

Mr. SPEAKER: What does the hon. member wish to be withdrawn?

Mr. Fox: The offensive remark made by the member for Toodyay.

Mr. SPEAKER: I did not hear it. The member for Toodyay, however, must withdraw.

Mr. THORN: I withdraw.

The Minister for Labour: And apologise!

Mr. THORN: It has been made public that I would deal with this question, and now I am denied the opportunity to do so. I resent it very much indeed, but still I must bow to the will of the Chamber.

Question put and passed.

House adjourned at 6.17 p.m.

Legislative Council.

Tuesday, 12th May, 1942.

	PAGE
Leave of absence	3260
Motions: Obituary, the late Hon. J. J. Holmes,	
M.L.C.	3260
Taxation, as to deduction of A.L.P. expenditure	3263
Uniform Tax proposal, as to submission to State	
Parliaments	3265
Goldmining Industry, as to manpower proposals	3280

The PRESIDENT took the Chair at 11 a.m., and read prayers.

LEAVE OF ABSENCE.

On motion by the Honorary Minister, leave of absence for the remainder of the session granted to Hon. G. Fraser (West) on the ground of his enlistment in the R.A.A.F.

On motion by Hon. H. L. Roche, leave of absence for six consecutive sittings granted to Hon. A. Thomson (South-East) on the ground of ill-health.

MOTION—OBITUARY.

The Late Hon. J. J. Holmes, M.L.C.

THE CHIEF SECRETARY (Hon. W. H. Kitson—West) [11.6]: Before we proceed any further with the business on the notice

paper, I desire the sanction of the House to move, without notice, a motion, which I feel it my duty to place before members, and which I certainly submit with the deepest regret. Since we last met, one of our colleagues has passed away. Therefore I desire to move—

That this House desires to place on record its sincere appreciation of the public services rendered to this State by the late Hon. J. J. Holmes who, at the time of his death, was a member for the North Province, and expresses its deep sympathy with the members of his family in the irreparable loss they have sustained by his decease; and that the President be requested to forward the foregoing resolution to the members of his family.

The late Mr. Holmes was one of the oldest members of Parliament, both in regard to years and length of service rendered to the State in that capacity in Western Australia. Although he and I very frequently differed in our political viewpoints, and while we often had marked differences of opinion, nevertheless I always held him in the highest esteem. I appreciated the fact that he was conscientious in the viewpoint he expressed, and I also appreciated the fact that no member could have been more consistent in his advocacy of a particular matter than was the late Mr. Holmes. He was a remarkable man in many ways.

For practically the whole of his lifetime he was associated with the public life of the State. He was not only a member of Parliament, but was also, on two occasions, a member of the Ministry. In the business life of the community, during the whole of his lifetime, he played a very prominent part, and he was also associated with financial institutions in this State, which no doubt reaped the benefit of his very wide knowledge. So while one might have differed from the views of our late colleague, one must admit that he did play a very prominent part in the public and business life of the State. For those reasons it is with very deep regret that I move this motion.

I feel sure the House will agree with me when I say that, notwithstanding the differences of opinion to which I have referred, in all these various activities he played a very great part in the development of Western Australia. He was a very strong advocate in support of the interests of the north-western section of the State, a part that is particularly prominent to-

day in view of circumstances now existing. He and his colleagues who represented the North Province have for many years expressed very strong views regarding what should be done in that particular area.

In view of present circumstances we may recall the fact that he, together with Mr. Miles, was particularly prominent in respect of all matters affecting the development of the North-West. I think, too, it may be said that he was a pioneer in the development of our pastoral and agricultural areas. I feel sure we shall all miss his contributions to our debates, particularly those affecting the phases I have mentioned. That being so, I am sure members will agree with me that we not only regret the passing of our late colleague, but sympathise very sincerely with those he has left behind.

HON. C. F. BAXTER (East) [11.13]: I rise to second the motion of condolence moved by the Chief Secretary. The late Mr. Holmes was elected to this Chamber in the same year that I first became associated with the Legislative Council. During the intervening period of 28 years, I was greatly benefited by the enjoyment of his sincere and wholesome friendship. His demise is indeed a very grievous loss not only to this Chamber but to the State in general, and more particularly to those who, like myself, were so closely associated with him and continually depended on his ability and consideration. He carried out his duties with determination and without fear or favour, irrespective of persons. He never wavered from the course he thought was right and honourable. Although some may have disagreed with him, they yet held him in the highest esteem.

No man can take a prominent and effective part in contentions, in the discussion of everyday politics, affecting varying sections of domestic economy and finance with such determination as he did without inviting keen reproach and fierce misconception. But as his integrity remained unsullied, his purpose pure and his life blameless, conflicting views and differing counsels fade into the background. The judgment of John Joseph Holmes was always just and equitable; his estimate of men was always valuable. He was a great Western Australian patriot. His whole life—socially, commercially and politically

—has been an inspiration to us all, and offers to future generations a priceless example of inflexible fidelity to conscience and public duty.

He evinced his love of the people not so much by honeyed phrases as by good counsel and useful service. He came before them less with flattery than with instruction, with a scheme of politics involving a system covering educational, financial, social and governmental phases that, if given effect to, would have been highly beneficial to the people and to the State generally. Our departed friend has gone down to the grave peacefully and quietly at a good old age. He had performed his appointed work. He had done nothing to sully his fair name. No trace of envy or calumny can now affect him. Members may recall that during the course of his last speech in this Chamber Mr. Holmes made use of the following words:—

I am certain I shall not participate in the payments to be made to us 20 or 30 years hence. When I disappear from this scene someone may then say "Well done."

Those words were characteristic of our late colleague and all who have been associated with him may well echo his own comment: "Well done." On the other hand, everyone knows that he merits very much higher praise than that. The character of the late Mr. Holmes is recorded in the public history of his native State, pure and unsullied, a guiding star for others to follow.

HON. J. CORNELL (South) [11.18]: No words of mine could add to or take away from the esteem and regard in which the late Mr. Holmes was held by the public generally throughout his long career in this State. They have raised to him a cairn of respect which, I venture to assert, will stand the test of the present and of the years yet to come. I think the coping stone of that cairn symbolises the high appreciation Mr. Holmes had of right and wrong. During my long sojourn on this planet, I have known of no man who had a higher recognition of what was the right thing to do and a greater horror of the wrong thing. Political opponents differed from him markedly but I suggest that they all had the highest regard and respect for John Joseph Holmes. Than that there could be no greater tribute to a public man.

It is as a family man and a friend that I would add a few words in memory of our late colleague. I know of no one who better filled the post of husband and father than the late J. J. Holmes. All who knew him personally will agree with that expression of opinion. I know that his family will miss him. We, too, will miss him, but I know that his family are reconciled to their great loss and are fortified by the respect in which their late father was held. It is as a friend that I would finally speak of John Joseph Holmes. He had his peculiarities but of him I will say he was my best friend and confidant, particularly during the last 10 or 12 years. Whilst in many respects, as I have indicated, he had peculiarities, he had also those attributes which are requisite in a successful public man and a close friend. Mr. Holmes did not reach decisions lightly but, when he did make a decision, nothing would deter him from pursuing it. Let me add that when Mr. Holmes made a friend, he never lost him.

HON. J. M. DREW (Central) [11.21]: I join with other members in expressing my deep regret that death has taken our old friend and colleague, the Hon. J. J. Holmes. There is no doubt whatever that the passing of Mr. Holmes means a loss to this State and a loss to this House, as other members have already indicated. Whenever Mr. Holmes spoke he showed that by personal investigation of important subjects—such as finance, for instance—he was able to supply facts, and arguments based on those facts, calling for explanation from the Leader of this Chamber. One might disagree with his comments. That depended upon the standpoint from which they were viewed. But he always merited a reply, and the reply sought to show the other side of the shield. Hence a debate on important questions in which he took part was helpful to Governments—although that assistance was rarely admitted—and helpful also to those who gave the questions I allude to close and intelligent study. Mr. Holmes was not a stubborn, obstinate man, as some people seemed to think.

In controversy he was decisive, and occasionally somewhat heated in the expression of his views; but still he could not be classed, as a legislator, with being a stubborn or obstinate controversialist. He was open to conviction. More than once I have had proof

of that. About two years ago he spoke strongly against certain legislation introduced by the Government. His opposition was based upon sentimental grounds, but grounds which appeared to show that the legislative action contemplated would be resented by the people of Western Australia in days to come. I decided to vote against the proposed Bill, and when the measure was referred to a select committee I supported the inclusion of Mr. Holmes because of his antagonism to the measure. However, on more thorough investigation of the matter Mr. Holmes changed his whole attitude. He supported the legislation, and convinced me and brought me to his side. I appreciated his honesty of purpose and the soundness of his judgment, although we frequently differed. I deeply regret his death, the death of a man whose friendship I valued; and my profound sympathy goes out to his family in their hours of sorrow. I support the motion.

HON. W. J. MANN (South-West) [11.26]: I, too, wish to associate myself with the expressions of regret that have been voiced here this morning regarding the passing of Mr. Holmes. Forty-four years have elapsed since the late gentleman and I were first associated. I took part in the first election campaign that Mr. Holmes ever contested. With a number of other young men, I was deeply impressed with his determination to advance the interests of Western Australia; and we threw the whole of our energies—for the first time in our lives—into an election campaign; and we had the satisfaction of seeing Mr. Holmes elected. Down all the years since he has been a close friend. Although for many years Mr. Holmes and I saw little of each other, I closely followed his public career. Although I, with others, frequently disagreed with him, I retained my faith in his judgment, and the same faith in the knowledge that whatever cause he espoused he believed in thoroughly. When I entered Parliament he gave me much kindly advice, as I know he has given also to other members; and I am sure that this State will be the poorer, and we in this House will be the poorer, for Mr. Holmes's departure from our midst.

HON. G. W. MILES (North) [11.28]: It is with deep regret I rise to support the remarks of previous speakers regarding my late colleague, the Hon. J. J. Holmes. I be-

lieve I knew the late gentleman more closely than did any other member of the Chamber. I remember when he first came to Fremantle, in the eighties. Other members have described his career in the early days. I was one of those in the North who, in 1914, got in touch with every centre of the province to request Mr. Holmes to nominate for the seat. He had then been out of political life for, I think, ten years. I was telegraphed to by the then Leader of the National Party, the late Hon. Frank Wilson, requesting me to support the candidature of Sir James Connolly; but I telegraphed back to Mr. Wilson expressing regret that I could not support Sir James Connolly as I, with others, had already asked Mr. Holmes to nominate for the seat, since the people of the North did not intend to allow Perth to use the North as a pocket borough in the future as it had done in the past. The result was that the late hon. gentleman was elected by a substantial majority. After that he never had to contest his seat for the North Province. On many occasions I have said in this House that Mr. Holmes was the best member the North ever had, and I say that again today. It will be most difficult to replace him. I express my deepest sympathy with members of the family of the late Mr. Holmes.

HON. L. B. BOLTON (Metropolitan): [11.31]: I should like to associate myself with the motion, and add my sympathy with members of the late Mr. Holmes's family in the loss they have sustained. As pointed out by previous speakers, not only has the family sustained an irreparable loss, but this State has also lost a man who in the years that he served it, went very far to bring about the development of our North. My association with the late Mr. Holmes also dates back as far as the eighties. When as a lad I arrived in this State, approximately 55 years ago, Mr. Holmes was employed in a departmental store in Fremantle. I have been associated with him in business practically ever since. I have also appreciated the benefit of his advice since I became a member of this House. In Mr. Holmes, and in the way in which he discharged his duties as a representative of the North Province, I have found the same straightforwardness that he displayed in all the business transactions he ever had. I say with other members that this House and

this State have suffered a very great loss. I support the motion.

THE PRESIDENT: I have very little to add to what has been said this morning. Many members have spoken, and have spoken very sincerely and well regarding our late colleague. I can truthfully say that I endorse every word that has been uttered. Mr. Holmes was in every respect a worthy son of Western Australia. He was born in this State. He loved his home land and strove earnestly for its development. He was ever loyal to its advancement. I can thoroughly bear out what Mr. Drew has said about his tolerance towards those who differed from him in their public views. He was very staunch to his principles and was ever ready to recognise sincerity. Wherever he recognised sincerity he admired the expression of view even if he did not agree with it. I know he will be missed in this House, but his memory will ever remain with us. I ask members to carry the motion in the usual way.

Question put and passed; members standing.

MOTION—TAXATION.

As to Deduction for A.R.P. Expenditure.

HON. J. A. DIMMITT (Metropolitan-Suburban) [11.35]: I move—

That this House emphatically protests against the injustice of the provision:—"That income tax deductions would not be allowed in respect of expenditure by owners and occupiers of premises used to produce income, on blacking out of windows, protecting glass, sand-bagging, the provision of structural supports to strengthen a room or basement, the construction of a complete air raid shelter, or in the purchase of ladders, shovels, stirrup pumps, or other A.R.P. equipment." In the opinion of this House the Government should amend Section 52 of the State Income Tax Assessment Act, 1937, so as to provide:—"That air raid precaution expenditure, including the cost of providing air raid shelters, and whether in the nature of capital expenditure or otherwise, incurred in gaining or producing assessable income, or necessarily incurred in connection with the carrying on of a business for the purpose of gaining or producing such income, shall be an allowable deduction, except to the extent to which such expenditure adds permanently to the value of the property."

During the debate in this House a few weeks ago on the statement of the Chief Secretary dealing with the State's war effort I

drew attention to a Press report of remarks made by the Federal Commissioner of Taxation. That officer said that certain air raid precaution expenditure would not be an allowable deduction for the purpose of income taxation. He indicated that wages and salaries of fire watchers and spotters doing their work on premises that were used for the purpose of earning assessable income were an allowable deduction, but he was very emphatic in his statement that other air raid precaution expenditure, such as that on the sand-bagging of premises, the removal of shop windows, the boarding-up of openings, the purchase of ladders and stirrup pumps, the digging of air raid shelters and such like works was not an allowable deduction for the purpose of assessing income tax. That seems to be an entirely unreasonable and unfair attitude for the Commissioner to adopt.

The question of whether the digging of air raid shelters or the sand bagging of premises is an outgoing of a capital nature—it is the opinion expressed by the Federal Taxation Commissioner that such expenditure is of a capital nature—seems to me to admit of no argument. Expenditure such as I have mentioned is distinctly trade expenditure. It is expenditure incurred in the production of assessable income and in the protection of that income. If an employer fails to provide air raid precautions for his employees he will find that they will leave him and seek employment where they are adequately protected. If a shopkeeper fails to provide protection for his customers he will find that they will do their shopping in an emporium that provides precautions against injury from flying glass, and shelters to which they can retire.

One must be reasonable and realise that the expenditure which is to be disallowed, according to the reported remarks of the Federal Taxation Commissioner, should indeed be an allowable deduction. Some business proprietors in the city have spent large sums of money, in many cases running into hundreds of pounds, in their efforts to protect employees and customers. One of these establishments has spent a sum in excess of £1,000. I draw attention to the fact that for every £100 that any company, firm or individual spends on air raid precautions, that company, firm or individual is assessed for income tax purposes to the extent of £33 2s. 6d. The emporium that has ex-

pended £1,000 will, therefore, have to pay £330 in income tax because the money has been spent in that direction. That seems to be entirely unfair. I hope the House will support the motion and protest emphatically against the ruling of the Federal Taxation Commissioner. I also ask in the motion that the House express the opinion that the State Government should amend the Income Tax Assessment Act 1937. That Act provides, in Section 52—

All losses and outgoings to the extent to which they are incurred in gaining or producing the assessable income, or are necessarily incurred in carrying on a business for the purposes of gaining or producing such income, shall be allowable deductions except to the extent to which they are losses or outgoings of capital, or are incurred in relation to the gaining or production of exempt income, or of a capital, private or domestic nature.

There is some diversity of opinion amongst the various authorities as to what is in the nature of outgoings of capital. It may be difficult in these times of unprecedented happenings and circumstances to determine exactly what air raid precaution expenditure should be allowable for the purpose of income tax deductions. To obviate all that uncertainty I suggest that the whole matter be cleared up by an amendment to the Act. In my remarks during the debate on the Chief Secretary's statement I raised the same contention, but I feel that the House is entitled to have this matter brought under notice again. My suggestion would clear the atmosphere entirely and indicate decisively what is allowable and what is not allowable in regard to air raid precaution expenditure, as applied to income tax assessment. I suggest an amendment along these lines so as to provide—

That air raid precaution expenditure, including the cost of providing air raid shelters, and whether in the nature of capital expenditure or otherwise, incurred in gaining or producing assessable income or necessarily incurred in connection with the carrying on of a business for the purpose of gaining or producing such income, shall be an allowable deduction except to the extent to which such expenditure adds permanently to the value of the property.

I think the State Government should amend the Income Tax Assessment Act along the lines I have suggested, in spite of the discussion now taking place in Canberra regarding the proposal for centralising all taxation. There is no certainty that the Federal Parliament will carry that project,

but in any case a gesture from this Parliament would indicate its fair-minded attitude and would correct an anomaly which has been created by the published statement of the Federal Commissioner of Taxation. There seems very little more I can say on the subject, because it must be obvious to all that the imposition of income tax on air raid precaution expenditure is utterly unjustified, and morally and ethically wrong. I commend the motion to the House.

THE CHIEF SECRETARY (Hon. W. H. Kitson—West) [11.47]: I do not propose to offer any objection to the principles involved in this motion. The Government has given some slight consideration to this particular question but, as members are aware, within the next few days a determination will be arrived at by the Commonwealth Government as to whether the so-called uniform taxation measure will become operative. If the Commonwealth Government does pass that particular measure, then this will be a matter for the Commonwealth Government to determine because the State will not be in a position to raise taxes. The particular point will be covered in the discussion on another matter which will be before this House later.

In the event of the Commonwealth Government not agreeing to this proposed legislation, then the right of the State to levy income tax will remain with the State, and it will be necessary for the State Governments to give consideration to the question raised by Mr. Dimmitt. I understand that there is another side to this question, from a taxation point of view. It does not affect all the matters mentioned by Mr. Dimmitt, but one or two items. Nevertheless the position is that if the Commonwealth Government carries out its intention and the uniform taxation proposal becomes operative as from the end of this financial year, then it will be for that Government to consider this matter; if not, then the State Government will give serious consideration to the position which has arisen as the result of expenditure being incurred in connection with air raid precautions.

Question put and passed.

SUSPENSION OF SITTING.

THE CHIEF SECRETARY (Hon. W. H. Kitson—West) [11.49]: I am in receipt of a telegram from Mr. Seddon to the effect

that, owing to his train being late, it will not be possible for him to be here before 1 p.m. As he is the member most particularly interested in the balance of the business on the notice paper, I suggest that this sitting of the House be postponed until after lunch in order that he be given an opportunity to move the motion standing in his name. In these circumstances, I shall move that this sitting be postponed until after dinner.

Hon. J. Cornell: You should move that the President leave the Chair.

The CHIEF SECRETARY: I will leave the matter in the hands of the President.

The PRESIDENT: I shall leave the Chair until after dinner.

*Sitting suspended from 11.51 a.m. to
2.50 p.m.*

MOTION—UNIFORM TAX PROPOSAL.

As to Submission to State Parliaments.

HON. H. SEDDON (North-East) [2.50]: I move—

That in view of the effect on the finances of the States of the Federal Government's proposal for a unified income tax, and while recognising the necessity for the Federal Government to have the field of finance free to be devoted to war requirements, the whole question of the financial relationship between Commonwealth and States should be submitted to the State Parliaments before ratification of the proposal.

May I at the outset express my thanks to the Chief Secretary and to members generally for the indulgence extended to me on account of the delay, due to a breakdown of the goldfields express, which prevented me from reaching the House earlier? If members will recall, I gave notice of my motion on the last day of our previous sitting, with the idea that it would provide an opportunity for members to express themselves on the proposals that were being advanced by the Federal Government. Had the expression of our views taken place during the time the Premiers were in conference, we would have furnished them with an assurance of the feelings of one section of the Western Australian Parliament.

The motion sets out the grounds on which we believe representatives of this State should discuss the present position which arises as a result of the intention of the Federal Government to take control of the field of income taxation, even though, as that

Government states, the proposal is to operate only for the duration of the war. The Federal Government proposes to distribute to the States an amount equivalent to their income tax collections. Despite this the fact remains the proposals will represent a very important step that will affect the future of State Parliaments throughout the Commonwealth. In the first place, obviously once the public has become accustomed to the idea of one income tax, any proposal to revert to the present system whereby two income taxes have to be paid, would meet with the widest disapproval. I would be perfectly safe in saying that the public itself will be inclined to support the proposal outlined by the committee appointed by the Federal Government because it only looks at immediate results. I am satisfied the public does not appreciate the very important work which devolves upon State Governments, which have responsibilities that very materially affect the progress of Australia.

Another point that the public might well consider is that any proposal that suggests the elimination of a tax usually results in the replacing of that tax by another that will press more heavily upon the public than the one displaced. That has been the experience in the past. If hon. members were to peruse the report which sets out in detail the recommendations of the committee, they will see that it contains one or two very disquieting paragraphs which, should the public read them, would give them food for serious reflection. There is another consideration that may have an important effect in influencing public opinion. For a considerable time past there has been a steady and sustained attack upon State Parliaments by certain sections of the Press in the Eastern States. One paper in particular has missed no opportunity to attack State Parliaments in an endeavour to make out that they are entirely useless excrescences—those are the paper's very words—and that the people of Australia could very well get along much better without them.

Hon. C. F. BAXTER: That would be a Sydney paper, of course!

Hon. H. SEDDON: I am referring to the "Sydney Bulletin." That campaign has had an effect. Particularly has this sustained propaganda established in country districts a conviction in the minds of people who are apt to regard the "Bulletin" as an authority on many matters, with the result that there

has been formed a distinct public opinion entirely opposed to State Governments, in consequence of which people are often inclined to discount the work that State Parliaments have done. In the Eastern States, too, there is much that the papers have been able to make use of in their attacks upon State Governments. For example, the financial record of the New South Wales Government over many years has been such that one can readily realise that in that State, at any rate, people will be predisposed towards the underlying principle involved in the Federal Government's proposal, which, in effect, means the ultimate abolition of State Parliaments. In respect of Western Australia and other outlying States, we can say definitely that the results likely to accrue from such a policy will be entirely detrimental to the progress of those States.

Although there have been various alterations with respect to the financial relationship between the Commonwealth and the States, with which subject I shall deal presently, the fact remains that even with the best intentions in the world to take into consideration the disabilities associated with a State like Western Australia, the very remoteness of that State from the seat of the Federal Government must have an effect whenever any problems peculiar to Western Australia are under consideration. Our experience has been that when attention has been drawn to any such problem, almost invariably a Minister or more frequently a departmental officer has been sent from the Eastern States to inquire into the aspect of the Government activity concerned. That officer makes his investigation. As a rule he has to rely largely upon officers associated with the State Government, as well as on the result of inquiries he may make himself. He returns and submits his report, which only too frequently merely indicates that the officer has not an appreciation of the conditions associated with the problem under investigation, because it is not possible for him in the time at his disposal to obtain a thorough understanding of the details and their implications.

From that angle the experience of this State only too frequently has been that unfortunately our interests have not been as well looked after as they would have been had they been cared for by the State authorities. In illustration of that point I remind members of what happened a few

years ago when there was a danger of the dreaded South African cattle disease, rinderpest, being introduced here. Members will recollect the steps taken by the Federal quarantine authorities in coastal districts, and the drastic nature of those steps, the object of which was to prevent the disease entering Australia. Those steps were taken rather against the advice of our local health officers than with their approval. I use that as an indication of how our problems are viewed by the Federal authorities.

With regard to the relationship between the Federal and State Governments, as hon. members know, that relationship has provided a field for argument and contention since before Federation became an accomplished fact. The references which have been made from time to time to the "Braddon Blot" serve to indicate the difficulties that confronted those who framed the Commonwealth Constitution. They realised the dangerous position in which the States would be placed when the Federal Government was given the field of indirect taxation entirely to itself. It was inevitable that that sphere should be given to it because the position as it obtained in Australia then and the Customs barriers that existed between one State and another, as well as because of the interference with trade, served to constitute one of the strongest arguments in favour of Federation. So far as the powers of the respective Governments were concerned, the States were deprived of the very power sphere of indirect taxation, which has been exploited to the full by the Commonwealth Government. It was because of a realisation of that that Section 87, known as the "Braddon Blot," was imported into the Constitution. The existence of that section has had a very great effect upon the relationship between the two authorities.

It is interesting to note the way conditions have developed since Federation, the effect of first one and then the other influence which has arisen through world disturbances upon the relationship between the two authorities. We can say that this proposal of the Federal Government is on all fours with previous proposals put forward and adopted by the Commonwealth Government owing to the pressure of finance. The effect of the Federal policy has been in the direction first of assisting the development of secondary industries by reason of its tariff and bonuses, and this has

had its adverse effect on the agricultural industries, so much so that those industries throughout Australia during the last 15 years have had to be consistently helped through the difficulties confronting them, difficulties which, apart from the disturbance of world markets, were also considerably enhanced by the effect of the Federal tariff on working costs. During the last 15 years the agriculturist has been fighting a losing battle. It is a battle which can be traced through the records of the wheat farmer. At one time a man who cropped 350 acres in the wheat areas could reckon he was able to secure a comfortable income and live well.

Hon. J. Cornell: In my boyhood days several farmers did that on 160 acres.

Hon. H. SEDDON: Sometimes on even less than that. As time went on, with the competition of other wheat producing countries, the remoteness of our areas from the world markets, we have found that the agriculturist has been driven first to increase his acreage, and secondly to employ machinery, until today a man has to cultivate at least 1,000 acres in order to make a living and to sink a considerable amount of money in machinery.

Hon. L. Craig: That has nothing to do with the Commonwealth Government.

Hon. H. SEDDON: The policy of the Commonwealth Government has had a material effect in that direction, because the farmer himself has been affected by it. One of the effects of war is to produce wide changes. Not the least of these is the one which confronts Australia today as well as other agricultural countries, in that it looks as though the agriculturist will get an opportunity to come into his own.

Hon. C. F. Baxter: Not in respect of wheat growing.

Hon. H. SEDDON: The wheatgrower will benefit.

Hon. C. F. Baxter: Not if his acreage is greatly reduced.

Hon. H. SEDDON: I am talking of the effect of that policy and changes consequent upon the war. One of the developments due to war will be the shortage of wheat. The agriculturist will benefit materially from the fact that the producer is going to be regarded, not as has too often been the case in the past, as a burden on the community but as a vital factor which may easily have a material effect upon the winning of the war.

Hon. L. Craig: Manpower is the main factor there.

Hon. H. SEDDON: That leads me to the question of the labour that is available and to the price that is to be paid for the commodities grown. These effects are due directly to the war, and they will have a material and beneficial result in connection with the economy of the primary-producing States. The strain of war undoubtedly discloses the weaknesses of the financial policy of any country. Not the least weakness is that which exists when two conflicting countries are handling the finances. When on top of that we find that the people who are handling the finances are those who have been advancing economic ideas and who, I venture to say, have not appreciated the full importance of their actions, that sign of weakness rapidly becomes a wide crack, and the financial structure is at once placed in serious danger. The policy of the Federal Government has been such as detrimentally to interfere with the revenue that it receives as a result of its policy. This proposal is going materially to interfere with the satisfactory carrying on of works which are a peculiar function of State Governments. I instance agriculture because it was obvious from the day when Federation was consummated that the whole burden of the agricultural development of the Commonwealth would be thrown upon the State Governments.

That burden has been very largely responsible for the position in which they find themselves today in regard to State debts. It was due to the expenditure in which the State Governments were involved, first of all in regard to advances to the Agricultural Bank, secondly in regard to the setting up of machinery which was provided for the assistance of agriculturists to enable them to do their work efficiently, and thirdly to the provision of those facilities which are essential to the man living in the country, such as educational facilities, water supplies and all other accessories which must be provided by the Government on behalf of the community generally. The idea was that this policy would result in a very large increase in population. Economic pressure has brought about this phase, that large areas had to be farmed by individuals and the increase in the population of the country has not been anything like what was anticipated. We have isolated communi-

ties here and there, small communities battling on, or we have individuals on farms who are striving to make ends meet.

The next aspect I wish to emphasise concerns the financial relationship between the Federal and State Governments. The Braddon clause provided that three-quarters of the revenue from Customs and Excise duties should be returned to the States. A special provision was made for Western Australia. For five years Western Australia was allowed to enjoy entirely the benefits of the tariff. Subsequently an alteration was made. Instead of three-quarters of the revenue from Customs and Excise being returned to the States, in 1909 a conference was held between the Commonwealth and State Governments, with the result that the Surplus Revenue Act providing for the payment of 25s. per head from the revenue of the Federal Government to the States was adopted. That was carried on for some 10 years. In 1919, immediately after the war, the Commonwealth Government proposed to reduce the grant by 2s. 6d. per annum until the sum of 10s. per annum was accepted as the basis for the payment by the Commonwealth Government to the State Governments. The proposal was rejected by the State Governments. In 1923 the Commonwealth Government proposed to abolish the per capita payments but to retire from the field of income tax. Again the States objected to the proposal. In 1926, as a result of the conditions which had developed in the oversea markets, where the States had been engaged for many years in raising loans, the Commonwealth Government made another proposal, namely, to abolish the per capita payment and retire from certain fields of taxation such as income tax from individuals, land tax, entertainments tax, and estate duties. This proposal the State Governments also refused to accept.

Subsequently the Commonwealth Government repealed the Surplus Revenue Act, which gave the States the per capita payments to which the States contended they had a moral if not a legal right, and in place of it the Financial Agreement was framed. The States Grants Act was also passed by the Commonwealth Government. That secured to the States any surplus revenue enjoyed by the Commonwealth. That Act was evaded by the appropriation of surplus revenues to certain purposes such as towards reducing deficits, and so on. The Financial

Agreement provided that the Commonwealth Government should take over the whole of the public debt of the States, amounting to £641,000,000, and also to advance £7,500,000 towards the payment of the interest on the debt, that money to come from Commonwealth revenue. The Government made a further provision, namely, that it would pay $\frac{1}{8}$ per cent. towards the sinking fund contribution of $\frac{3}{8}$ per cent. on existing loans, and in regard to any future loan it was prepared to pay $\frac{1}{4}$ per cent. out of the $\frac{1}{2}$ per cent. sinking fund. A further provision proposed in the Financial Agreement was that for any future debt incurred by any State a 4 per cent. sinking fund should be provided. Under these proposals the sum of £7,500,000 was set aside as a contribution from the Commonwealth Government, and that is still being paid to the respective State Governments. The proposal for a contribution to the sinking fund is also being honoured. At present the Commonwealth Government is contributing from revenue £1,500,000 every year towards the sinking fund on States' debts.

Hon. G. W. Miles: The State has not collected the full percentage on account of its deficit.

Hon. H. SEDDON: That provision of the Financial Agreement has so far not been honoured. There was an amendment of the Federal Constitution. Section 105 was amended by the insertion of Section 105A, which sets out—

(1) The Commonwealth may make agreements with the States with respect to the public debts of the States, including—

- (a) the taking over of such debts by the Commonwealth;
- (b) the management of such debts;
- (c) the payment of interest and the provision and management of sinking funds in respect of such debts;
- (d) the consolidation, renewal, conversion, and redemption of such debts;
- (e) the indemnification of the Commonwealth by the States in respect of debts taken over by the Commonwealth; and
- (f) the borrowing of money by the States or by the Commonwealth or by the Commonwealth for the States.

(2) The Parliament may make laws for validating any such agreement made before the commencement of this section.

Section 105 gave the Federal Parliament power to take over from the States their public debts, or a proportion thereof according to the respective numbers of their people as shown by the latest statistics of

the Commonwealth. It also gave the Federal Parliament power to convert, renew or consolidate any such debts, or any part thereof; and the State was to indemnify the Commonwealth in respect of such debts taken over, and thereafter the interest payable in respect of the debts was to be deducted and retained from the portions of the surplus revenue of the Commonwealth payable to the several States, or if such surplus was insufficient, or if there was no surplus, then the deficiency or the whole amount was to be paid by the several States. I have quoted these provisions in order to show what was at the back of the minds of both Federal and State Governments. This is the very important point: The Federal Government accepted the responsibility for the payment of State debts, whether that responsibility was met by the States or not, and the Federal Government took powers to compel the State Governments to honour their side of the agreement.

With regard to the uniform taxation proposal now placed before us, that goes a long way further. I would draw the attention of members, however, to the difference in the method by which this proposal was handled by the Federal Government and the way in which a former Federal Government handled the Financial Agreement. Although the Federal Government repealed the Acts which gave the States the right to the per capita payment and to share in the surplus Federal revenue, the Federal Government did enter into a Financial Agreement and did make a contribution—which is still being made—towards the finances of the States, recognising its moral obligation to contribute some of that revenue which it had had conferred upon it by Section 87. The present proposal deprives the State of the power to collect income tax; and, although the basis laid down guarantees to the States, at any rate for the ensuing year, a sum which is calculated to be roughly equivalent to the amounts they would have collected by way of income tax, the fact remains that there is no guarantee of the States receiving even that amount in future years.

Hon. J. Cornell: It denies what the Financial Agreement gave.

Hon. H. SEDDON: Furthermore, the Financial Agreement was taken to the people of Australia and submitted to them by referendum. It was also submitted to the

respective State Parliaments and adopted by them, so that their powers and their rights were recognised by the Commonwealth Government at that time. On the other hand, this proposal, if it amounts to anything at all—

Hon. J. Cornell: It is now part of the Constitution.

Hon. H. SEDDON: The Financial Agreement?

Hon. J. Cornell: Yes.

Hon. H. SEDDON: This proposal indicates an attempt to ride roughshod over the States and place them in a position where they will be entirely at the mercy of the Commonwealth Government.

Hon. L. Craig: Only during the war.

Hon. H. SEDDON: As I have pointed out, the position will be that no State Government could pretend for one moment to re-enter the field of income taxation, because there will be in existence a Federal tax imposed for the purpose of meeting the financial demands of both State and Federal Governments. We must remember that at the end of this war, whether it ends next year or twenty years hence, the Commonwealth will be faced with a financial position that none of us can contemplate with any degree of easiness. We all realise that the Federal authorities will be confronted with innumerable problems which will absorb every penny possible raised by taxation. Huge sums will be required to enable the Federal Government to tide over the period until we have peace.

Hon. J. Cornell: Uniform taxation will be more necessary then than now.

Hon. H. SEDDON: Any suggestion then made by a State Government to re-enter the field of income taxation will arouse an Australia-wide wave of opposition. This proposal, once adopted, will remain for all time. We have to face that fact. We all realise the burdens placed upon the Commonwealth Government as a result of the war, and I shall refer to that matter more fully later on. I point out now, however, that in the interests of the people of Australia some regard should be had to the tasks of the State Governments, which are just as important to the welfare of Australians as are the activities of the Commonwealth Government. The State Governments should be entitled to retain sufficient revenue to carry out those tasks satisfactorily. It is for that reason that I think this proposal should, before it is finally adopted by the Federal Gov-

ernment, be submitted to the State Parliaments for discussion, so that those Parliaments may be able to tell the people of Australia exactly what work they are doing, as well for the States as for the Commonwealth, and also to tell them that they are doing that work effectively. As the proposal will obviously in the long run deprive the States of their income taxation, the Federal Government should have been prepared to say, "We are taking control of this field of taxation. We realise the position in which you will be placed, and should we at any time have to reduce the amount which is to be made available to you, we shall in turn do something to help you to carry your interest burden and take over some of your other burdens."

In the case of the Financial Agreement, the Federal Government took away from the States what they were receiving on the per capita basis, but did make a contribution towards the expenses of the State, first to meet interest payments, and, secondly, to repay loans that the States had floated. My contention is that this proposal of the Commonwealth Government should have been accompanied by something along the same lines. Instead, we have the bald statement that the committee recommends the Commonwealth Government to take over the whole field of income taxation. In the case of Western Australia, that would include hospital tax. Members will realise that that tax has proved very helpful indeed in establishing hospitals in the country areas of this State that are adequate to cope with the conditions of life there. The material benefit that has accrued to country districts by the establishment of those hospitals is such that I fear the taking away of this tax will prove exceedingly detrimental to those medical facilities.

Hon. L. Craig: But that will be included in the refund.

Hon. H. SEDDON: I experienced a feeling of great disappointment at the reports that were furnished of the conference between the Federal Government and the State Premiers. The State Premiers should have pointed out the position in which the States would be placed as a result of this proposal. They should have objected to the proposal on the ground that it was a serious interference with the sovereign rights of the States, as well as an interference, in times like these, with their ability to carry on. What I would like to have seen would be

the Premiers, in their turn, submitting an alternative proposal to the Commonwealth Government. The State Premiers are well aware of the demands for war purposes and realise fully that the first call on Australia's resources must be for war purposes. I thought they might have recognised that fact and said to the Commonwealth Government, "We are prepared to meet you to some extent by making an alternative proposal, or by requesting you to go further and recognise the serious position in which you are placing us by going ahead with this proposal for uniform taxation."

I have here a copy of the report which was placed before the Federal Government by the committee. Members, of course, have seen the Press reports, but I would like to read one or two extracts, because they have a bearing on the motion before the House. The first extract is paragraph 4, as follows:—

The committee is impressed with the urgency of this reform, particularly under war conditions. The expeditious and effective raising of revenue assumes greater importance during the period of national crisis. Income tax is the main source of revenue from which the Commonwealth finances war expenditure, and that source is limited.

Hon. J. Cornell: It was only a minor consideration during the 1914-18 war.

Hon. H. SEDDON: I find fault with that statement: because, although income tax is a very material contribution towards Federal expenditure, indirect taxation is a very large factor in meeting Commonwealth expenditure. Even under present conditions, indirect taxation is the major factor. The extract continues—

The Commonwealth therefore should not be hampered by State laws which prevent the fullest exercise of taxation powers essential to the nation at war. The presence in the field of six States imposing eleven taxes on income at widely differing rates restricts the power of the Commonwealth in raising revenue from income taxation.

I am inclined to agree with that to a large extent. If the average taxpayer were asked, he would agree also that that payment of two income taxes—a little while ago there were three, or four if we include the hospital tax—is causing him a great deal of anxiety and work. I would be agreeable to the idea of having one tax to pay. The extract continues—

By these means the nation's war effort will benefit from substantial economies in manpower, money and materials. It is estimated that when a uniform scheme of income tax-

tion is in full operation a reduction in staff of Taxation Departments of the order of 30 per cent.—or 1,000 men—would be possible and a salary saving to Government of £250,000 annually, apart from reductions in the general costs of taxation administration.

That is a step in the right direction; but one characteristic of the Federal Government since the war started that has impressed the general public, is the sudden creation of new departments.

Hon. E. H. H. Hall: And boards and committees.

Hon. H. SEDDON: If we held an investigation we would find that the number of Commonwealth employees is quite 50 per cent. more than it was. Every step taken today has to be referred to this or the other department, and we find crowds of employees engaged in work which has arisen from the Government's attempt to control the economy of the country for the purpose of making our war effort more effective.

Hon. J. Cornell: More spectacular!

Hon. H. SEDDON: Perhaps more spectacular. The basis laid down in this report provides a sum, which is roughly the equivalent of the amounts collected by the State Governments during the years 1939-40 and 1940-41. The reason those years were adopted, according to the report, is this:

The basis finally adopted by the committee for its recommendation is the average of State collections from taxes on income in the two wartime financial years 1939-40 and 1940-41. Although certain States were in deficit in these years, the committee considered that the rising trend of revenue and the reduction of State expenditure already indicated should avoid a repetition of deficits in 1942-43.

There again our experience is not according to that finding. If members will examine the statistics of the State up to the current month of the financial year, they will see that our expenditure has not fallen but is still rising. Consequently one of the factors which this committee adopted in arriving at a basis is proved to be entirely false as far as Western Australia is concerned. The experience during the war is that the more highly developed States have benefited materially from war expenditure, but on the other hand the outlying States have had a considerable lag and, to a large extent, have suffered as a result of the transfer of population, first of all, to the fighting forces, and secondly to the Eastern States where they found employment in the making of munitions, and in other works.

The bases upon which the findings of this committee are made, appear to me to be such that they are open to very serious question. The basis laid down for Western Australia is £2,576,000. In the year 1940 the total income tax for Western Australia, which included the hospital tax, was £2,526,000. But from the £2,576,000 laid down here as the basis, has to be deducted £53,000 for the cost of collection. The position, as far as Western Australia is concerned, is that it will get slightly less under this proposal than if it only received taxation on the basis of the 1940 income tax collections.

Here is a paragraph which the Commonwealth authorities claim is provided for the purpose of enabling Western Australia to make representations should there be hardship imposed on it as a result of unified tax. It provides—

The committee considers that the compensation recommended should be adopted for 1942-43 and for subsequent financial years during the currency of the scheme. To preserve flexibility, however, the committee recommends that the following formula should be adopted:—

(1) A State may submit a claim to the Commonwealth that its financial circumstances are such as to warrant an increase in the amount of compensation for any financial year subsequent to 1942-43.

(2) The Commonwealth may claim that the compensation to any State for any financial year should be reduced on the ground that the Commonwealth has relieved the State of responsibility for an existing service provided by that State.

(3) Any such claim shall be referred by the Commonwealth to an independent authority for investigation and report, and the Commonwealth shall, after receiving the report, decide on any appropriate variation of the amount of compensation.

In other words, the States will find themselves in this position: Each year they will have to submit a statement in the same way as the States do now to the Grants Commission for the consideration of the Federal Government. Furthermore, under the unified tax proposals the Commonwealth may decide that owing to the demands of the war it cannot make an allowance to the States equivalent to what they had last year, in order to meet their financial obligations; that it has to be cut by so much per cent. The remedy reserved to the States is that they have to present to this authority a claim and submit their arguments for special consideration.

If there is one thing outstanding in the relationship between the Federal and State

Governments, as a most serious defect, it is that the States have to go to the Federal Government as mendicants and ask it to make them a special grant each year to meet their special disabilities. My contention is that on a centrally based economy each authority should be in a position to stand on its own feet and carry on from the revenue reserved to it. That is the unsound feature of the relationship between the Federal and State Governments. In a time of crisis like this an attempt should be made to enable the States to carry on and meet their obligations from their own revenues and for the Federal Government to have its full revenue available to it for the war effort. Further, the Federal Government should have reserved to it the whole field of loan-raising during the war in order that these two sources of finance should be entirely free from encroachment by any authority other than the Federal Government.

If that had been done—and it is an all-round sound and reasonable principle—the committee would have taken these aspects into consideration and not permitted a perpetuation of a system which cannot but have been unsatisfactory to the States and which has involved a considerable amount of heart-burning and argument, and preparation each year, in order that each State may represent to the Federal Government what it considered it was entitled to as a result of Federal policy. A further proposal is that any arrears of State income tax outstanding at the commencement of this unified taxation proposal, which comes into force on the 1st July, which are collected, shall be collected by the Commonwealth on behalf of the States and, after deducting the cost of collection, shall be held as a war loan until the cessation of the scheme. Thus, the State Governments will find that any money due to them will not be available, but will be taken into the Commonwealth funds as their contribution towards the war effort.

Hon. L. Craig: That is stupid.

Hon. H. SEDDON: That is the provision here.

Hon. L. Craig: I know, but I do not agree with it.

Hon. H. SEDDON: The committee goes on to say—

It would be unrealistic to make proposals that entirely disregarded past financial history. At the same time it is clear that if the new system is to be uniform it must be very different from the old. It must replace a

range of present Commonwealth and State taxes on income, a list of which is given in Appendix "A."

It states that it would be unrealistic to make proposals which entirely disregarded past financial history. I think this proposal definitely disregards past financial history and definitely adopts a new basis compared with what was laid down when it altered the provision for the payment to the States of three-quarters of the Customs and Excise revenue and introduced a per capita basis for grants. This simply takes away the revenue and although it purports to reserve to the States their requirements, the fact remains that it does continue the evil arrangement whereby the States are entirely at the mercy of the Federal Government. There is another paragraph to which I wish to refer because it has a very important bearing on goldmining.

The committee recommends that the operation of the Commonwealth gold tax should be suspended for the duration of the scheme of uniform taxation. This tax and State taxes on income from goldmining should be replaced by imposing ordinary income tax on profits and dividends from goldmining. Companies could be assessed in a similar way to other metalliferous mining companies. As this will produce approximately the same amount of revenue as is now raised from this source by the Commonwealth and State taxation, goldmining companies should not be liable to war-time (company) tax, super tax, or undistributed profits tax.

There is no reference there to one very important aspect of taxation as far as our goldmining companies are concerned. In our State Income Tax Act a provision is made that until a company has been refunded the capital cost of opening up the mine, it is not assessed for income tax. Under the Federal proposal a goldmining company will be assessed on the same conditions as metalliferous mining companies. There is a distinct difference between goldmining and ordinary metalliferous mining. The mining of base metals involves the mining of ore bodies containing a considerable percentage of the metal required. The mining of gold involves the taking of a very minute fraction of the total ore mined in order to get satisfactory results. A gold mine working on 3 dwt. ore is extracting a 1/104,000th part of the volume of the rock mined. A mine working on 2 dwts.—a grade which is slightly below the grade mined by the Big Bell and the Great Victoria—is taking a 1/300,000th part of the tonnage raised.

Members will realise that to attempt to place goldmining on the same basis as metalliferous mines which are extracting, perhaps, 5 per cent., 10 per cent., 15 per cent., or 20 per cent. of the ore body in the form of metal is a different proposition from that with which the goldmining companies have to deal. Then again the goldmining companies have to comply with the goldmining profits tax. Apparently that is taken into consideration in the £2,500,000 the Federal Government is giving. Under the Mine Workers' Relief Fund the mining companies, the State Government and the men each make a contribution amounting to one-third of the cost of compensation for the men who are disabled in the industry. That is not taken into account in this estimation: yet that charge will go on so long as there is a mining company operating in Western Australia and so long as there is a man engaged in goldmining. But the burden is on the State today and will so continue, no matter what happens, because there is an obligation on the State to meet the compensation for men disabled in the industry.

Hon. J. CORNELL: And the ratio will increase.

Hon. H. SEDDON: In view of the increase of goldmining in recent years, that charge must increase. Yet this State, which is relying on its return from the goldmining profits tax and also the contributions of the companies towards the Mine Workers' Relief Fund, will be placed in an impossible position. These are aspects that do not seem to have been taken into consideration by the committee. I think they should have taken such facts into consideration and dealt with them before finally submitting a report to Parliament. There is a paragraph in the report which is very interesting, No. 37. It reads—

All concessional allowances should, in future, be made by means of a rebate of tax calculated on the allowance at the taxpayer's personal exertion rate instead of a deduction from his taxable income as at present.

That is fairly clever. When a man's income is assessed at the present time, he is allowed to make concessional deductions in arriving at the sum on which he shall be taxed, and the tax rate is determined by that sum. Under this proposal a man will be assessed, the rate will be struck, and then he will be allowed a rebate of taxation calculated on that rate. That is a very considerable factor in favour of the Federal Government.

Hon. L. Craig: The existing system allows him his deductions and reduces the rate.

Hon. H. SEDDON: Yes, but here the rate is to be calculated on the gross income rather than on the net income. That is going to be an additional tax on the people. I consider this aspect should be seriously debated by the Federal Parliament and certainly the public should be awake to what is waiting for them under the uniform taxation scheme, because they will be hit by the simple arrangement under Paragraph 37. Now I come to the cream of the whole report. We have been led to understand that the proposal of the Federal Government is in the field of income taxation. The committee was asked to report on the matter from that aspect. But here is a paragraph which should arouse considerable thought in the minds of the people of all the States. Paragraph 47 provides—

Although its terms of reference do not go beyond income taxation, the committee wishes to offer some observations on two other matters:—

(1) If, during the war, the Commonwealth finds it necessary to enter a field of taxation at present occupied by the States, such, e.g., as entertainments tax, the committee is of opinion that it would be desirable to adopt a scheme similar to that proposed for income taxation, viz., that the Commonwealth should be the sole taxing authority and that the States should be compensated for the resulting loss of income.

(2) If, during the war, the Commonwealth should decide to provide uniformly for the whole of Australia a social service provided at present by some or all of the States, such, e.g., as widows' pensions, the Commonwealth should use the machinery set out earlier in the report to effect a reasonable reduction from the income tax compensation paid to those States relieved from the cost of providing such a service.

If that paragraph means anything at all it means that the Federal Government is contemplating further incursions into the field of State taxation. This paragraph is a guide to the Federal Government in that direction. Therefore this proposal to introduce unified taxation, in my opinion, is only the first step by the Commonwealth Government to taking over the whole field of taxation.

Hon. J. Cornell: A sort of snowball—gathering as it goes.

Hon. H. SEDDON: There have been references from time to time to the constitutional aspect of the Commonwealth's proposals. I do not pretend to be a lawyer, but I would

direct the attention of members to Section 106 of the Commonwealth Constitution, which is very definite. It provides—

The Constitution of each State of the Commonwealth shall, subject to this Constitution, continue as at the establishment of the Commonwealth, or as at the admission or establishment of the State, as the case may be, until altered in accordance with the Constitution of the State.

Speaking purely as a layman, it appears to me that this action by the Commonwealth Government in taking to itself the power of income taxation and depriving the States of that power is contrary to Section 106 of the Constitution. It is a power which, at the commencement of the Constitution, was reserved to the States and which, under these unified taxation proposals, the Commonwealth definitely proposes to take over. My contention is that the State Governments have a weapon which they could well have used when consulting with the Federal authorities whereby they could take to the High Court the question of the constitutionality of this law, should the Commonwealth adopt the attitude it is adopting today of entirely disregarding the position of the States. Section 107 of the Commonwealth Constitution is also illuminating. It is on the same lines as Section 106 in that it definitely refers to the powers of the State Parliaments. I recommend members to read it.

Hon. J. Cornell: You read it.

Hon. H. SEDDON: Section 107 states—

Every power of the Parliament of a Colony which has become or becomes a State shall, unless it is by this Constitution exclusively vested in the Parliament of the Commonwealth or withdrawn from the Parliament of the State, continue as at the establishment of the Commonwealth or as at the admission or establishment of the State, as the case may be.

There again we have definitely laid down the relative position of the powers of the State and Commonwealth Governments, and as the taxation proposals will materially interfere with those powers, my contention is that the Commonwealth will be exceeding its powers if it ignores Sections 106 and 107 of the Constitution.

There is a very great difference between the attitude being adopted by the Federal Government on this occasion and the attitude of the Federal Government when the Financial Agreement was proposed. I again say that had the Federal Government desired to treat the States fairly, it would have

approached them and made a proposal to them in connection with the taking over of the collection of income taxation. When the Commonwealth argues, as it does, that it will return to the State Government the equivalent of the taxation collected by that Government, I say the promise is entirely subject to developments that may take place throughout the country as a result of the war. The way in which the Commonwealth Government's expenditure has increased year by year shows that it will be constantly seeking every avenue for raising money in order to carry on the war. In that I am entirely with the Commonwealth Government. I say that the dominating consideration in Australia at the present time is the carrying on of the war, and that all money should be kept for war purposes for the Federal Government; but in doing that, I say that the Federal Government in its turn should adopt the attitude of recognising the work that the States are doing.

The Commonwealth Government needs all the money it can get in order to carry on the war. That money is being raised in three ways, namely, by taxation, by loans on the market, and by bank credit expansion, that is, by expansion of the note issue. The States need funds to carry on their social services and their loans works. The States need money to meet the losses on their loan expenditure. The States need capital to do necessary work, some of which involves war requirements. The State Governments have been asked to carry on certain work, and the obligation is on the States and the problem of the States is to find the money. In the past money has been made available from loan funds. In future that

loan money must be available, if required, for Commonwealth purposes. The finances of the Commonwealth and the States should be so arranged during the war that each can carry on its own work. The field of new money could be entirely reserved for Commonwealth war purposes, and the States should be enabled to carry on out of their own revenues until the war is over.

The basis on which the matter could be discussed is this: The States and the Commonwealth should adopt a new financial agreement, supplementary to the existing Financial Agreement. This should provide that during the war the Federal Government will retain all the income taxation it collects and at the same time assume the burden of the capital charges on the States. For the period of the war no further loan money should be made available for State purposes, but the States should be allowed to retain the excess of their collections over the net expenditure to carry on their loan works. The surplus over the actual working expenses for the railways, water supplies, electricity department, etc., should be made available to the States in order first of all to meet necessary loan expenditure arising out of the war, and then any sum remaining over could be utilised, as set up in the report, as a loan from the State to the Commonwealth to assist in meeting war commitments. An agreement of that description might have been explored at the conference between the Commonwealth authorities and the State Premiers because it offers some very interesting comparisons with regard to the moneys raised. In support of that I have a table which I should like to read—

STATE FINANCIAL COMPARISONS, 1940.

Item.	New South Wales.	Victoria.	Queensland.	South Australia.	Western Australia.	Tasmania.	Total.
	£000.	£000.	£000.	£000.	£000.	£000.	£000.
Commonwealth Contribution to Sinking Fund ...	635	300	204	180	175	042	1,536
To Interest ...	2,917	2,127	1,096	704	473	267	7,585
Total ...	3,552	2,427	1,300	884	648	309	9,121
Income Taxes ...	15,285	6,738	5,707	2,359	2,524	837	33,451
Special Grants	995	595	430	2,020
Debt Charges ...	16,846	8,410	6,812	5,247	4,478	1,271	43,064
Loan Expenditure ...	5,886	3,142	2,609	950	1,812	853	15,252
Surplus over Net Earnings ...	9,530	4,478	2,998	2,471	2,234	168	21,879
Cost of Social Services ...	10,943	5,783	3,890	2,140	1,778	842	26,771
Family Endowment ...	1,395						
Other Taxation ...	7,400						
		6,000	3,100	2,260	1,200	1,000	20,936

Thus every State had a considerable margin in its favour except Tasmania, and it appears to me that if that could be taken into consideration the State Governments might very well say, "We are agreeable to carry on; we will leave the whole field of loan raising to the Commonwealth Government for war purposes; we will carry on with the surplus over the net earnings of our loan expenditure, and after meeting all necessary expenditure, the surplus will be made over to the Federal Government for war purposes." As will be observed from the table this proposal would leave the New South Wales Government short by about £3,500,000 of the amount necessary to meet its social services. All the other States would show a slight advantage. Incidentally, I observe that the cost of social services in Western Australia has greatly increased since the period to which the table refers. The Federal Government, I suggest, might make a proposal to the States on the lines I have indicated.

I do consider that the Federal Government adopted an entirely wrong principle in putting forward its present proposals, knowing that it would not permit the State Governments to carry on their own work. I move my motion because I consider that in the multitude of counsellors there is wisdom. If the various State Governments discuss this proposal, I feel quite sure they will do so entirely from the standpoint of the States as a whole, because I consider that the Premiers are most seriously concerned with the future of the States for which they are responsible, and I believe they are desirous of giving the most efficient service to the taxpayers. Indeed, there have been relationships between the Commonwealth and State Governments which have worked to entire satisfaction. Take the Federal Aid Roads Grant. The way in which that money has been spent has been by State activities. The Commonwealth Government made use of existing State machinery, and as a result the work has been carried out efficiently and satisfactorily. The principle has thus been laid down, and it has been largely followed in relationships between the States and the Federal Governments for some time past. It appears to me that the Commonwealth proposal, however, represents an entirely different scheme, one departing from that principle of co-operation and representing

simply a step further in the direction of attacking the sovereignty and powers of the States, and bringing them into a position where they will be more and more at the mercy of the Federal Government.

Quite apart from whatever political ideas may be held by any person, the fact remains that the best administration one can get is administration on the spot by people who have grown up under the conditions of the State and who realise the disadvantages through which the State is passing, and therefore are more competent to deal thoroughly and effectively with disabilities, while a remote authority sitting at Canberra cannot but be influenced by local atmosphere and is far too much inclined to look upon the outlying districts as necessary evils which, when they complain too much, must be investigated and provided with a temporary expedient which may be expensive but will not be in the best interests of all. In submitting the proposition, I would like to say that I understand the Premier has moved in another place a motion which traverses the ground that my motion is intended to cover. The Premier's motion is very definite. As I have expressed my approval of the motion moved by the Premier, I have simply outlined the position in my own motion, and I leave it to members to discuss the question before reaching a decision upon the Government's motion.

HON. L. CRAIG (South-West) [4.14]: I am not opposed to the motion submitted by Mr. Seddon. By that motion the hon. member does not oppose the action being taken by the Federal Government. He merely says that before such action is ratified, it should be submitted to the State Parliaments for discussion. I shall not oppose that. I think it is all right. The Government proposal, I understand, though I have not seen it, is in direct opposition to the Commonwealth Government's proposal. Therefore I now speak to Mr. Seddon's motion, which is not in opposition to the Commonwealth Government's proposal.

Hon. C. F. Baxter: Are you in favour of the action of the Federal Government?

Hon. L. CRAIG: I am in favour of uniform taxation during the war. The motion does not suggest that ratification should be withheld if the State Parliaments do not agree. It does not say that if this Parliament disagrees with the action of the Fed-

eral Government, uniform taxation should not be proceeded with. It says it should be discussed by the State Parliaments before being ratified, so I do not oppose the motion. Mr. Seddon has read into the proposal—

Personal Explanation.

The CHIEF SECRETARY: By way of personal explanation, I would like to say that I have a number of copies of the motions that are to be moved in another place, one dealing with this subject and another with the gold-mining industry, and I think perhaps it would be as well if they were circulated so that members might have a proper knowledge of the motions and in order to avoid any misunderstanding as to their exact meaning.

Hon. L. Craig: I do not think I should go on. I am speaking on one motion which I understand will probably be withdrawn in favour of a different motion.

The CHIEF SECRETARY: May I go further and say that I think it would be a better plan for members to discuss the whole question on the motion moved by Mr. Seddon?

Debate Resumed.

Hon. L. CRAIG: I will discard altogether the proposed motion coming from another place and deal with Mr. Seddon's motion. I have views on the matter, and I hope that other members have similar ideas, though I know that many will not agree with me. Members of this House and of another place have been very critical of the failure of Government departments to supply manpower for the fighting and other war services, and many have submitted that it is time Government departments were thoroughly combed out before claims on the goldmining industry, the agricultural industry and other industries are made. The Commonwealth proposal is one method of combing out the Government departments.

As Mr. Seddon has read out, the proposed saving in manpower is a thousand men who will be released for war service. Surely that in itself is sufficient to warrant a close investigation. Furthermore, there will be a saving of £250,000 per annum. The main reason for my support of uniform taxation is that I believe the public is demanding it. I have put the question to many men and I have not had one reply that was unfavourable to a unified system of taxation. People generally are heartily

sick and tired of the complications of taxation. Business itself is cluttered up with the difficulties inherent in our present form of taxation. The cost of business is becoming colossal on account of the information that has to be supplied by businesses generally for taxation purposes. I know instances in which the staffs of taxation departments of businesses have been more than doubled through the necessity of compiling these taxation returns, and I believe people have reached the stage when they are almost demanding simplicity and uniformity. It seems to be forgotten that the people of the Commonwealth and of the States are the same people. They are not concerned whether it is a State tax they are paying or a Federal tax. All that they are concerned about is that they are paying a tax.

I personally would go somewhat further than the proposals. I think there should be one uniform tax for land, and by that I mean a uniform land valuation. It is too stupid to have the Commonwealth and the State putting different values on the same piece of land and different values on livestock, lambs and calves. It complicates matters beyond the powers of the ordinary man, who finds it difficult to send in an honest, reasonable and proper taxation return. People are demanding that there shall be simplicity and uniformity.

This proposal is entirely a war measure. Mr. Seddon has given us a most informative address, and I compliment him on it. He has told us of the dangers involved in giving more power to the Commonwealth and his fears of what might follow. He has set out how the powers of the States through the years have been fleeced by the Commonwealth Government. That may be so. But we have to take this proposal of the Commonwealth purely as a war measure. Members have seen the complications that have arisen from our present system of taxation. Today people are paying 21s. in the pound in taxation through the extraordinary anomalies existing. Is it not time they were adjusted? Have people not the right to say, "Why should we pay 21s. in the pound?" A man told me—and Sir John will bear me out—that he made a presentation of a cheque of £1,000 the other day for patriotic purposes, and as a result saved himself the payment of £1,100 in taxation. He made himself a splendid chap in the

public eye and saved £100 net by so doing. In that way the Taxation Department lost £1,100.

Hon. C. F. Baxter: I think that is far-fetched.

Hon. L. CRAIG: It is not; it is true.

Hon. C. F. Baxter: What was the income?

Hon. L. CRAIG: It was a big income. People are paying over 20s. in the pound and the public has a right to demand that cases of that sort should be adjusted.

Hon. G. W. Miles: I take it the hon. member is stating an actual fact.

Hon. L. CRAIG: That is so.

Hon. L. B. Bolton: I did not know you were so wealthy!

Hon. L. CRAIG: It has nothing to do with me. People are cross about these things. If members turn to page 1 of the Federal committee's report they will find that it states—

A striking example is that under the present system, rates of taxation could rise above 20s. in the pound for many taxpayers.

There it is, set out in the committee's report. The public is demanding that such stupidity shall cease. It is having a serious effect. I am treating uniform taxation as a war measure. Look at what is being done to industries other than war industries. Look at what has been done to commerce. The Government has been ruthless in depriving industry of manpower, yet here is a Government department with a thousand surplus men. Do we expect the Government to act differently towards Government departments than towards businesses? It is in our hands to say if it shall or shall not.

Hon. H. Seddon: That is not the only department.

Hon. L. CRAIG: It is one department in which a thousand men and £250,000 could be saved.

Hon. H. V. Piesse: In one department?

Hon. L. CRAIG: In the Taxation Department alone. That is, according to the report of the committee.

Hon. E. H. H. Hall: We have not all got that report.

Hon. L. CRAIG: It has been posted to members. I received mine by air mail and thought I was favoured until I saw that everybody else had a copy.

Hon. C. F. Baxter: Is the report reliable?

Hon. L. CRAIG: The committee comprises responsible people. Some members seem to think that everybody outside the House has something wrong with him, and is dishonest. This report is signed by Professor Richard Charles Mills, who is a Doctor of Science, the Rt. Hon. J. H. Scullin, a former Prime Minister, and Mr. Spooner, who is a brilliant accountant. They say in their report that a thousand men will be saved.

Hon. E. H. H. Hall: That is on paper.

Hon. L. CRAIG: The hon. member would surely not expect them to come over here and tell each one of us. If we are not going to accept this statement, why accept any?

Hon. E. H. H. Hall: One learns by experience.

Hon. L. CRAIG: My youth makes me simple.

Hon. Sir Hal Colebatch: Have you ever known the estimate of a Commonwealth saving to be realised?

Hon. L. CRAIG: The Commonwealth is no different from the State. I have as much faith in the Commonwealth Government as I have in the State Government.

Hon. L. B. Bolton: Which is not much!

Hon. L. CRAIG: One proposal I take exception to. There may be reason for it, but it is not apparent.

Hon. C. F. Baxter: I thought you said these people could not make mistakes.

Hon. L. CRAIG: I did not. There are arrears of State income taxation that will be outstanding at the commencement of the uniform taxation scheme. If the proposal is accepted, the State will cease to collect taxation as at the 30th June, and the Commonwealth Government will begin to collect on the 1st July. On that date there will be certain arrears of taxation. For some reason or other taxes have not been paid by certain people who have applied for exemptions or have been granted permission to pay over a term, or perhaps an assessment has been late. For that and other reasons, there will be a very considerable sum in arrears as at the 30th June. The Commonwealth proposes to collect that on behalf of the States. It will not return that amount to the States but will put it into war loans. That is quite wrong unless there is some reason of which I cannot think. That money belongs to the States. It is their property. They are the creditors of the people concerned and the

money belongs to them to do with as they think fit. I cannot understand that proposal.

Doubts were expressed by Mr. Seddon as to our being able to return to double taxation after the war. Constitutionally I believe it will be necessary for a referendum to be taken. If the State is to be eliminated from the field of income taxation, an appeal will have to be made to the people for an alteration of the Constitution. We must accept that as being the true method that must be followed to make an alteration. Some members may tell me it can be done by some subterfuge. I do not know that it can. The Constitution lays down the procedure and if a change is to be effected, an appeal will have to be made to the people. Accepting that, if after the war people have got used to one form of simple taxation and decide, in their wisdom or otherwise, that it is desirable to continue that method, surely they will be entitled to a continuance of the practice.

I believe Governments exist for the people and work for the people. But the people are not made use of merely to suit Governments. If the people decide that they want something, the people should have it. They should be allowed to decide the issue by way of a referendum as laid down in the Constitution. The people are not fools.

Hon. H. Seddon: Do you think the people should decide the amount to be allocated to the State by the Federal Government?

Hon. L. CRAIG: The people will not be asked that question. Mr. Seddon also referred to the question of rebates being allowed instead of reductions. Let me give members an example. If a man has an income of £500 a year the present deduction on behalf of his family represents £100, he is taxed on the balance of £400. Under the new proposal that man will be taxed on £500—the rate will be higher, of course—and then he will be given a rebate of £100. Suppose that the rate of tax on £400 is 2s. and on £500 is 2s. 6d. That means that under the old system the man will be taxed on £400 at the rate of 2s. in the pound whereas under the new system the tax would be at the rate of 2s. 6d. in the pound on £500 and after that is assessed he will receive a rebate of £100.

Hon. H. Seddon: No.

Hon. L. CRAIG: He will receive that rebate.

The Chief Secretary: But the rebate would exceed the amount of the tax!

Several members interjected.

Hon. L. CRAIG: Members know what I mean. From an accountancy point of view, the proposition may be quite right. From my point of view I do not see very much wrong with the proposal although it will enable the Federal Government to secure a little more revenue than it received in the past. I admit that.

Hon. W. J. Mann: That is one of the niggers in the woodpile.

Hon. L. CRAIG: Yes, but I am not sure it is not the correct way.

The Chief Secretary: It may be the simple way.

Hon. L. CRAIG: And I am for the simple way every time. I do not desire to discuss this matter beyond the uniform tax phase. Mr. Seddon branched out in various directions and if I were to follow him in his arguments I should take up much more time of the House. Dealing with his remarks about war contracts and the attitude of the Commonwealth Government, I believe that in proportion to our industrialisation compared with that of other States, Western Australia has probably received as great assistance by way of war contracts as has any other State.

Hon. L. B. Bolton: That is not so.

Hon. W. J. Mann: Not by any means.

Hon. L. CRAIG: I have perused the figures relating to war contracts and I am sure that on a proportional industrial basis we have done very well. We had very small industries here before the outbreak of war.

Hon. Sir Hal Colebatch: How many more men have we in our industries now than we had before the war?

Hon. L. CRAIG: I do not know. I am speaking about contracts.

Hon. C. B. Williams: You are astonishing hon. members.

Hon. L. CRAIG: Perhaps I am guessing.

Hon. W. J. Mann: And you are a thoroughly bad guesser.

Hon. L. CRAIG: I have not the exact figures, but I perused the details and I think the total contracts that remain must run into several millions.

Hon. J. A. Dimmitt: Your statement astounds us.

Hon. L. CRAIG: It is correct.

Hon. J. A. Dimmitt: You said you were guessing and now you say your statement is correct.

Hon. L. CRAIG: When we consider the industrial position proportionately, the present situation is colossal. It is a long way better than I imagined was possible. There is one other phase to which Mr. Seddon referred when he mentioned the position of social services. I admit he put his finger on a possible danger, but members must recollect that so far the committee's proposal represents only a recommendation to which attention may be given at some future time. The proposal was that if the Commonwealth Government took over social services formerly conducted by a State, the Commonwealth should deduct from compensation due to that State the cost of carrying on any such social service. That would apply in New South Wales regarding widows' pensions. There is not much wrong with that proposal.

Hon. J. Cornell: It is an indication.

Hon. L. CRAIG: Yes, and if the people ask for something of that sort they have a right to it. I think the Government should be careful to have public opinion behind it in any action it may take respecting these matters. I would draw attention to a suggestion in the leading article in the "West Australian" this morning.

Hon. C. F. Baxter: That article contains suggestions both ways.

Hon. L. CRAIG: The Government should be sure that public opinion is behind it with regard to the Federal Government's uniform tax proposals.

On motion by Hon. Sir Hal Colebatch, debate adjourned.

MOTION—GOLDMINING INDUSTRY.

As to Manpower Proposals.

Debate resumed from the 23rd April on the following motion by Hon. H. Seddon (North-East):—

That, in the opinion of this House, in view of the vital importance of the goldmining industry to Western Australia, it is highly undesirable that the continuance of the industry should be imperilled by further heavy demands upon its personnel until there has been a comprehensive marshalling of the manpower available from other avocations less essential to the stability of the State and to the successful prosecution of the war effort.

HON. C. F. BAXTER (East) [4.38]: Here again I think Mr. Seddon's motion deals with a subject covered by a proposition under consideration in another place. We have been treated to a most astounding exhibition of incompetency on the part of the Federal Government in dealing with manpower in relation to the goldmining industry. One wonders what is in the minds of the Federal Government. First Mr. H. V. Johnson, M.H.R., who represents Kalgoorlie in the House of Representatives, was sent across to his constituency in a most extraordinary manner. When the Minister concerned with this problem, Mr. Dedman, was actually on a visit to this State, we were astonished to realise that our own Minister for Mines was in the Eastern States, in accordance with an appointment to interview Mr. Dedman to discuss the manpower problem as affecting the goldmining industry. Mr. Dedman returned from the West and contrary to what we were led to anticipate from his attitude here, the position does not seem to be relieved at all. We have had no more assurances, and all the time the movement to denude the goldmining industry of its manpower has been proceeding apace and hundreds of men are leaving the industry weekly.

Someone remarked upon Western Australia becoming a "ghost State." It is moving speedily in that direction. If all the avenues from which extra manpower could be drawn had been exploited, not much could be said about the action of the Federal Government in denuding the mines of their personnel. I say emphatically that it is about time the Federal Government overhauled its own military machine and took steps to replace with women or ineligible men some of the hundreds of apparently eligible young fellows who are manning the military department, falling over each other and running around with small files in their hands. I am not speaking on the basis of hearsay; I am speaking on behalf of many of my friends who are in the Defence Department, many of whom are longing to get out and take part in field work. Only within the last few weeks two young men have been added to the staff of the Ordnance Department. They are doing work that could easily be done by ineligible men, and those young fellows could have been left in their city offices for all the good they are doing in the department. It is about time the Federal Govern-

ment considered this phase. In addition, the manpower difficulty is being accentuated regarding the goldmining industry at a time when there is a waiting list of hundreds of young men waiting to be called up.

Where is all the revenue that Mr. Seddon spoke of to come from? This points to the need for action by the Federal Government in many directions. Under existing conditions it is destroying everything that is revenue-producing in this State. I do not think we need worry too much about the income tax proposal—in view of present-day prospects. The Federal Government is destroying everything that is of assistance to this State and it will soon be impossible for us to carry on. It is useless to complain about what is being done. I think the Chief Secretary could look into this question too as it affects the State Government, for I am told that certain heads of Government departments are sheltering quite a number of eligible young men. If that is true, then something should be done to rectify the position. In that case it is a matter of hearsay, but I speak of the position in the Defence Department from the standpoint of facts as they are. I certainly object to the military position as it exists today.

When the position of the goldmining industry was mentioned, a remark was made that the farmers were going to have a good time. I cannot see how that could possibly be so in view of the fact that some are restricted to 16 acres under production, whereas production costs will be almost doubled. Take the position regarding the butter industry. Cows are being put off the holdings by the hundred, and there is no saving there. Only today I was told of the case of a man with a number of sidelines, who has had his only mainstay taken from him. His only remaining son has been called up with the result that the father is in an impossible situation and cannot carry on. There are many such instances in the South-West.

Hon. G. W. Miles: If the statement appearing in the Press on Saturday regarding the manpower position is correct—

Hon. C. F. BAXTER: That can only afford relief for three weeks, and what is the good of that?

Hon. W. J. Mann: It is worse than useless.

Hon. C. F. BAXTER: That is only begging the question. I know of an instance where the owner of a farm is carrying on a business and he had a man running the farm

for him. The man was taken off the farm and the farmer wrote to me for advice. The only advice I could give him was to try to secure a lad in the district, which he could not do, or to get a land girl, which again he could not do. There is only one thing facing that farmer, which is to drive off his 45 cows, and this at a time when we are looking around for bigger butter supplies! That is not an isolated instance, but one of many. It has been asserted that there is no need for gold at the present time, but there is much more than that in this matter. We have to consider the whole of the assets of the goldfields. I have lived on the goldfields and engaged in mining, and I assert that the industry must not be robbed of its mainstay. The mining industry must be carried on. Never mind about the water trouble in the mines; leave a dry mine for a few years and then see what a state it would be in. It would be necessary to reconstruct the whole mine. Many of our mines have not ore of such a value that they may be laid aside. If this drain upon manpower continues, many of our mines will cease working and never be revived again, because we cannot expect that the value of gold will remain as high as it has been for the past few years. There is no possible chance of that after we pass this crisis.

Another factor is the revenue derived by the State from the industry. What will the State do if it is deprived of that revenue? We shall find that within a year or two our revenue will have fallen to such an extent that taxation will be tremendously increased. Every person in the State, whether legislator or ordinary citizen, should protest very strongly against this drain upon the manpower of the goldmining industry and try to bring about some reasonable settlement, so that enough mines will be left.

Hon. J. Cornell: It is too late now in some districts.

Hon. C. F. BAXTER: Some valuable mines are left and they should be kept working, because otherwise the assets will disappear altogether. I trust that the protest from this State will be strong enough to convince Mr. Dedman of the necessity of keeping the goldmining industry here at work. I do not know Mr. Dedman. I cannot say whether he is one of the nit-wits referred to by Mr. Williams last week, but it looks like it. His actions in Western Australia suffered a reversal of form when

he returned to the Eastern States, so that he is a man who, as a Minister, I do not appreciate. The Prime Minister, Mr. Curtin, who is from this State, should sit down quietly and think what this industry means to the State. It carried us through the 1933 crisis. We should expect Mr. Curtin, in his position as Prime Minister, to help us to retain this most important industry, so that the best of our mines at least can be kept working. If that is not done, I cannot see any hope for their recovery. I support the motion.

THE CHIEF SECRETARY (Hon. W. H. Kitson—West) [4.50]: In approaching this subject I think we must all recognise, first, that conditions in wartime must be very different from conditions in peace time, and that therefore any inconvenience which may be felt as a result of wartime legislation or regulations, and any disability which we might have to suffer through the same reason, must necessarily be weighed in accordance with their value to the war effort. In other words, the war effort must be paramount. There can be no question at all that the goldmining industry has been of the utmost importance to Western Australia, and one might say to the Commonwealth also. It has been a most important factor in the economy of the State and the Commonwealth, and I have not yet met anyone who has denied such statements. There may be room for a difference of opinion as to the actual value of the industry in accordance with one's outlook on the question of gold, but I think it can be admitted that there are two distinct schools of thought at present with regard to that phase of economics.

Hon. W. J. Mann: Largely as a result of the war.

The CHIEF SECRETARY: Possibly so. It may be as a result of experience in other parts of the world, but in any event there are those two different schools of thought. I do not propose to go into those points at this juncture. When Mr. Seddon moved this motion, I think he was aware that the Government had lodged a very strong protest immediately it received an indication of the most serious and widespread effects of the Commonwealth Government's proposals to manpower this industry. I think Mr. Seddon will agree that not only did the Premier protest forcibly by means of communications to the Com-

monwealth Government, but that other Ministers, and the Premier himself in conferences which he attended in the Eastern States, also used the same strong argument, that if the industry were to be denuded of its men, it would mean its collapse, and with the collapse of the industry the economy of the State would be upset to a very material extent; and that, in conjunction with the position of another primary industry upon which we had relied in years gone by—the agricultural industry—would mean that our position as a State would become untenable. I think I told the House on a previous occasion that the Premier and the Minister for Mines were both seized of the vital importance of the industry to Western Australia, and that anything they could do, consistent with our war effort, would be done in order to retain it. Today there has been moved in another place a motion which reads as follows:—

In view of the vital importance of the goldmining industry to Western Australia, and the decision of the Federal Government as announced by Mr. Dedman, the Minister for War Organisation of Industries in the Commonwealth Parliament and as published in the "West Australian" of Friday, the 8th May, 1942, "That there cannot be any protection given to the goldmining industry from the call-up for military service of men directly or indirectly engaged in the industry," this House emphatically protests against the manpower proposals in connection with goldmining, which will constitute a disastrous interference with the major industry of Western Australia. While fully recognising the vital needs of the war situation, we demand that the manpower position be reviewed and that a reasonable amount of labour be conserved to this most important industry, so that it may be maintained.

That motion, I take it, is much on the same lines as Mr. Seddon's, and again is an indication that the Government views with real alarm the situation that will be created if the call on the men in the goldmining industry continues, as it is indicated that it will be continued, to the extent that many mines will be unable to carry on. So seized is the Government of the importance of this position that it made arrangements just before the last week-end for a gentleman visiting Western Australia as a representative of the Director of Manpower to visit the goldfields in company with the Deputy Director of Manpower (Mr. Stitfold). They returned today from their visit to Kalgoorlie in connection with the matter. While Mr. Seddon was speaking, I took the oppor-

tunity to have a word with those two gentlemen with a view to ascertaining what position had been reached. It seems rather strange to me, but I was told that their impression was that there was lack of unanimity among the representatives of the gold-mining industry on the goldfields today on this particular question.

Hon. W. J. Mann: State or Federal representatives?

The CHIEF SECRETARY: There was lack of unanimity among the representatives of the goldmining industry on the goldfields.

Hon. Sir Hal Colebatch: The Chamber of Mines was very definite.

The CHIEF SECRETARY: I am wondering whether the members of that Chamber are. I doubt whether they are as definite as they should have been. I do not think I am disclosing secrets when I say that the attitude of the Chamber of Mines to Mr. Dedman, as the Minister controlling this matter, was entirely different from the attitude of the Chamber to our own Minister for Mines. In other words, the Chamber wanted the Minister for Mines to do what it was not prepared to do itself. There is no question that the Chamber of Mines informed the Minister that, under conditions as they were outlined, it would be possible to carry on the industry.

Hon. G. W. Miles: Did they so inform the Federal Minister?

The CHIEF SECRETARY: Yes. No sooner did the members of the Chamber of Mines so inform the Federal Minister than they got into communication with the State Minister asking him to protect the industry.

Hon. J. Cornell: They were skating on thin ice.

The CHIEF SECRETARY: That is a state of affairs which does not say much for those responsible representatives of the goldmining industry in Kalgoorlie. I can understand that there would be a difference of opinion because not all mines are in the same position. Some are more financial than others; some are further developed than others. Some could carry on for an indefinite period under conditions such as we visualise, whereas others would find it necessary to close down. I am told by Mr. Stagg and Mr. Stitfold that after having interviewed the Chamber of Mines, and also after having interviewed other people including the miners' organisations, this proposal has

been put forward—that the mine owners themselves should submit a list of the men who would be necessary just to keep the mines open.

Hon. J. Cornell: That is safety men, really.

The CHIEF SECRETARY: Yes. In addition, that they should submit a list of the men required to allow these mines to just carry on or, in the term used by these gentlemen, which will allow the mines "to just kick over," and by these means to allow the mines to be available in the post-war period, whereas if they close down there is little possibility, in many cases, of their ever reopening. If the mines will provide this information, it will be checked by the Deputy Director of Manpower in Perth, Mr. Stitfold, and recommendations then made to the Director of Manpower in the Eastern States.

Hon. J. Cornell: Did the Minister have the opinion of the most competent man of the party—Mr. Wilson?

The CHIEF SECRETARY: He was with the party.

Hon. J. Cornell: Have you had his opinion?

The CHIEF SECRETARY: I think so.

Hon. J. Cornell: He agreed with Mr. Stitfold and Mr. Stagg, who know nothing at all about mining.

The CHIEF SECRETARY: I do not know what the hon. member is trying to get at. I am telling the House what has been recommended to the mining industry this week-end. Mr. Wilson, the State Mining Engineer, was a member of the party. I understand that his services were considered by all parties to be highly valuable. The intention is that if the mines provide this information, it will be seriously considered and recommendations made to the headquarters of the manpower authority in the Eastern States. So much for what has been done in recent days. The goldmining industry has a very creditable record in regard to the number of men who have joined up in the various arms of the Fighting Forces. It may be that because of that very fact it will be more severely affected than other industries where the enlistments have not been so great.

Hon. J. Cornell: Half-a-dozen small mines at Yilgarn have already closed down.

The CHIEF SECRETARY: That does not get away from the fact that mining today is a third priority, meaning to say that

there are two other priorities which must receive every attention, and, where it is necessary, that the manpower required for these particular vocations must be provided. In addition to mining being a third priority, and in addition to certain classifications being on the reserved list, numbers of professional men who are associated with the goldmining industry also come within the reserve category. I am told that of the number of men who have been called up, quite a fair percentage have been rejected for various reasons. It is considered by some people that the men who have been rejected, plus the men who cannot be called up, perhaps for age reasons, plus the men who are reserved, will, if properly utilised, allow some of these mines, at least, to carry on, even if only in a limited way.

Hon. J. Cornell: A number of the men who have been rejected have gone into the V.D.C.

The CHIEF SECRETARY: There is no gainsaying the fact that if the manpower regulations are carried out to their fullest extent—there is no doubt that the war situation does call for the full implementation of these regulations—it is going to be a very serious blow indeed to this State. I do not want to go into details as to just what the industry does mean to us. We have had sufficient indication from Mr. Seddon, Sir Hal Colebatch, and also from the statements made by the Premier and the Minister for Mines to show to what extent we would be affected in every possible way if the goldmining industry is compelled to close down. I need only mention one or two matters. First of all there are 20 towns in this State relying entirely on goldmining. They have a population of 57,000 people living in dwellings numbering something like 15,000, and they would go out of existence if the mines closed down. That one point alone is a very strong indication of the vital effect it would have on Western Australia. The loss to our revenue would be no less than £2,300,000 per year.

Hon. Sir Hal Colebatch: That is revenue from services, not counting revenue from taxation.

The CHIEF SECRETARY: No, that includes revenue from taxation. Then there is approximately £1,000,000 which the Federal Government receives as a result of a special tax on this industry. The indirect losses, which would be very hard to compute, must

amount to a tremendous sum. It seems to me that no matter how we look at this subject, and no matter what our views might be in regard to the war effort, we cannot get away from the fact that unless it is possible to find ways and means whereby this industry can be saved, or at least allowed to carry on, then Western Australia is going to be more seriously affected by this proposal than is any other State of the Commonwealth.

I have here some information which is quite relevant to this particular motion and which will be of some interest to members. For record purposes I would like to quote from "Whittakers' Almanack" for 1941, the last available issue, which gives interesting particulars of the annual gold production of different countries in fine ounces. South Africa heads the list with 12,820,000 ounces. Canada comes second with a production of 5,100,000 ounces, and third on the list is Russia, with 5,000,000 ounces. The United States of America, not satisfied with purchasing from other countries and hoarding enormous quantities of gold, produced during the year 4,250,000 ounces. Japan, which is fifth on the list, has been working with feverish energy to increase her gold production, but is a long way behind, with 1,800,000 ounces, and Australia is still farther behind with 1,600,000 ounces. The Philippines come next, with 1,000,000 ounces, and then Mexico, with 980,000 ounces. Rhodesia, the Gold Coast, the Congo, Chile, India, Columbia and other countries are gold producers. It is curious indeed if the people of all these countries are wrong in prizing gold and that the few theorists should be right in thinking that gold will become valueless.

Hon. Sir Hal Colebatch: It is a record for South Africa.

The CHIEF SECRETARY: I did not know that.

Hon. G. W. Miles: All these countries are encouraging their gold production, notwithstanding the war effort.

The CHIEF SECRETARY: It is a remarkable fact that notwithstanding the war, all these countries are still continuing to produce as much as they possibly can of this commodity.

Hon. J. Cornell: The latest figure for South Africa constitutes another record.

The CHIEF SECRETARY: It does not matter what other countries are doing, if

the war situation demands that these men shall be utilised in the war effort—

Hon. G. W. Miles: That is providing for every man.

The CHIEF SECRETARY: If it can be shown that these men are required in the war effort in a capacity different from goldmining, I feel sure that the goldmining industry would not object.

Hon. H. Seddon: That is where you have unanimity between the men and the management—in the event of necessity.

Hon. Sir Hal Colebatch: They are all agreed on that.

The CHIEF SECRETARY: I think they are, yes. I understand that by resolution both parties have, on one occasion or another, indicated that that is the attitude they are adopting. But they do claim that, in their opinion, there is no necessity at the present time for the industry to be so denuded of manpower that it cannot carry on. As a Government, we recognise the very great importance of this question and we have done all that we possibly can in connection with this matter. I say again, on the information which has been conveyed to me, that I am afraid that those who have been representing the mining industry have not done all that they should have done in connection with those representations.

Hon. G. B. Wood: Who do you mean exactly?

The CHIEF SECRETARY: The Chamber of Mines.

Hon. H. V. Piesse: I thought you meant members of Parliament.

The CHIEF SECRETARY: In discussing this matter with the Minister for Mines I found that quite a good deal of research had been made by officers of the department regarding the effect that the closing of the goldmining industry would have on Western Australia, and I feel that I am justified in reading a report submitted to the Minister. I do so mainly for record purposes, because it is just possible that these statements have been made elsewhere and it is well that we should have the official viewpoint on record. The report was submitted by the Under Secretary for Mines, Mr. Telfer, as follows:—

Following upon your announcement to us of the possible closing of the mining industry, we have made an investigation to ascertain the economic effects.

We are quite satisfied that these effects would be far-reaching since goldmining plays such a large part in the economic life of the State.

Goldmining has contributed roughly 25 per cent. of our national income and has represented half the value of our exports. At the present time there are engaged in the industry roughly 11,000 men, and we estimate that indirectly the industry provides employment for another 20,000 in goldfields areas and another 5,000 outside of these areas.

If goldmining in Western Australia were to cease altogether, we estimate that the loss to Consolidated Revenue would be in the vicinity of £2,300,000. This estimate has been arrived at by assessing the proportion of revenue which comes from that part of the national income derived from the mining industry and we have endeavoured to check this by taking out the figures showing the individual losses on the various Government undertakings which would be affected. These figures are set out hereunder:—

	£
Railways	623,000
State Batteries	110,000
Goldfields Water Supply	250,000
Taxation—Direct	850,000
Indirect	118,000
Royal Mint	40,000
Mines Department	36,000
Kalgoorlie Abattoirs	3,000
Timber	12,000
	<hr/>
	£2,042,000

We have made no attempt to estimate the loss of revenue to the various local authorities affected, but we hazard a guess that the loss would be substantial, in some cases representing almost the whole of their income.

An idea of the loss of revenue can be gauged by the fact that the population on the goldfields depending on goldmining is 53,000 of whom 30,000 are bread-winners, the others dependants.

We are endeavouring to ascertain from the Chamber of Mines the number of men who would be released if the industry closed down and the types of their occupations. It has to be borne in mind that even if the industry ceases to function, some staff will have to be retained on each mine to keep the mine unwatered and keep the machinery in reasonable state of maintenance. This information has not yet been obtained from the Chamber of Mines.

In the absence of any information as to what remedial steps would be supplied, we are unable to say what offsets could be set against the estimate of loss of revenue. We notice from Mr. Wise's letter that the American Government suggests that if the economic results are too drastic, the American Government might be prepared to purchase the gold and leave it in the ground for the duration of the war. In the absence of further information we cannot see how such a scheme could operate.

If it is proposed to transfer the men released from the goldmining industry to defence works, the question has to be considered as to whether these men will be employed in Western Australia or transferred to other States. Even if they are retained in Western Australia, but removed from the goldfields,

there will be no doubt, a strong move for their families to accompany them, and where a community depends solely on goldmining, it is possible that the closing of the mines would denude the town of its entire population.

From information in the possession of the Mines Department we find that 20 main towns in Western Australia depend entirely on goldmining. If the population from these centres is transferred elsewhere, an evacuation problem of some magnitude would arise.

Another point which must be borne in mind is that of the Mine Workers' Relief Fund. All miners, all employers and the Government contribute equally fortnightly to this fund, from which is paid compensation to miners who subsequently become affected by advanced silicosis or tuberculosis.

To close the industry would mean the cessation of payments to the fund, but would not release it from its liability in regard to the miners. A dispersal of the men to various parts of Australia would further complicate the position in regard to subsequent claims for compensation.

In practically all the larger mining centres, social services have been provided, such as water supply, hospital services, education, police, etc., and these would become unnecessary, throwing a further financial loss on the State.

The economic results of the closing of the goldmining industry in Western Australia would be so serious to our general well-being that the question might well be raised as to whether some other means of providing labour for defence works should not be sought.

If, however, the American Government has in mind, in addition to obtaining labour, the refusal to accept more gold, then, in the absence of an arrangement whereby the Commonwealth Government would purchase and store the gold against future requirements, we would have to face the inevitable. In the event of such a result, however, other countries besides Australia would be affected, viz., Canada, South Africa and Russia, and to a greater extent than Australia. Goldmining has been such a major part of our economic life that the closure of our industry would seriously jeopardise the continuance of Western Australia as a self-governing community.

We feel that the problem is of such magnitude that it calls for very close collaboration between the American Government, the Commonwealth Government and the State Government.

The above represents only an outline of the position. If a discussion with the Commonwealth Government is contemplated, we suggest that we be authorised to prepare a comprehensive case.

I have read the whole of the report in order to indicate to members that the department was alive to the seriousness of the position and that the Minister for Mines has taken all possible precautions to ensure that whatever protection could be given to the industry, consistent with our war effort,

should be given. That is the attitude we have adopted right through the piece. It is an attitude that I feel sure will meet with the approval not only of members but of everybody who has any knowledge of the subject. Having read that report, I may be excused for quoting from the "Canadian Mining Journal" of January, 1942. I do not know whether members have seen this article, but one might almost imagine that it had been written in connection with our own goldmining industry. It is as follows:—

Where Stands Gold?

Anyone who is observant is bound to have noticed that as soon as abnormal events breed abnormal conditions, we always get a certain amount of subnormal thinking. This is perfectly illustrated by the fact that we are now going through a period of loose thinking about gold.

Goldmining has for many years occupied an important place in the social and economic life of this country. That place has been, and still is, so important that it is difficult to imagine any sane person questioning it, but the amazing fact is that, here and there in various parts of this country, we find so-called intelligent people breaking into print about this very subject and inflicting upon us a variety of dizzy opinions and ideas which range all the way from the suggestion that gold mines be shut down so that the labour employed can be diverted to the "war effort," to "what's the good of gold anyway? We dig it up and bury it again," which as a question is the height of egregious asininity.

It is a human failing that the exigencies of the moment should so often obscure the light of practical reason, and it is tragic that memory should be so short; but these things seem to be, which is one reason why we might all quite profitably remind the general public of a few matters which were terribly important to this country before we entered war prosperity, and for sake of emphasis we might enumerate them and punch them home.

1. Goldmining has employed many thousands of men, and it still is employing many thousands of men. This may not be so important today in these times of labour shortage, but the time will come when it will be more important than ever.

2. Goldmining has provided one of the main items of export in our international trade, thereby establishing foreign credits. In war or peace that is a matter of prime necessity.

3. Goldmining has contributed heavily to the national income through wages, purchase of supplies and dividends. Under the false prosperity of a war economy this may not be so important, but when peace comes again—as it must—that great flow of national income will be vital again to the economic life-blood of this country.

4. Goldmining supports large social and business communities in all parts of this country, and it is presumed that the advocates of

a cessation of gold mining, and the freak economists, would view with equanimity the ruin of large numbers of tradesmen, storekeepers, and house-owners. If they had interests in any of these communities it is a safe bet that their crackpot theories and misty suggestions would die still-born because "it depends upon whose ox is being gored."

5. Goldmining is an integral part of the economic structure of this country, and an abrupt dislocation of it would bring a lot of things tumbling about our ears.

6. Goldmining saved this country from economic disaster in those tragic years of the great depression when the world of material things as we know it rocked. All of us can look back, and remember how newspapers, politicians, business men, and in fact the whole country paid tribute to the debt Canada (and Australia) owed its goldmining industry. Amid the prostrated national industrial activity of this country during that time of stress, goldmining stood erect and gave work and substance to men, and its great expansion helped to keep the wheels of manufacturing industry turning.

Those were long years and lean ones, too, but memory is short. It is easy to forget them now when the factories of our country are humming with the production of tanks, airplanes, guns and the implements of war; but this will pass, and once again we shall have to lean heavily upon the basic industries of this rich land of ours. Goldmining is one of them, and yet there are men who would lightly discard it now and undermine it with fiddling economic theories and blind suggestions without a thought that there will come a tomorrow when goldmining may once more save this country of ours from disaster.

That might quite easily have been written of Western Australia. It sums up the position very well indeed. On the other hand, we must recognise from the statements made by the Prime Minister, particularly during the last week or so, that the position is very difficult. Large numbers of men are required, not only for the Armed Forces but also for the production of munitions of war and in other ways absolutely associated with the war effort. It is all very well for some members to suggest that there are other avenues where the requisite number of men could be obtained without affecting the goldmining industry, but I think those members have spoken with the tongue in the cheek. I do not know of any exception being made in regard to Government departments. We have not stood in the way of any man who desired to enlist or who was called up, except in a very few instances. Other industries are all subject to the selfsame manpower regulations; in many cases small businesses

have had to close down entirely. In others, industries and occupations have been left with a skeleton staff.

So far as I am aware, the manpower authorities have been treating all industries in the same way, in accordance with their priority. It comes to this, that if the goldmining industry, with its deferred priority, can secure men of the right type to carry on operation, I think that is something which the manpower authorities ought to consider. Consequently, as I have already informed the House, if the goldmining industry will, as it has been requested to do, forward lists of men who will, first, allow the mines best to be preserved, and, secondly, lists of men who will allow the industry to carry on, or "kick over," as it has been described, and if then recommendations are made to the manpower authorities in the Eastern States, it seems to me that that will be doing something a little better than we are told by members in this House will be the position very shortly unless something is done.

We are all very much concerned about the situation. I am not going to object to the motion moved by Mr. Seddon; but, in view of the fact that it is couched in somewhat different terms from the motion being moved in another place today, I think it would perhaps be advisable for this House to carry the same motion which I anticipate will be carried in the Legislative Assembly. Whether we reach that desirable stage by carrying Mr. Seddon's motion first and then by my moving the other motion, or whether Mr. Seddon cares to withdraw his motion and allow me to move my motion, is immaterial.

Hon. J. Cornell: We do not want two motions dealing with one subject.

The CHIEF SECRETARY: We do not, but Mr. Seddon had already raised this matter in this Chamber and had reached the stage where all members, with the exception of myself, had spoken to it. Mr. Seddon will, of course, have the opportunity of replying. It does not matter which method is adopted, but, personally, I would like this House to carry the motion agreed to in another place. I do not propose to say more on this subject. It has been ventilated by Mr. Seddon and other speakers in a way which has indicated that we should do all we possibly can to prevent the absolute collapse of this industry, and that wherever it is possible, consistent with our war effort, we should do our best to see that

at least it is carried on. It has been of the utmost value to the State in years gone by. It is a truism to say that we have relied upon it in past years. There is no doubt in my mind that in the post-war period we shall be looking to it as the solution of some of the problems which we will then have to face. I support the motion.

On motion by Hon. G. W. Miles, debate adjourned.

House adjourned at 5.37 p.m.

Legislative Assembly.

Tuesday, 12th May, 1942.

	PAGE
Questions: Agricultural Bank, Denmark and Walpole districts	3288
Mine Workers' Relief Act, as to pensions	3288
Firewood supplies	3288
Motions: Standing Orders suspension	3288
Uniform taxation, as to protest by State Parliament	3288, 3307
Goldmining industry, as to review of manpower position	3298, 3331

The SPEAKER took the Chair at 11 a.m., and read prayers.

QUESTION—AGRICULTURAL BANK.

Denmark and Walpole Districts.

Mr. HILL asked the Minister for Lands: 1, What is the total amount of interest collected annually by the Agricultural Bank in the Denmark and Walpole districts? 2, What is the cost of the administration of the Agricultural Bank in the above districts?

The MINISTER FOR LANDS replied: 1, Principal owing by clients in the Denmark and Walpole districts is £243,490. Interest collected for the year ended the 30th June, 1941, was £9,267. 2, Salaries and expenses amounted to £3,944.

QUESTION—MINE WORKERS' RELIEF ACT.

As to Pensions.

Mr. MARSHALL (without notice) asked the Minister for Mines: Has any attention been given to the Coal Miners and Oil Shale

Mine Workers' Pensions Act of New South Wales, with a view to embodying some of that Act's provisions in the Mine Workers' Relief Act of Western Australia?

The MINISTER FOR MINES replied: That is now before Cabinet.

QUESTION—FIREWOOD SUPPLIES.

Mr. RAPHAEL (without notice) asked the Minister for Industrial Development: Has the Government given any consideration to the suggestion I made about five weeks ago that interned foreigners should cut firewood so that soldiers' wives could cook food for their kiddies during the winter months?

The MINISTER FOR INDUSTRIAL DEVELOPMENT replied: Some consideration has been given to the suggestion. A conference in connection with the problem of firewood shortage is being held today.

MOTION—STANDING ORDERS SUSPENSION.

THE PREMIER (Hon. J. C. Willcock—Geraldton) [11.5]: I move—

That Standing Order No. 211 be suspended to enable motions dealing with (a) uniform taxation in Australia, and (b) the position of the goldmining industry in Western Australia, to be moved at this sitting.

Mr. SPEAKER: I have counted the House and assured myself that there is an absolute majority of members present. I declare the question duly passed.

Question thus passed.

MOTION—UNIFORM TAXATION.

As to Protest by State Parliament.

The PREMIER (Hon. J. C. Willcock—Geraldton) [11.7]: I move—

That this House expresses its strongest opposition to what are known as the uniform taxation proposals. These proposals would deprive the States of their constitutional power to levy income tax and thus seriously impair the exercise of functions entrusted to them under the Constitution for the welfare of the people. They would effect a fundamental change in the Constitution of Australia in an undemocratic manner without reference to the people, and would violate the rights of the States and people. It has not been shown that the proposals are essential for the war effort, and it is the opinion of this House that they should not be put into effect.