wittenoom: What about the other loans?

Hon. J. W. KIRWAN: All those maturing are Treasury bills. There is practically no other form of loan maturing in the near future.

The Colonial Secretary: The £250,000 which I referred to is not Treasury bills.

Hon. J. W. KIRWAN: At any rate, that would not be affected by the proposed amendment, because it would refer to all inscribed stock and debentures. Hon. members should consider what the proposition to borrow money at  $6\frac{1}{2}$  per cent. really means. This money will carry a sinking fund of  $1\frac{1}{2}$  per cent. It is unlikely that the Government will be able to get money for less than  $6\frac{1}{2}$  per cent., and if to that we have to add  $1\frac{1}{2}$  per cent. sinking fund—

Hon. Sir E. H. Wittenoom: Where do you find provision for adding  $1\frac{1}{2}$  per cent. sinking fund?

Hon. J. W. KIRWAN: The money to be borrowed will carry sinking fund.

The Colonial Secretary: Many of our loans carry a sinking fund of one-half per cent.

Hon. J. W. KIRWAN: What sinking fund does the loan to be immediately redeemed carry?

The Colonial Secretary: I cannot say.

Hon. J. W. KIRWAN: At all events one-half per cent. sinking fund must be added to the  $6\frac{1}{2}$  per cent. interest, so the total interest and sinking fund charges will be at least seven per cent. Think what that means.

Hon. Sir E. H. Wittenoom: You will find that in another Bill it is proposed to suspend the sinking fund.

Hon. J. W. KIRWAN: At any rate that Bill has not passed. The position at the present time is that we have to pay in interest and sinking fund, £1,873,000 out of a total revenue of £4,400,000. In other words, we have to pay something approaching one-half of our total revenue in interest and sinking fund charges. If we have to redeem our loans at a high rate of interest, even although we do not borrow any more, the interest bill will go on increasing, and so the time will surely come when it will amount to one-half of our revenue; while if we go on raising fresh loans at  $6\frac{1}{2}$  per cent. and piling up the deficit at the rate of approximately one million pounds per annum, the time is not far distant when the interest and sinking fund charges will consume all our revenue. The manner in which the Bill was introduced led me to believe that it was simply giving power to raise money for the purpose of loan redemption. But the object of the Bill goes far beyond this; it contemplates giving the Government power to borrow at  $6\frac{1}{2}$  per cent. to be utilised for whatever purpose the Government deem necessary. The powers asked for are very far reaching. When in Committee I will move the amendment I have already outlined.

The COLONIAL SECRETARY (Hon. H. P. Colebatch—East—in reply) [5.40]: As Mr. Sanderson mentioned in his opening remarks, I can quite realise that it is possible, without offending against the rules of the House, to

discuss the whole question of the financial position of the State upon this simple proposal. I do not intend to do anything of the kind. We shall have an opportunity for doing that shortly. I do not propose to submit the Bill to the Committee stage until Tuesday next, so there will be ample time for members to make all inquiries and investigations they may desire. In respect of Mr. Sanderson's attack upon the Treasurer, I am inclined to think that the extravagant language used by the hon. member would be in itself quite sufficient answer to that attack. I propose, without indulging in any extravagant language, merely to submit to the House the actual facts of the position; then it will be seen whether the hon. member's attack was or was not justified. In the first instance, why did the Treasurer desire to suspend the sinking fund? Hon. members are aware that the State deficit has to be met out of loan funds or trust funds. There is no other means of meeting it. Therefore, whatever the deficit may be, we have to borrow the amount to make it good, and we have to pay interest on it. Our sinking fund at present amounts to something between £300,000 and £400,000 per annum. The bulk of our loans carry a sinking fund of one per cent. The loan of three millions for the Goldfields Water Scheme carries a sinking fund of three per cent., a sinking fund which will wipe out the loan completely some years before the bonds come to maturity. Loans raised more recently carry a sinking fund of one-half per cent. There was no intention of, as Mr. Sanderson not merely suggested, but stated and repeated, raiding the sinking fund, or of taking one penny from it. Western Australia is the only State in the Commonwealth which has consistently provided sinking fund for the meeting of its loans. Our accumulated sinking fund to-day is upwards of £5,000,000. There was no suggestion on the part of the Treasurer to raid the sinking fund as stated by Mr. Sanderson. The hon. member usually employs, not the language that accurately represents the position, but the language which to his mind will give the greatest force to the case he is endeavouring to put up. Therefore he accuses the Treasurer of raiding the sinking fund, in exactly the same way as on another occasion he accused Ministers of giving subsidies amounting to £5,000 whereas, as a matter of fact, what Ministers gave was a loan on security of £2,800. I prefer to stick to the facts. The Treasurer did not propose to raid the sinking fund at all. What he suggested was this: At the present time, we are bound to have a deficit. We cannot get out of it. We are bound to provide that deficit out of loan money, and of course the bigger the deficit is the bigger the loan we have to raise. Our sinking fund contribution amounts to between £300,000 and £400,000 per annum. The payment of that sinking fund increases the annual deficit by £300,000 or £400,000, and that money has to be borrowed. The money cannot be borrowed at less than, for the sake of argument we will say, six per cent. If we borrow at the rate of six per cent. in order to pay our sinking fund obligations, the money goes into the sinking

fund for investment, and the usual manner of investing the sinking fund is to repurchase the State's stock. Since the outbreak of war, I believe a great deal of the sinking fund has been invested in purchasing some old three to three and a half per cent. stock at a considerable discount. Generally speaking, the investment of sinking fund moneys realises an interest of between  $3\frac{1}{4}$  and four per cent. Consequently, for every penny we borrow to invest in our sinking fund, we are losing two per cent. The sinking fund will shortly reach £400,000, and we are about to come to that period when the sinking fund becomes due on the heavy loans raised during the four or five years immediately preceding the outbreak of war. Not only, therefore, did the Colonial Treasurer see in this method a means of relieving the revenue, but also saw a means of effecting a saving to the country of £8,000 per annum, a saving not to be despised if it can be legitimately carried out. What did the Colonial Treasurer do? He first of all consulted the Crown's legal adviser in order to ascertain whether or not there was any legal obstacle to that proposal. Mr. Sanderson says that his opinion is not on the file. Reference is made to it in the minute forwarded by the Premier to the Solicitor General, after the receipt of the cables referred to by Mr. Sanderson. The minute reads—

Following our conversation on the subject contained herein and more especially the cable recently received from the Agent General, I shall be glad of your opinion on the position raised by the resuscitation of the Order in Council referred to. It seems to me that paragraph 3 settles the matter.

On the following day, and as a result of the conference with the Solicitor General, the Premier wired to the Colonial Treasurer mentioning that the Solicitor General was unaware of the Order referred to. At the time he advised the Colonial Treasurer that there was no legal obstacle in the way of suspending the sinking fund, the Solicitor General was unaware of the Order referred to. Having been advised of that Order, he agrees that the Government cannot suspend the sinking fund. From the point of view of the Colonial Treasurer, I want to make it clear that his first step was to consult the legal advisers of the Government, so as to acquire from them information as to whether the course he proposed to take was correct or not.

Hon. W. Kingsmill: They would give a contrary opinion on the very next day.

THE COLONIAL SECRETARY: That may be so, but I merely wish to state that the Colonial Treasurer did what was to be expected of him in asking for advice from the legal advisers of the Government. If they made a mistake I do not see that it is just to condemn the Colonial Treasurer for it. His next step was to have telegrams sent to the different States of the Commonwealth, with a view to ascertaining the



course they took in the matter. In the Eastern States the sinking fund is not nearly so heavy a burden as it is in Western Australia, because they have not made systematic provision for the repayment of all their loans by means of a sinking fund. It would be a very small virtue on their part to continue a sinking fund as compared with the position in that respect in this State. A reply was received from the Treasurer of South Australia, "Sinking fund suspended under special Act."

A reply was received from the Colonial Treasurer of Victoria, where the sinking fund is a small matter and not worth considering, "Sinking funds are being maintained as usual." A reply was received from the Colonial Treasurer of New South Wales—

Annual contributions to general sinking fund suspended by statute during financial year 1913-14 until Consolidated Revenue fund deficiency extinguished. Provision is made where no deficiency at end year for Consolidated Revenue to contribute to sinking fund extent of credit balance on Consolidated Revenue during year up to maximum of £350,000.

In New South Wales and in South Australia the operations of the Sinking Fund Acts have been suspended during the period of the war. That is all that the Colonial Treasurer proposed to do in this instance, not to dip his hand into the sinking fund or raid it, but merely to approach our creditors in London and ascertain whether they thought it was a reasonable proposition that during the war, when we were bound to have a deficit and had to borrow money at a higher rate of interest to meet that deficit, it might not be considered reasonable for a State like Western Australia, which has contributed so largely in the way of sinking funds, to suspend the further payments of the sinking fund during the period of the war. On that proposal being put before the Agent General—he was advised before the Bill was introduced—and upon its being placed by him before our creditors in London they dissented from it and quoted the Order in Council, which came back to the Government, with the result that the idea of suspending the sinking fund was abandoned. It is a very flimsy foundation upon which Mr. Sanderson attacks the Colonial Treasurer and seeks to make out that the Government are ruining Western Australia. It was by no means an unreasonable proposition, in view of the size of our sinking fund, and in view of the fact that South Australia and New South Wales had suspended their sinking funds, to put before our creditors in London, as to whether this State might be permitted to suspend its sinking fund during the period of the war. Since they did not approve, the idea has been abandoned, and we shall have to borrow money at a greater rate of interest to pay the sinking fund, and the difference between the interest we shall have to pay on the money which was used for the sinking fund and the interest we shall get from the investments, will be something like a loss of £8,000 per annum, which

this State will, unfortunately, have to face. I do not intend to discuss the question of the interview between the Colonial Treasurer and the fire insurance companies, for this can be dealt with when the Bill concerning that matter is introduced. Mr. Sanderson requested to know how the Government had got the money out of the fire insurance companies. I suppose he was entitled to put the matter in the light which best suited himself, and that this was the most effective way of putting the matter. He should know, however, that the Colonial Treasurer has not had a sixpence out of the companies yet, and cannot do so until the Bill has passed not only this Chamber but another place. I do not mind the hon. member putting the matter in what he may deem to be the most effective way, but we can deal with the question when the time comes. Regarding the reference made by Mr. Kirwan to the Treasury bills which are shortly to mature, I may say that it is not the intention of the Government to borrow money under this Bill for the redemption of these Treasury bills. Up to the present, since the outbreak of the war, the Government have avoided the issuing of inscribed stock with a long currency, because of the high rate of interest which has to be paid, and have preferred to work under Treasury bills the period of which is limited to five years. When these bills expire arrangements will be made to borrow, or, if the market is as bad as it is now, to issue additional Treasury bills for a further period, rather than borrow on the inscribed stock with a currency of 30 years at the present high rate of interest. On the inscribed stock falling due, if we were to raise money under Treasury bills to pay that, there would be no provision for the continuance of the sinking fund, and that is why the Bill is being introduced. No doubt the Bill as at present worded might be taken advantage of if Parliament passed the necessary legislation authorising the raising of money to issue inscribed stock at  $6\frac{1}{2}$  per cent. That is the point which hon. members will have until Tuesday next to consider, and which in the meantime I will discuss with the Colonial Treasurer.

Hon. Sir E. H. Wittenoom: That is Clause 3.

The COLONIAL SECRETARY: The immediate object of the Bill is to enable the Treasurer to issue inscribed stock for the redemption of inscribed stock and not for the redemption of Treasury bills.

Hon. J. W. Kirwan: My amendment would make the Bill stay there and limit it to that.

The COLONIAL SECRETARY: I am prepared to discuss the hon. member's amendment in the most conciliatory spirit when the Bill comes before the Committee on Tuesday.

Question put and passed.

Bill read a second time.

BILL—LAND ACT AMENDMENT ACT.

Received from the Legislative Assembly and read a first time.

## BILL—TREASURY BONDS DEFICIENCY.

## Second Reading.

The COLONIAL SECRETARY (Hon. H. P. Colebatch—East) [5.55] in moving the second reading said: This is a Bill to make provision, in the first instance, for the raising of £650,000 by the issue of Treasury bonds or inscribed stock; secondly, for the funding of the net deficit on the Consolidated Revenue account for the year ended 30th June, 1917, and thirdly for the suspension of the payment of the sinking fund for the redemption of Treasury bonds issued under the Treasury Bonds Deficiency Act, 1916. It will be within the recollection of hon. members that the Treasury Bonds Deficiency Bill, as it reached this House in 1916, made provision not only for the funding of the then existing deficit, but also all future deficits. This House took exception to this. The view taken at the time was that if it was desired to fund the deficit it must be done by the will of Parliament as specifically expressed in regard to that amount. Consequently, the Act was amended, and this Bill is the result of that amendment. It is well understood that the deficit must be financed either from loan or trust funds. It has to be paid, and there is no other means by which it can be financed. In the past it has been financed out of loan funds, without any Parliamentary sanction. The result is that the money raised on the authority of Parliament for the carrying out of certain work has been used for the financing of the deficit. The Act of 1916 put the matter in order so far as the deficit at that time was concerned. That Act authorised the raising of £1,500,000, but of this total only £1,360,965 was required to meet the deficit to the 30th June, 1916. This left a balance of £139,036. On the separation of the trading concerns from the Consolidated Revenue account, there were certain adjustments, which reduced this surplus by £18,885, leaving a credit balance of £121,150. The deficit for the year ended 30th June, 1917, was £699,757. After deducting the available balance from the previous authorisation, £578,000 is required to meet the deficit for the year ended 30th June, 1917. Provision also has to be made for flotation expenses, not only in regard to this £650,000, but also in regard to the 1½ millions authorised under the Act of 1916. Consequently, in this Bill a total sum of £650,000 is asked for. This will make the total authorisation under the Treasury Bonds Deficiency Act £2,150,000. Up to the present time the amount actually raised has been £958,265. This has been raised by loans from the Commonwealth, and further loans from the Commonwealth will be used against the balance of the authorisation, as required, and the General Loan Fund will be recouped accordingly. By the Act of 1916 provision was made that the moneys raised under this Act should be repaid within 30 years, and there was also a provision for the payment of a sinking fund. The amount was not stated. It was taken for granted that it would be sufficient to liquidate the deficit in 30 years. This would be approximately two per cent. We have already had a discussion this after-

noon on the question of the suspension of the sinking fund, but in regard to this particular one, I would point out that there is no obligation to the public. The public take these bonds, or Treasury bills, neither of which makes provision for a sinking fund. The arrangement in connection with the provision of a sinking fund is really an arrangement made with the State and has nothing whatever to do with the outside creditor.

Hon. Sir E. H. Wittenoom: They get paid in full on demand.

The COLONIAL SECRETARY: Yes. To provide for a sinking fund would mean, as I have stated, that we would be obliged to borrow money at a higher rate of interest and invest it at a lower rate, and on this amount, estimated at something like £40,000 per annum, we would actually lose a considerable amount, without any benefit whatever being derived. It is only intended that the sinking fund for the repayment of the deficit should be suspended from time to time at the will of the Governor.

Hon. J. W. Kirwan: What was the object of the last Government in including a provision for the sinking fund?

The COLONIAL SECRETARY: It was thought at the time that the war would soon be over and that we would immediately start to make repayments, but it is recognised now that during the period of the war it would be bad finance to borrow money at a high rate in order to invest it in a sinking fund at a lower rate. I do not think there are any other points to draw attention to in this Bill and, as with the other Bill, it is not proposed to carry it to the Committee stage until next Tuesday. I move—

“That the Bill be now read a second time.”

Hon. Sir E. H. WITTENOOM (North) [6.4]: I look upon this as exceedingly mischievous legislation and I extremely regret that there is necessity for it. If we are going to fund the deficit every year, what limit will there be to the extravagances of any Government? We are told that in two or three years we have funded deficits to the extent of over two millions. Surely it is the province of the Government to make the expenditure meet the revenue. Yet we are calmly told that we must fund £650,000 this year, and already a very big sum has been funded. What will be the result of this kind of thing? We are living to a large extent on borrowed money. I wonder how any private business would get on under similar circumstances? What a splendid idea it would be if a mercantile house had a deficit of £100,000 every year and was able to fund it. This is an extraordinary state of affairs and I cannot understand the Government calmly asking that the deficit of £650,000 should be funded, with very little explanation as to why there should be such a tremendous deficit. Of course, I suppose we must get money from somewhere, because the Government have been taking money from trust or loan funds, which is extremely irregular, and now they have to borrow money from other sources at a high rate of interest to repay those amounts. While I do not intend to

oppose the second reading of the Bill, I cannot but enter a strong protest that the business affairs of this country should be carried on in such a way that we should be funding deficits in the manner that we are doing. There seems to be no limit to the extravagance of the Government. They can go on as they like and borrow sufficient every year to pay off what is owing. I do not know what the result of this method of finance will be. I am in accord with what the Colonial Secretary said, that it would be foolish to borrow money at a high rate of interest in order to invest it in a sinking fund at a lower rate of interest. However, I will not oppose the second reading of the Bill.

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

House adjourned at 6.8 p.m.

## Legislative Assembly,

Thursday, 21st March, 1918.

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

[For "Questions on Notice" see "Votes and Proceedings."]

### QUESTION—COLLIE COAL TESTS ON RAILWAYS.

Mr. O'LOGHLEN (without notice) asked the Minister for Railways: Were certain tests of Collie coal carried on last week between Perth and Armadale? If so, will the Minister notify the House at a later date of the results of such tests?

The MINISTER OF RAILWAYS replied: I am not aware of any such tests having been made.

### BILLS (3)—FIRST READING.

- 1, Insurance Companies.
  - 2, Land and Income Tax Assessment Act Amendment.
  - 3, Land Tax and Income Tax.
- Introduced by the Colonial Treasurer.

### ROYAL COMMISSION, COST OF LIVING.

The PREMIER (Hon. H. B. Lefroy-Moore) [5.48]: I would like to make a statement to the House. Members of the Royal Commission on the Cost of Living have sent in their final report. The chairman called on me this morning, and now I have the final report for submission to His Excellency, the Commission having completed their labours.

Hon. P. Collier: Have you tracked down the other Commission yet?

The PREMIER: They are nearly through.

### SELECT COMMITTEE, RABBIT PEST.

Extension of time.

Mr. SMITH (North Perth) [5.49]: I regret very much I have to ask for an extension of the time provided for bringing up the report of the select committee. We have this afternoon completed the drafting of the report, but there has not yet been time to have it typed. I move—

"That the time for bringing up the report be extended until Tuesday next."

Hon. P. COLLIER (Boulder) [5.50]: I do not know whether the House will be justified in granting this extension of time.

Mr. Davies: The rabbits are increasing all the time.

Hon. P. COLLIER: That is just the point. It is not because I fear that owing to the delay in bringing up the report we shall not have time to consider it, because now that we are to go on with the session in Kathleen Mavourneen fashion we shall have ample time in which to deal with it. The point is that the rabbits are flocking in in ever increasing numbers and approaching nearer and nearer to the more closely settled districts.

Mr. Harrison: On the other hand, the poison carts are already at work.

Hon. P. COLLIER: Yes, but the select committee may advise the House that this is an entirely wrong method of dealing with the rabbits. In the meantime the department is going on with the poison carts, while we are awaiting information as to the most effective method of dealing with the pest. What will happen if the Industries Assistance Board and the Agricultural Department continue expending considerable sums of money in the purchase of poison carts, and the select committee reports that those poison carts will be obsolete and of no use whatever next week? It may be that the committee will recommend an entirely different method of dealing with the pest. However, I hope the committee will take warning and get a move on. Of course, I know it was necessary for them to go round the rabbit infested areas. I may say in all seriousness that whilst in Kalgoorlie last week I met some men who had just come in from the Great Western Railway. They informed me that all along the country traversed by that railway, and even across the great Nullabor plain, the rabbits are making overland in millions, that the whole country side is infested with them. I questioned the men as to how the rabbits were getting on without water, but I was informed that there is a heavy dew nightly in that part of the country, and that sufficient moisture is thus provided for the rabbits.

Mr. Smith: Are they climbing rabbits?

Hon. P. COLLIER: I do not think so. In any case they would not have an opportunity