

## Legislative Council,

Thursday, 28th June, 1928.

Bill: Financial Agreement, 2r. ... Page 247

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

**BILL—FINANCIAL AGREEMENT.***Second Reading.*

Debate resumed from the previous day.

**HON. SIR WILLIAM LATHLAIN** (Metropolitan-Suburban) [4.35]: At the outset I wish to offer my congratulations to the Chief Secretary upon the able manner in which he placed the Bill before the House. He furnished us with a tremendous quantity of information and presented it in a clear and lucid manner. At the same time, I will also offer my congratulations to Mr. Lovekin. While I differ from his views on the Financial Agreement Bill, I am sure that every member of the House will agree that Mr. Lovekin is perfectly sincere in his intentions. He has gone to endless trouble to collect the information he placed before us, and, as one who does not agree with his views, I take this opportunity to express my thanks to him for the manner in which he presented his material to us. During the course of his speech, Mr. Lovekin made reference to the leading articles that have appeared in the "West Australian" and the "Daily News" and said that those papers had given hints to members of the House as to how they should vote. With all due deference to that hon. gentleman, I regard his protest as an instance of the pot calling the kettle black, because Mr. Lovekin in effect has done exactly the same thing. He has distributed pamphlets far and wide in reference to the Bill before us, and therefore Mr. Lovekin himself is in the same position as the newspapers.

Hon. A. Lovekin: I issued a few copies only, about 120, I should say.

Hon. Sir WILLIAM LATHLAIN: It is not my intention to deal at length with the various incidents regarding the financial relationships between the Commonwealth

and the States from the inception of Federation until the 1927 agreement. I shall refer to them very briefly. As we are all aware, there was at the outset the granting to the States of the right to three-fourths of the Customs revenue for the first 10 years. In my opinion, if any alteration were to be made in the Constitution concerning the disposal of the three-fourths of the Customs revenue, it should have been done when the first departure was made from the original intention, and not at this late hour. Subsequently there was an agreement in 1910, while in 1921, when the per capita payments were under consideration, the position was much dislocated. At that time Mr. Watt, who was a member of the Hughes Government, made drastic recommendations as to what should obtain in connection with the financial relations between the States and the Commonwealth. As a matter of fact, from the very inception of Federation, the States have been in the position of mendicants. We have been living from hand to mouth throughout that whole period. It is with the intention of terminating that state of affairs that the Prime Minister and his Government have advanced the present proposals, so that the States may be placed upon a firm financial footing, irrespective of what Government may be in power. It is within the knowledge of hon. members that certain suggestions were made in 1926, but they were not endorsed by any of the State Premiers. So unacceptable were they that the Premiers declined to discuss them in the any shape or form. It was not until the 1927 proposals were submitted that there was any hope of a definite agreement being reached between the States and the Commonwealth. At this juncture it is idle to talk of our rights to three-fourths of the Customs revenue and still more idle to talk about any rights we may have had in respect of the per capita payments. We must start de novo and realise the position that confronts us today. A new agreement has been submitted to us, and it has been described as the best agreement possible in the circumstances.

Hon. J. Cornell: We have been divorced without having been in Court at all!

Hon. Sir WILLIAM LATHLAIN: Probably the most important feature of the agreement is that a scheme has been presented to, and been accepted by, the Premiers of the various States. When we realise the complexity of the problem and the different po-

sitions in which the several States find themselves, we realise what all this means. We have New South Wales owing £239,000,000, Victoria owing £136,000,000 and Western Australia with her debt of £61,000,000, and yet these States have disproportionate amounts in their sinking funds. Western Australia, of course, stands out pre-eminent regarding her sinking fund provisions. The most outstanding feature of such a scheme is that it was evolved in such a way that it has been presented for acceptance by 13 Houses of Parliament throughout Australia, and has been agreed to by 12 of them. The responsibility devolves upon this House, the 13th House of Parliament, to accept or reject the proposed Financial Agreement. I am sure that every member of the House realises his responsibilities and that the Bill will receive the sincere and earnest consideration of every member of the Chamber. I remember on one occasion, when Mr. Holmes, speaking on the Address-in-Reply debate, alluded to this scheme—I am not referring to the details of it—with delight, because, as he said, it was the first time that Australia had made any effort to acknowledge her financial obligations and had made any such attempt to pay her just debts. I think all of us are of that opinion. We are delighted that Australia has at last accepted her responsibilities and proposes, in the terms of the agreement, to make a definite and determined effort to meet the whole of her obligations.

Hon. J. J. Holmes: I think I said I was looking for the nigger in the woodpile and I soon found him.

Hon. Sir WILLIAM LATHLAIN: I do not know that the hon. member said that, but I do know that he referred with pleasure to the move regarding the financial relationships between the Commonwealth and the States. That is a matter that has occupied the attention of every Government, every Prime Minister and every Premier, since the inception of Federation. When speaking yesterday, Mr. Lovekin said that the financial agreement was in all probability the result of certain articles that appeared in the London Press during his visit to the Old Country in 1926.

Hon. A. Lovekin: I said it was probably consequent upon the publication of the pamphlet that has been referred to.

Hon. Sir WILLIAM LATHLAIN: The negotiations conducted by Mr. Bruce, which

led up to the present agreement, date back beyond that time. When he attended a conference in London in 1923, his attention was drawn to certain articles that appeared in either the "Economist" or the "Financial News." The articles drew attention to the unsatisfactory state of Australian finances and to the apparent lack of proper sinking fund provisions for the redemption of loans. Ever since that period the Prime Minister has been working with the object he has in view when he places before us the Financial Agreement.

Hon. A. Lovekin: Read his speech and you will see it was that which forced him to it.

Hon. Sir WILLIAM LATHLAIN: I am glad of the hon. member's interjection because it goes to show how necessary it is that Australia as a whole—I am not dealing with the States individually—should face her responsibilities. When this Bill becomes an Act the Prime Minister's name will be associated with the agreement for all time, because it will represent the first definite and deliberate attempt made to place the finances of Australia on a firm and sound footing.

Hon. A. Lovekin: Mr. Bruce satisfied the London money market at that time.

Hon. Sir WILLIAM LATHLAIN: Yes, and he now wishes to go further and satisfy it for all time. On that I am quite in accord with him.

Hon. A. Lovekin: Well, that is what he said in London.

Hon. Sir WILLIAM LATHLAIN: I am not denying anything the hon. member says. If this agreement becomes law we shall be following exactly the same lines as the Motherland has adopted. We are all aware of the position the Motherland is in at the present time. She owes 800 millions of money to America and, in order to maintain her credit and preserve her honour, has undertaken to pay that vast amount in 62 years. She is paying, not only the principal moneys, but also interest and exchange. A similar position exists in Australia. Australia's total indebtedness is in the vicinity of £1,000,000,000. Consequently, we owe to the Motherland an even greater amount than the Motherland owes to America.

Hon. A. Lovekin: You are hardly correct there.

Hon. Sir WILLIAM LATHLAIN: We were appalled at the enormous amount of Britain's war debt to America, but I think we should be even more appalled at the enormous debt we owe. While the net indebtedness under this scheme is £641,000,000, there is probably another £359,000,000 which has been borrowed by various harbour trusts, boards of works and other similar organisations throughout Australia and more particularly in Victoria and South Australia. In one respect Western Australia may be included, because the City Council has borrowed £400,000 or £500,000 for the purchase of the electricity and gas concern.

Hon. W. T. Glasheen: Are similar bodies in England not borrowing as well?

Hon. Sir WILLIAM LATHLAIN: Probably they are. My desire is to show the amount of money we owe outside the £641,000,000, which brings our total indebtedness roughly to £1,000,000,000. But the difference to be remembered is that against the whole of the borrowings by works boards, harbour trusts, etc., proper provision has been made for an ample sinking fund, and the loans are for very much shorter terms than usually apply to Government loans.

Hon. J. Cornell: Is the relation of Australia to the Motherland in that respect comparable with that of the Motherland to America?

Hon. Sir WILLIAM LATHLAIN: I shall not answer that question.

Hon. J. Cornell: The circumstances are totally different.

Hon. Sir WILLIAM LATHLAIN: Prior to the conference in 1927, when the Prime Minister intimated to the Premiers the provisions of this scheme, he definitely stated—

If the States will meet us, we are prepared to consider any scheme that might be suggested. It is our desire not merely to give the States absolute justice but, so far as lies in our power, to deal with them generously.

Mr. Bruce then proceeded to say—

The Commonwealth Parliament will not permit injustice to be done to them. The purpose of this measure is to give them fair and equitable treatment in a financial readjustment which is essential to the interests of the whole of the people of Australia and to the State authorities themselves in particular.

Notwithstanding the Prime Minister's warning and his invitation to the Premiers to present any other scheme or method, not-

withstanding that during the conference he repeatedly asked whether anyone had a different proposal to suggest, no other scheme was submitted. Notwithstanding the opposition to this scheme in this Chamber and in the other place, not one concrete proposal has been offered as a substitute for the Prime Minister's scheme. Consequently it is idle to talk about some other scheme. There has been ample time to prepare one. This measure has been before us for a long time, and there has been plenty of time to take steps for bringing about any readjustment desired if any person, body of persons or representative house had any alternative proposal to offer. The Prime Minister appealed to the Premiers not once but several times to this effect—

If you have any other proposal or method, produce it, and we will give it consideration.

Up to the present not one alternative proposal has been submitted.

Hon. J. Cornell: Such a proposal could be produced only through the Premiers.

Hon. Sir WILLIAM LATHLAIN: The founders of Federation were men of wide vision, but after all they were human. While they did foresee that Australia might possibly become involved in war, they did not realise—in fact, no one could possibly realise—that such an intense war was imminent, and that it would leave Australia burdened with an annual debt of £28,613,000. Neither did they realise that Australia would soon become a nation and would have to accept a nation's responsibilities. There are many people who would discard the responsibilities of Australia, but I happen to know that the Federal Government view very seriously the position in Australia to-day, and more particularly the dangers that may menace us in the Pacific. There are many old "die-hards" in Western Australia, people who opposed Federation in the first place and have not since recovered, people who have not a good word to say for Federation or for any Government or officer of the Federal authority.

Hon. G. W. Miles: That is not correct. Mr. Drew was an opponent of Federation and he is a supporter to-day.

Hon. Sir WILLIAM LATHLAIN: The Chief Secretary does not come within my definition of "die-hards," though I should place Mr. Miles in that category.

Hon. J. Cornell: I have seen you among the "die-hards" before to-day.

Hon. Sir WILLIAM LATHLAIN: Many people in Western Australia were opposed to Federation. I shall not say whether they were right or wrong. Had I been in Western Australia at that time I might have been found amongst the opponents of Federation. But I wish to make the point that Federation has become an accomplished fact, and it is our duty as citizens, not only of Western Australia but of the great Commonwealth, to accept our responsibilities, not for Western Australia alone, but for the whole Commonwealth. We must realise that, while we may be good Western Australians, there is such a thing as being good Australians as well. One would imagine from the criticism that has been levelled at the Federal Government that they were burdened with very little responsibility. One would almost imagine that they were a sort of concern that could print notes and go on ad libitum, that their revenues were so enormous as to cover all possibilities, and that they were like a great potentate possessed of enormous wealth. We have to be fair to the Commonwealth as well as to Western Australia. I give place to no one in my desire to make the best possible deal for Western Australia, but at the same time I maintain that we should exercise that fairness which is characteristic of the race to the people who bear such a tremendous burden as do the Federal Government. The estimated receipts from Customs and Excise duties during the present year are £44,800,000, and from other taxation £13,750,000, or a total revenue of £58,550,000. Now let us review the Federal expenditure. With the exception of one amount, I would defy anyone to make a deduction of a shilling without doing injury to some particular organisation.

Hon. A. Lovekin: What about Canberra?

Hon. Sir WILLIAM LATHLAIN: I shall deal with that presently.

Hon. C. F. Baxter: What about the boards and Commissions appointed by the Federal Government?

Hon. Sir WILLIAM LATHLAIN: When we speak of Canberra let us remember that neither the present Government nor the preceding Government had anything whatever to do with the establishment of that city. Canberra was part and parcel of the bargain made at the inception of Federation. New South Wales definitely stated that she would not enter the Federation unless the Federal capital were built in her territory and within a certain distance of Sydney. Everybody knows that neither the present

Government nor the preceding Government had anything whatever to do with that. Canberra has to be established by the will of the people, and no one will be more pronounced in his judgment on the expenditure incurred there than the Prime Minister himself. Probably the Federal capital is being built before its time, but it is being built to keep faith with the people of New South Wales, and in accordance with a definite promise made at the time of Federation.

Hon. A. Lovekin: He said he wanted to spend another £2,000,000 on Parliament House.

Hon. Sir WILLIAM LATHLAIN: There was a desire to spend another £2,000,000 on Parliament House by making it a most elaborate marble palace.

Hon. A. Lovekin: He says it ought to be spent.

Hon. G. W. Miles: What about government by Royal Commission, such as we have experienced during the last year?

Hon. Sir WILLIAM LATHLAIN: I should like hon. members, before they throw stones at the Commonwealth Government, to recollect that the Western Australian Government have many shortcomings, and have been guilty of extravagance, through the medium of State trading concerns and similar ventures, such as probably no other Government in Australia has been guilty of.

Hon. A. Lovekin: That does not make Federal extravagance right.

Hon. Sir WILLIAM LATHLAIN: But people in glass houses should not throw stones.

Hon. J. J. Holmes: You yourself have thrown enough stones.

Hon. Sir WILLIAM LATHLAIN: Yes, but at present we are criticising other people, and it behoves us to be careful that our own house is in order before we do so.

Hon. H. J. Yelland: We have not criticised those other people before criticising our own.

Hon. Sir WILLIAM LATHLAIN: For war services the Federal Government have to find £29,613,000. Would anyone contend that that amount could be reduced by one shilling?

Hon. A. LOVEKIN: Yes.

Hon. Sir WILLIAM LATHLAIN: It is a commitment for the payment of soldiers and of our war indebtedness. Defence involves an expenditure of £4,813,000 and invalid and old-age pensions £9,400,000. Should old-

age pensions be reduced? Maternity allowances, which may not interest many members of this Chamber, involve an annual expenditure of £675,000, and cannot possibly be reduced. The payments to the States represent practically £7,500,000, beside which interest and sinking fund on State debts and State grants have to be paid. The total of those items is £55,649,000. In addition the Federal Government have to provide for the payment of taxation and Customs officers and of the staff for the conduct of the Commonwealth Parliament. In the face of that amount, we cannot logically accuse the Federal Government of any great misdemeanour in their expenditure. From time to time a considerable amount of discussion has taken place over the surpluses which the Commonwealth Government have obtained. Last year the surplus amounted to £2,921,000. Many members feel that we are entitled to a quota of that surplus. I would like to tell members the amounts which have been allocated to various items such as naval construction, reserves for defence, £2,000,000; science and industry investigations, £250,000 (of very great importance to Western Australia); civil aviation, £200,000 (of even greater importance to Western Australia); national insurance, £200,000 (that is necessary in order to get some details of the proposed national insurance scheme); the education of soldiers' children, £100,000 (we share considerably in that); purchase of radium for cancer research, £100,000 (unfortunately we may share in that); oil prospecting and geophysical survey, £70,000.

Hon. J. Cornell: We may share in that.

Hon. Sir WILLIAM LATHLAIN: In every one of these amounts Western Australia may get a bigger percentage in proportion to her population than any other of the States. Quite recently the sum of £250,000 was set aside for assisting the gold mining industry. Further than that we have had road grants amounting to a considerable sum. The charge that no surplus has been received by the State from the Federal Government is inaccurate, for each of the instances I have mentioned affords clear proof that we are participating in a very marked degree in the surpluses the Federal Government have handled. According to the statement of the Chief Secretary we shall be in a better position under the new agreement for a period of 25 years than we occupy to-day. I accept that as correct, because I am sure it has received most

careful consideration in its compilation. If we are to be in a better position only for 20 years, that will be of great advantage to Western Australia. During the past ten years an enormous amount of developmental work has been done in this State. People have made great sacrifices, and have been called upon to bear heavy financial burdens, all for the purpose of placing our future assets on a sound and reliable basis. We are in the position of many men like myself and others, who have practically made themselves poor all their lives by the amount of money they have invested in life insurance. Those men are more concerned about the people that come after than they are about their own well-being during their lives. The people of this State during the next 20 years, that is the period under review, will gain a very definite financial advantage. It will be noticed that I have taken five years off the Chief Secretary's figures. It is only fair that they should get this advantage. During that term, the development of this State will be upon such a gigantic scale that it will probably eclipse anything that has yet come about in Western Australia. The people who come after us, 25 years hence, will have to bear a certain amount of that burden, and surely it is right they should, in view of the great assets we are rendering unto them. If we progress only as we have done in the last five years—at that rate—the development will be something stupendous. During that period the people who are carrying out this work will receive some slight alleviation, and the State will be able to go on with its great task of development. The Chief Secretary has endeavoured to show what is probably the most important point concerning this scheme, namely, that on the indebtedness per head of the population, Western Australia is more favourably situated and receives a greater advantage than any other State. If we reckon it upon the per capita basis, it is another matter. This money has been allocated for a definite purpose, for the redemption of a debt. New South Wales has a debt of £101 6s. 7d. per head of the population. Victoria's indebtedness amounts to £81 11s. 3d. per head, and that of Western Australia is £162 11s. 3d. We are, therefore, in a very privileged position in respect of the amount we shall receive under this agreement. Whereas we shall gain something in the vicinity of over 4s., New South Wales will gain only 2s. That is a very important factor.

Hon. G. W. Miles: Is that per head of the population?

Hon. Sir WILLIAM LATHLAIN: Yes. A great deal has been said about the increase in population. Everyone hopes that the very enthusiastic forecasts that have been made will be fulfilled, and that our population will increase at a rate even greater than  $2\frac{1}{2}$  or three per cent. If that is so it will be all the better, because we shall have more producers here. The figures presented by the Chief Secretary do not anticipate that our population will increase at a rate greater than that. New South Wales has five times our population, and must naturally increase at five times the rate applicable to Western Australia. Victoria has four times our population, and she must naturally increase at four times the rate. Mr. Lovekin endeavoured to make one point yesterday, namely, that the amount of 5s. per cent. that we are to receive on our new loans would not be of any benefit to the State, because it would be swallowed up in the higher rate we would have to pay, and further that we have the 18 per cent. which was paid out of the Customs with which to pay that particular 5s. That is an erroneous statement to make. Mr. Lovekin further stated that the Loans did not actually come here, but that they came in the form of goods. This year we borrowed three millions of money, and £2,400,000 of this was left in London to pay our interest bill. All we have got is £600,000.

Hon. A. Lovekin: We have had the goods in respect of that.

Hon. Sir WILLIAM LATHLAIN: Even assuming the correctness of the hon. members contention, we have had £600,000 worth of goods, but not £2,400,000 worth. Further than that, we have borrowed three millions of money, and according to Mr. Lovekin, goods to that value have come into the State, but we have not got the 5s., which under this new agreement we shall get. It is idle to say that this is only going to apply now. Let us analyse the position fairly and clearly. We will then see that the position applies throughout the term of this agreement, and that the 5s. we are to receive is something very tangible and definite. Mr. Lovekin would have us believe that it is of no value, that we can deduct it from the amount submitted by the Chief Secretary. To me it is a

very tangible and definite amount. It clearly shows that the Commonwealth is endeavouring to give to the States the best advantage it can.

Hon. A. Lovekin: Do not forget we have to find 22 times the same amount.

Hon. Sir WILLIAM LATHLAIN: We have to find many things, but we have to stick to facts. The hon. member's statement was that this 5s. practically did not exist, whereas I say it does not exist to-day only because the agreement is not in operation, but that it will exist as soon as it comes into force.

Hon. A. Lovekin: My statement was that consequent upon the 5s., we had to pay 5s. more on our interest bill.

Hon. Sir WILLIAM LATHLAIN: If we accept the agreement, in all probability we shall have to pay a great deal less. If this scheme comes into force, and the finances of Australia are consolidated, the Commonwealth will be in a better position than it occupies to-day. The hon. member stated yesterday what the position of New Zealand was. Will any member contend that New Zealand has better prospects than Australia, or that she is a more prolific country and has better assets than Australia?

Hon. J. Cornell: She is more prolific.

Hon. Sir WILLIAM LATHLAIN: New Zealand, by concentration of her borrowing powers, has for a considerable time been enabled to borrow money at a lesser rate than the Commonwealth.

Hon. G. W. Miles: New Zealand buys more goods from the mother country than does Australia. We want Australia to do that too.

Hon. Sir WILLIAM LATHLAIN: If she were coming under this agreement, she would also get more money. Canada is in the same position, but that country may be able to get some of her money from America. Although New Zealand is practically on the same basis as Australia with regard to her borrowing facilities, she is in a better position than Australia, and can raise her loans on the London market on better terms than Australia is able to do.

Hon. A. Lovekin: Mr. Bruce gives you the reason for that.

Hon. Sir WILLIAM LATHLAIN: When we find this sort of thing going on continuously, we must admit there is a definite and decisive reason for it. The reason in

this case is that there are so many people in Australia who are borrowing money.

Hon. A. J. H. Saw: The real reason is that New Zealand is not so spendthrift as Australia.

Hon. Sir WILLIAM LATHLAIN: The people are more Scotch there. Mr Lovekin yesterday was intensely earnest about the original proposal, namely, the return of three-fourths of the Customs revenue to the various States. What would be the position of the Commonwealth to-day, with its total liability amounting to £55,000,000, if that were to come into operation?

Hon. A. Lovekin: They would do exactly what they are trying to force the States to do.

Hon. Sir WILLIAM LATHLAIN: We would be in this position: Our State pockets on one side would be full to overflowing of sovereigns, but the other pockets would be full of I.O.U's., which would not be covered by the gold in the other pockets. We have to remember that it is the same taxpayer that is paying the amount of money to the State and the amount of money to the Commonwealth. We cannot transfer assets as easily as the hon. member would suggest. It is all very well to take the responsibility off the State Governments and give them the money, but every member must realise that we have our definite obligations to the Commonwealth as well as to the State. The State first by all means, but let us realise the responsibilities into which the Commonwealth has entered, and to which every member of the Commonwealth is a party. Coming now to the sinking fund, if there is one thing which would make me still stronger in my support of the Bill, it is the statement made by the Chief Secretary when moving the second reading that amongst our total indebtedness there is an amount of 19 millions not covered by sinking fund. I have not been a member of this House very long, but certainly I was under the impression, as I think most people in Western Australia are, that practically every penny we owe is covered by a definite and proper sinking fund. I hail with delight this new scheme, which will take the operation of dealing with any amount such as this from the hands of a possibly impecunious Treasurer. In addition, there is the amount of £12,000,000 which we owe to the Commonwealth. Whilst I understand that probably some sinking fund has been paid towards it, there is no

contractual liability in regard to the matter. So that we have in our total indebtedness one-half that is not actually covered by any sinking fund whatever. Surely to goodness the scheme presented to this House, a scheme that will make provision for the whole of our sinking fund and not leave out small amounts such as 19 millions and 12 millions, must commend itself to everyone. Surely some scheme is necessary for including all our loans. There is a point I omitted to make earlier. I referred to what the people of this State had done. I believe that great as are Western Australia's possibilities, the greatest thing about this State is the wonderful achievement of so few people. When we realise what has been done, especially in the last ten years, we must agree that it is tremendous. Some of the financial experts who gave evidence before the Federal Disabilities Commission—Mr. Collins was one of them—stated definitely that we were paying too much sinking fund. It was suggested that we were like the man with life assurance, making the position better for posterity, but undertaking too great a responsibility during the lifetime of the present generation. When the question of the sinking fund was before the other Chamber, the position seemed to me somewhat vague, and I sent a telegram to the Prime Minister asking him would he be good enough to furnish me with a statement as to how the sinking fund actually applies. This is his answer—

Financial Agreement does not require that any alteration shall be made with regard to sinking fund on existing loan in cases where those sinking funds are greater than the sinking fund provided under the agreement. Provision is made under the agreement for finding of moneys to meet such obligations out of the national debt sinking fund. If, however, there is no contract with the bond holders to provide the larger sinking fund at present operating, as for example, no undertaking having been given in the prospectus inviting subscriptions to the loan, and sinking fund is being provided under a law of the State it would be open to the Parliament of the State to alter the law. This position, however, is not created by the Financial Agreement, which adds nothing and takes nothing away from powers of the State in regard to sinking funds upon existing loans. It does, however, provide that where there is sinking fund in excess of the sinking fund provided under the agreement, the National Debt Commission will find out of the funds under its control (save in the case of sinking funds upon loan expended on wasting assets which do not apply to Western Australia, as there are no such loans) the extra amounts necessary to enable this obligation to be carried out.

Hon. A. Lovekin: We do not want the wire for that. That is all in the agreement.

Hon. Sir WILLIAM LATHLAIN: That is so, but it was vague. In regard to loans applied to wasting assets, Western Australia has none of these. One of the reasons for the insertion of the provision in question was that Victoria, being hard-up at the time, had allowed a number of schools and public buildings to fall into a grave state of disrepair and then borrowed the money to repair them. Victoria had to provide a sinking fund of 10 per cent. in respect of that loan in order that the expenditure should be wiped out within a period of ten years.

Hon. A. Lovekin: And the Commonwealth now pays 5 per cent. of that.

Hon. Sir WILLIAM LATHLAIN: The loan is probably paid off by now, because this happened some time ago. The Loan Council, in my opinion, is founded on a very fair basis. Naturally, when the Commonwealth takes over obligations and responsibilities in regard to redemption of loans, it should in fairness have a greater say as regards voting power on the Loan Council. We have to bear in mind that the Loan Council is composed of one member of every State, and that arrangement, I consider, makes the position quite clear, and such as is equitable to both sides. Mr. Lovekin mentioned yesterday that in respect of any deficits incurred we would be compelled to pay  $4\frac{1}{2}$  per cent. under the Financial Agreement. I would like to make that matter quite clear.

Hon. A. Lovekin: I said  $9\frac{1}{4}$  per cent.:  $5\frac{1}{4}$  plus 4.

Hon. Sir WILLIAM LATHLAIN: Very well, that is being paid. The position is, however, that this arrangement will not apply unless we float a loan to cover the deficit. For instance, if during any one year we had a deficit of, say, £300,000, it would be quite in order for the Premier or Treasurer of the State to carry that deficit forward, in the hope that a more bountiful season in the following year would enable him to wipe out the deficit from ordinary revenue.

Hon. J. J. Holmes: He could not wipe out £300,000.

Hon. Sir WILLIAM LATHLAIN: It might be a smaller amount.

Hon. J. J. Holmes: Any amount. He must pay the money.

Hon. Sir WILLIAM LATHLAIN: If, for argument's sake, Victoria last year had a very bad season owing to want of rain, and

if next year she had a very good season, it would stand to reason that she might be able to recoup a deficit on this year's operations without going on the market for a loan. Whichever way it is, we are in exactly the same position to-day, because the Premier stated in another place that we had borrowed the money to cover the various deficits which had occurred from year to year over a period of practically ten years. Thus we are not only paying interest on the particular money borrowed in the first place, but have had to borrow further money to cover deficits, which would make the position in accordance with Mr. Lovekin's statement that we are probably paying 10 per cent. for the money in question. I have been credibly informed that during the progress of the negotiations for the agreement, after the Premiers had agreed upon certain terms, the experts of the various departments were called together, and that then the Commonwealth showed an earnest desire to give grave consideration to the requests made by every one of the experts. The Commonwealth was very desirous of getting the agreement carried through, and wherever it appeared, after minute examination, that the respective figures differed, the Commonwealth gave way to the States. The Commonwealth used every possible endeavour to bring about an amicable agreement, and such an agreement as would give to every State a fair and square deal. It shows the sincerity and earnestness by which the Commonwealth Government were actuated.

Hon. A. Lovekin: They gave a good lump to New South Wales.

Member: And to Victoria.

Hon. Sir WILLIAM LATHLAIN: I have not a great deal to add, beyond reading another telegram which I have received from the Prime Minister. Before reading it I must give expression to my feeling that every member of this Chamber realises the Prime Minister's sincerity and singleness of purpose.

Hon. J. Cornell: No one doubts it.

Hon. A. Lovekin: No one is questioning it.

Hon. Sir WILLIAM LATHLAIN: I am not saying that it is doubted or questioned, and I am indeed glad to note that hon. members are so prompt in making those declarations, because it gives me greater courage to go on with what I have to say. The Prime Minister honestly believes that



this scheme will be the salvation of Western Australia and that it will be in the best interests of Australia as a whole. There may, of course, be differences of opinion as to how the agreement will apply in certain directions, but on the whole it will operate, to my mind, to bring about a scheme which Mr. Bruce was the first man to bring forward and with which his name is associated. The scheme, if adopted, will not only maintain the position which Australia has secured in the London money market, but will place her in a much higher position. We all know that the one object the Prime Minister has in view is Australia's safety and progress. During his long term of office he has shown friendliness to Western Australia, and has granted many requests made by this State. In fact, he has shown a more kindly interest in Western Australia than any previous Prime Minister.

Hon. J. Corneli: Willie Watt was not too bad.

Hon. Sir WILLIAM LATHLAIN: They were all not too bad at the time, but we have had more consideration from the present Federal Government than from any other Federal Government that ever held power.

Hon. G. W. Miles: What about the Federal Disabilities Commission?

Hon. Sir WILLIAM LATHLAIN: The Federal Government did as well as they could in regard to that Commission's report, and I think we did fairly well out of it. The telegram, which is addressed to me personally—I having had the privilege of knowing the Prime Minister all his life—reads as follows:—

Western Australia, now the only State still to ratify Financial Agreement. From information received there would appear to be strong effort prevent ratification by your Parliament. I cannot too strongly stress how disastrous such action would be in the interests of Western Australia. I say without hesitation that if present agreement is not ratified it is inevitable that any substituted agreement will give less fixed terms to States than present agreement. There is a considerable volume of opinion that the Commonwealth Government has been too generous to the States under present agreement. This view has not been put forward very strenuously owing to the apparently strong financial position of the Commonwealth during recent years. For the present financial year it is inevitable that there will be a large Commonwealth deficit, and even more difficult situation will have to be met next year. If the negotiations have to be re-opened owing to the failure to ratify present agreement, it is certain that the finances of the Commonwealth will become a very important factor in arriving at the payments the Commonwealth would in future make to

the States. I cannot too strongly impress upon you the necessity of leaving no stone unturned to ensure that ratification by Western Australia. I am sure you realize I have the greatest faith in the future of Western Australia, and greatest sympathy with your small population in the great task that confronts you. I am equally convinced British Empire Delegation interests of Australia as a whole demand the development of the great territory under the jurisdiction of Western Australia. I am certain that the interests of Western Australia and of Australia as a whole will be best served by the ratification of the present agreement, and that the permanent settlement of the question of payments to be made to the States in substitution for the per capita payments will lead to the greatest possibility of the Commonwealth rendering financial aid under Section 96 of the Constitution to Western Australia to assist in the opening up and development of that great territory in the interests of the Commonwealth as a whole.

Hon. A. Lovekin: That does not cut much ice.

Hon. Sir WILLIAM LATHLAIN: I think it does, to a man of ordinary intelligence. I very heartily support the second reading of the Bill.

HON. J. J. HOLMES (North) [5.31]: Before I address my remarks to the Bill, I would like to refer to four points—the only four I was able to discover—in the speech delivered by the hon. member who has just resumed his seat. He started by saying that since Federation we have been living from hand to mouth. Before I sit down, I shall show that under this agreement, we shall not have anything to pass from hand to mouth. He told us that the position of New Zealand was better than that of Western Australia, that New Zealand borrowed under better conditions because the Dominion had concentrated her borrowing powers. New Zealand is in this position: She says to the world, "We want you and we want your money; if you cannot come to us yourself, then send us your money and we will exempt you from taxation." On the other hand, Australia, and particularly Western Australia, at one stage said, "We will tax the absentee doubly." We did that. Then what happened? The absentees who had invested in this country stampeded out of it, and we said that we would have to alter the position with regard to the absentee by putting him on the same level as the local man. The absentee said, "You tried to catch us once, you will not catch us a second time." I can cite an instance in which I was in-

terested. Some of us bought a property owned by an absentee and worth approximately £50,000. The parties that bought the property did not have the money; the banks found the money. The original owner got the £50,000 and went out of the country. Now I notice that it is the intention of the Commonwealth to go after absentees and tax them. New Zealand gets cheap money because she invites anybody and everybody and then says, "If you cannot come to us yourself, we will exempt you from taxation." There are people in Perth at the present time who are investing capital in New Zealand because the investments in that country are free from taxation. Sir William Lathlain's argument is, States first by all means. How he can make such an assertion fit in with his speech is beyond my comprehension. He made reference to the deficit and to the sinking fund and said he was astounded to learn that we had £20,000,000 of money not carrying a sinking fund. This is a new discovery for the hon. member. From this side of the House I have been preaching for years against our having such a big sum of money not carrying a sinking fund, but my voice has been like the voice crying in the wilderness. Now the Chief Secretary informs us that the amount is not £15,000,000 or £20,000,000, but £31,000,000. I shall now address my remarks to the Bill we are considering. Undoubtedly it is the most important Bill that has ever been submitted to this or to any other Parliament in Western Australia. So much have I been interested in the subject that I have actually been to the seat of the Federal Government and discussed it with officials and members of the Federal Ministry. The point that concerns me is not what we are offered, but that we cannot possibly exist on the terms and conditions that are offered. It is absurd to talk of what will happen 50 years hence if we have a war with Japan or if this, that, or the other should happen. None of those things appeals to me. What does appeal to me is that we cannot finance this great country with half a million derived from indirect taxation. Neither does the Constitutional question raised by Mr. Lovekin concern me. I will admit we may be entitled to three-fourths of the Customs and Excise revenue until Parliament otherwise provides, but to-morrow they can provide that the States shall receive a shilling

per capita. In such an event, where would we be? Parliament having provided the shilling, the Federal Government would meet the obligation. The Chief Secretary admits that each conference that has been held has been more favourable to the States than its predecessors. As on the admission of the Chief Secretary each succeeding conference has been more favourable to the States, where can there be any objection to the holding of still another conference? The Chief Secretary merely proved that the Commonwealth Government were out to get everything they could each time, but were prepared to give a little more away.

The Chief Secretary: It was less favourable on the last occasion.

Hon. J. J. HOLMES: The Chief Secretary had the audacity—and I do not hesitate to use that word—to suggest that if we did not accept what was offered to us we would not get anything at all. The Commonwealth are collecting between 35 and 40 millions by way of Customs and Excise from the people of Australia. It is the people that the Commonwealth are living on, and that the Commonwealth should keep the lot is a monstrous proposal. I will go further and call it an audacious proposal, and no one knows better than the Chief Secretary that it is so. He claims that the proposal is an advantage to Western Australia because some of the other States have created boards and trusts, and that the money raised by those bodies does not come into the scheme to the extent of their getting the benefit of the sinking fund. I would like to ask the Chief Secretary to clear up that point, because at Canberra the information I was able to get was that the only institution to be exempted was the Agricultural Bank of Western Australia. Have they singled out the Agricultural Bank of this State because the Treasurer suggested that it had fixed assets? I will read extracts from a letter that was sent in reply to a communication I forwarded to Senator Pearce. I met Senator Pearce in Perth and put a few posers to him. He said, "You cannot expect me to answer them off-hand; if you raise those points by letter I will see that you get a reply." While I was on my way to Sydney recently, he wired to my office for my address, having heard that I had left Western

Australia to visit the Eastern States. He held the letter at Canberra until I got there. This is an extract from the letter in reply—

It is understood that the State officials regard loan moneys advanced to the Agricultural Bank as a fixed working advance, and not as a recoverable debt. In such cases the sinking fund quota of Western Australia would need to be provided from State revenues.

They singled out one institution, the Agricultural Bank, and said that that institution would not get the Federal quota of the sinking fund. I would like the Chief Secretary to clear up that point, and also to show us in what direction we have been better treated than the other States in respect of loans taken over. The Chief Secretary also referred to his action on the Federation referendum. That does not come into this issue; this Bill does not go before the people. The question before the people is whether we shall amend the Constitution to allow the Federal Government to make agreements with the States—not this agreement. We have put the cart before the horse, and I think it is the duty of this House to put the horse back in its proper place. We can do that by holding up the agreement until the people say that they will allow the Federal Government and the State Governments to make the agreements. After having got that permission, then the Federal Government can go on with an agreement. That is equitable. The discussion that has taken place in connection with the Financial Agreement, if it has done nothing else, has placed both sides of the question before the public to a far greater extent than has ever been the case. In reply to a query of mine, the Chief Secretary practically admitted that we could not touch Savings Bank money without the consent of the Loan Council. Our own people's money in the Savings Bank, on which we pay  $3\frac{1}{2}$  per cent., is to be used by the Commonwealth! And it may not be touched without the consent of the Loan Council! If we do make use of it, they will set it off as our quota of money borrowed.

Hon. J. R. Brown: I do not expect there is very much there to touch; it is all out.

Hon. J. J. HOLMES: That is another matter. The Chief Secretary told us that the States may borrow outside the Loan Council, but that can only be done with the unanimous consent, mark you, of the

whole Council which consists of six State representatives and the Federal representative who, himself, will have three votes. Before a State can borrow, outside the Loan Council, and no matter how badly in need of money that State may be, the unanimous consent of the Council must be obtained. There is a constitutional point involved there, and it is worthy of being looked into. It is whether we can delegate control of the finances of this country to the Loan Council.

Hon. A. Lovekin: We are going to raise that question.

Hon. J. J. HOLMES: I think that proposal is the first step towards unification.

Hon. J. Cornell: No doubt about it!

Hon. J. J. HOLMES: The Chief Secretary made some brief references to cheap money. From what I can learn, the cheap money will not be worth much to this State, in view of the many conditions attached to it. We have to contribute on the basis of £ for £, and money that is to be provided is for the construction of railways, etc. But all the essential services, such as education, hospitals, police, etc., have to be undertaken by the State. The Chief Secretary did not press that phase too much. I am perfectly satisfied that neither he nor the State Treasurer is much enamoured of the cheap money proposal. The difficulty we find ourselves in as part of the Commonwealth is due to one fact only. It is due to the Senate having become a party House instead of a States House. That is the root of all the trouble. That is our trouble in this Chamber. First we had the introduction of Labour men into this House; they came as the direct representatives of the Labour movement. Now we have Country Party members, who have come in as the direct representatives of the Country Party organisation.

Hon. J. R. Brown: And the Nationalists!

Hon. J. J. HOLMES: I have stood out from all organisations and I shall continue to do so, so long as I am in this Chamber.

Hon. J. Cornell: You are one of the die-hards.

Hon. J. J. HOLMES: If I were in the Legislative Assembly, I would be a party man, but I would not be a member of the Labour Party; that is certain. While I have a seat in this Chamber I shall adhere to my attitude of being the representative of all the people. I will not be dictated to by any party or by any Treasurer.

Hon. J. R. Brown: But it takes three to elect you, where it takes 40 to elect a member elsewhere.

The Honorary Minister: Were you not a Labourite at one time?

Hon. J. J. HOLMES: I was secretary of a union 45 years ago. But history shows that all the good men have been driven out of the Labour Party. It is not surprising that I was driven out. I have been asked to attend meetings of Nationalist members of both Houses of Parliament. I have received such a letter to-day. I do not know what the country is coming to. They made the Senate a party House and have ruined Australia. They are attempting to make the Legislative Council a party House. Once they achieve that and we become a party House, we shall have forfeited our right to exist as a second Chamber.

Hon. E. H. Gray: It has always been a party House.

Hon. J. R. Brown: Yes, since I have been here.

Hon. J. J. HOLMES: Then there is another serious phase. Last night we had an oration from Mr. Stewart, one of the best speeches he has ever made. He attacked the Bill in a manner I had never before heard him deal with any measure. He tore it to shreds and then, just as he was about to sit down, he declared he intended to vote for the Bill.

Hon. Sir Edward Wittenoom. He dashed your hopes to the ground.

Hon. J. J. HOLMES: It reminded me of the biblical story. We all know the account of the blind old father who had two sons, Jacob, with the smooth clear skin, and Esau, who was hairy. Jacob, when he approached his father, put on the goat skin, hoping to deceive his parent because of the hairiness. But the blind old man said, "The voice is the voice of Jacob but the hand is the hand of Esau." The speech that we heard last night may have been uttered with the voice of Mr. Stewart but the hand behind, pushing him to do what he indicated he intended to do, was that of some organisation.

Hon. E. H. H. Hall: That is not right.

The PRESIDENT: Order!

Hon. J. J. HOLMES: It is quite impossible for me to understand how any member of Parliament could attack a Bill as Mr. Stewart did, and then indicate that he intended to vote for it. It not only astonished me, but everyone who listened to that hon.

member. If I were not prepared to vote in accordance with my speech upon any Bill, I would not speak at all. I would not tear a Bill to shreds and then finish up by saying I would vote for it. I shall endeavour to place before hon. members my viewpoint, and I shall do so as fairly as I can. I have discussed the Bill with people representing all shades of political opinion. I have discussed it with men who, perhaps, have never seen Western Australia, but who have studied economics, political or otherwise, and they have convinced me on one point at any rate. They convinced me that we cannot develop one-third of the territory of Australia with £500,000 furnished by means of indirect taxation. That point was made abundantly clear. They told me that if we attempted to do any such thing, either one of two things was bound to happen. Either we must cut out essential services, which means stagnation, or if we provide essential services and have to finance them by paying interest on borrowed money, then we shall have to tax primary industries to such an extent that the producers will not be able to sell their products on the markets of the world.

Hon. A. Lovekin: That is the position exactly.

Hon. J. J. HOLMES: To attempt to develop one-third of Australia with indirect taxation amounting to £500,000, while the remaining two-thirds of Australia have £7,000,000 divided amongst them, will be unfair. This State cannot be developed by means of direct taxation; the Commonwealth will not give us adequate indirect taxation and in those circumstances, either one of the two things I have mentioned must happen. If we have to adopt the latter course and tax primary production, it will be disastrous for we will have to tax the primary producers out of existence. That is not my view: it is the view of men who have studied economics and know their subject well. Sir William Lathlain referred to my commendation of the Bill during an Address-in-reply debate. It is true that I spoke in that vein when I first saw the measure, but I qualified my statements by saying that so far as I was concerned the matter would have to be looked into carefully. I have the copy of "Hansard" and will deal with that phase later.

Hon. J. R. Brown: Is that a copy of "Hansard" for this session?

Hon. J. J. HOLMES: No. When I have to consult Mr. Brown on a matter of Par-

liamentary procedure, it will be time for me to leave this Chamber. During the discussions upon the Bill I have not been able to note one speaker, either the Premier, the Chief Secretary, or any other member who has addressed himself to the subject in this House or the Legislative Assembly, who has claimed that we are to receive what we are entitled to. All they have been able to say is that the agreement represents the best we can get. They have supplemented that by the suggestion that we must take steps in the future to see if we cannot get something better.

The Chief Secretary: No, something more substantial.

Hon. J. J. HOLMES: That is the same. I think I can show that this State has been beaten out of £1,500,000 from the first kick-off. I raised the question of our £9,000,000 sinking fund with the Federal Treasury officials and I asked them whether that money was not our own savings. They said, "You have to remember that you have funded £6,000,000 of your deficit and added it to your public indebtedness." In reply, I said, "What have the other States funded?" The Treasury officials could not tell me. Then I said, "We will leave the other States alone. You intend to set off £6,000,000 in the sinking fund against the £6,000,000 representing the portion of the deficit that has been funded. I do not raise any objection to that, but what about the £3,000,000 that is left? That is our money and represents our savings. If we are to put that up on the basis of 5s. per head, and you are going to pay 2s. 6d. per head, the first thing you ought to do is to put in £1,500,000 as against our quota of £3,000,000." There is no answer to that contention, but Senator Pearce says in his communication to me that it is understood that while negotiations are going on, our £3,000,000 is to be used to reduce our indebtedness. Thus, it is on the lesser amount that they are to come in and pay 2s. 6d. as against our 5s. They boast about the £300,000 that we are to receive for five years! That is all gone in one hit when we take into consideration the Federal refusal to pay their quota of the sinking fund, which would amount to £1,500,000. Are these things not worth looking into? Are these not sidelights showing how the agreement will affect Western Australia? If this House agrees to the Bill, our only chance of redress will have

passed away. It may be that we can persuade the people of the State to vote "No" at the referendum to amend the Constitution, and there is no doubt that a big attempt to that end will be made by the anti-Federalists, and the Federal Labour Party, with the latter of whom I shall deal later on. But even should this House, despite the dangers that I have drawn attention to, pass the Bill, and the people should vote "No" at the referendum, what will be the result? We will be forced into the agreement all the same, because the Commonwealth Government will have a majority of the people in a majority of the States in favour of amending the Constitution. We may find that the people of Western Australia will reject the agreement, but because the State Parliament have endorsed it, the Financial Agreement will be proceeded with. That is what the Chief Secretary calls democracy! That is what his reference to sending the Bill to the people amounts to! The only possibility that I can see of protecting and saving the State is to hold up the Bill now, and to have the referendum. That is what we are entitled to do. I will appeal to the representatives of democracy in this Chamber. We should first have the referendum and, if the people agree that the Constitution may be altered, then we may attempt to make a better agreement. If we cannot do that, then let the axe fall.

Hon. G. Fraser: You would ask the people to sign a blank cheque?

Hon. J. J. HOLMES: Talk about the voice of the people! Certainly the voice of the people should be heard upon great matters such as that under consideration now. It merely amounts to another proof of the truth of what the Premier, Mr. Collier, stated when he said, "Thank God we have a Legislative Council." The Legislative Council will say that this is a people's matter and we should let the people decide. Some members have been looking for excuses to justify their voting for the Bill. One member said, "We must vote for the Bill because the Assembly has passed it by a majority of ten." When the Assembly last session passed a Bill to amend the Constitution and alter the qualification of electors for this House, the same member made a vigorous attack upon the measure and quite overlooked the fact that the Assembly had passed it. On this occasion, however, he says that the Assembly has passed the Bill and, because of that, without going into

the pros or cons of it, he is prepared to say ditto to what the Assembly has done. If I held the opinion that I had to say ditto to everything the Assembly did, I should soon be found moving to abolish this House. We have to remember that the Legislative Council represents the people that pay. The people we represent are the people who will have to find the money. This State has a population of about 100,000 and fewer than 40,000 people pay income tax.

Hon. E. H. Gray: The others produce the wealth to enable you to pay.

Hon. J. J. HOLMES: The other 360,000 do not pay income tax, and it is the payer of income tax who will have to foot the bill under this measure. Outside of Parliament there is a very strong feeling against this proposal, and I am satisfied it only needs to be placed before the public fairly and squarely, as it will be, and the public will vote "No." There is another factor to be considered, and I want the Bruce supporters to remember it, that this Bill will probably mean the downfall of the Bruce Government.

Hon. J. R. Brown: That would be a good job.

Hon. J. J. HOLMES: And that is the result of the wolf and the lamb lying down together. What else could be expected when we find Mr. Bruce and Mr. Collier in agreement? I shall not say which is the wolf and which is the lamb, but when we find the wolf and the lamb lying down together, we must expect trouble. I have information right from headquarters that the Federal Labour Party intend to stump the country during the next elections and say to the people, "This agreement is what Mr. Bruce gave you, but he first repealed the per capita payments. Put us into power and we will restore the original 25s. per head."

Hon. J. R. Brown: They cannot do so.

Hon. J. J. HOLMES: They will make a promise that will be swallowed by the public, and they know it, too. Whether they will fulfil the promise or not is another matter, but they will make the promise and get into power. This Bill will bring about Mr. Bruce's downfall. Why is it necessary for the Labour Party at this juncture to have some sort of red herring to draw across the trail? We know that there is dissension in the Labour ranks; there is quarrelling, and inquiries are being held into this, that and the other occurrence. Then there is the trouble in Sydney and the exposure there. The red

herring that Labour will adopt is that Mr. Bruce has taken away the per capita payments and Labour will give them back to the States. Between the combination of people opposed to the Bill and the combination of people who make that promise, I predict a very unhappy time for some of the Federal representatives when they face the electors of this State. I understand that the referendum will be taken at the same time as the general election is held, so members may appreciate the complications that will arise. I mention these things, although it makes no difference to me which party happens to be in power. All I am concerned about is to see that the Commonwealth Government is run decently and that the State Government is run decently. The Chief Secretary admits that no Government has ever had a fairer deal from me or from any other member than has the present Government. All I desire is to see the country run properly.

Hon. J. R. Brown: But you yourself are not always right.

Hon. J. J. HOLMES: If it is a matter of defeating this Bill, I care not what effect it may have on the fate of the Bruce Government, my vote will be "No," even though for the first time on record I vote with Labour to prevent the amendment of the Constitution and prevent this measure from becoming law.

Hon. A. Lovelkin: Hear, hear!

Hon. J. J. HOLMES: For the benefit of those who see the sun shining out of Mr. Bruce, let me say that I know of no man in Australia who has a better grip of Western Australian affairs or a greater desire to do good for Western Australia than has Mr. Bruce. If he were the head of a big concern with 7½ millions of money at its disposal, I honestly believe he would put half of it into Western Australia. But Mr. Bruce, if he is to remain in office, has to consider what Victoria and New South Wales think. No matter what he may wish to do, he has to remember the numbers that are against him. While Mr. Bruce is most anxious to do what he can for Western Australia, he is prevented from doing it. If we hold this Bill up, it will be the means of giving him another chance, to say that he will convene another conference and possibly pay the 25s. to the States or give us something better. In that way he would be enabled to combat the enemy that is preparing a rod for his back. In any case, the Bill has to be considered by

the Federal Parliament after we have finished with it. The Federal Parliament may or may not ratify it. It is probable that there will be a change in the personnel of the Commonwealth Parliament; in fact, the opinion expressed, not by the Labour Party, but by the other party at Canberra, is that it is very problematical whether the Bruce party will get back to power, even under the best of conditions. This Bill has to be considered by the Commonwealth Parliament. Already States that have signed it are beginning to see that the agreement is not what it was represented to be. People in this State, thanks chiefly to Mr. Lovekin, have turned this Bill inside out and upside down and scrutinised it closely, but the other States grabbed it and signed it with scant consideration, and now they are beginning to look into it. There is the Parliament of South Australia; Mr. Hill, the Leader of the Opposition, was here the other day and, before the ink is dry on the paper, he makes an announcement that South Australia must have something better and that she is entitled to another £750,000 a year. We do not want anything like that to happen to us. If we are going to have a financial agreement with the Commonwealth, it should be one to last for some time, but I do not think we should approve of an agreement to bind the rising generation for 58 years. In a young country like this, we should have an agreement covering a period of 10, 15 or 20 years, and then we should be able to judge how it was answering. To tie this country up for 58 years, as is provided under the agreement, is a proposal to which I cannot give my consent. We have heard all about the wrongs and rights of Federation, but we have to remember that if we pass this Bill, regardless of whether Western Australia votes "Yes" or "No," our last chance of getting any redress will be gone, and gone for 58 years.

Hon. A. Lovekin: Hear, hear!

Hon. J. J. HOLMES: Perhaps now members will realise the responsibility that is thrust upon them. If we pass this Bill, we surrender everything we are entitled to and everything we believe we are entitled to. Even if the people vote "No" at the referendum to amend the Constitution, we shall have no redress, for the reason that a majority of the people in a majority of the States will have adopted the proposal, because it will pay them to do so.

Hon. Sir Edward Wittenoom: Do not you think there is a responsibility on us if we do not pass it?

Hon. J. J. HOLMES: I leave the hon. member to speak on that phase of the question. We are told that we have to accept this agreement or get nothing. I refuse to believe that six millions of people in Australia, representative of the States, will sit down and allow the Commonwealth Government to take 35, 40 or 45 millions of Customs and Excise revenue every year and not give one penny back to the States.

Hon. G. W. Miles: Such a Government could not last.

Hon. J. J. HOLMES: Sooner than have the State linger on, as it will do, it would be better to say to the Commonwealth at once, "If you are going to cut us off without a shilling, let the axe fall now. Let us know where we are that we may begin to adjust our affairs to meet the altered conditions." We are satisfied that no Federal Government would dare to adopt that attitude. We are all citizens of Australia, and our desire is to see that each and every portion of the continent gets what it is entitled to.

Hon. A. Lovekin: We are the Commonwealth.

Hon. J. J. HOLMES: The Leader of the Country Party, Mr. Thomson—I shall not fall into the error made by Mr. Lovekin in calling him "Sir" Alexander Thomson; neither shall I address the hon. member as "Sir" Arthur Lovekin—told me the other day that a year ago I had made a very fine speech in favour of this Bill. The hon. member may read it as he likes, but this is what I said—

The agreement is for the Commonwealth and the States, but we should have special provision to meet our special circumstances.

That is what I am asking for now. I dealt with the whole of the States contributing to the sinking fund, instead of Western Australia putting up £10,000,000 and the other States putting up nothing of any consequence at all. Then I went on to say—

I admit that this means national solvency. It involves a declaration to the world, to whom we owe money, that we are going to start out to pay. What I am concerned about is that the necessity for this has been brought about by other States more than by Western Australia. I am afraid, therefore, that we may be hauled into the scheme without that proper protection we are entitled to. It may mean the insolvency of this State. I am afraid that

it may mean that we will have to battle along under the agreement as we have been battling all through under Federation. I want to avoid that. Heaven only knows, we have footed the bill while we have been a partner in the Federation. We know the price we paid in the cream of our manhood during the war period. We have done our part from a national standpoint. Now I am not asking too much when I request Ministers to consider the points I have raised, and to see that they get equity and justice for this State. I will leave the Financial Agreement now. It is a subject rather difficult to deal with, and I hope I have submitted some points worthy of consideration.

That is what I said during the debate on the Address-in-reply last year.

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

Hon. J. J. HOLMES: At the request of several members, I desire to go back to the £9,000,000 sinking fund, and the £6,000,000 funded deficit. I have used round figures right through, because I do not go in for pounds, shillings and pence! I put it up that we have this £9,000,000 sinking fund, which is money to which we are entitled. The answer I received was, "You funded £6,000,000 of your deficit. On that £6,000,000 we shall be paying 2s. 6d. per cent. against your 5s." My reply was, "We shall then have £3,000,000 surplus sinking fund. You propose to pay 2s. 6d. as against our 5s. sinking fund. You have got to put up 1½ million pounds, that is 2s. 6d. in the pound, against the sinking fund we have created." The answer was this, "We are not going to do that. We are going to take that £3,000,000 to reduce your indebtedness by £3,000,000." By that means we will not get our quota of 2s. 6d. as against 5s., as to the £3,000,000. Is that clear to hon. members? The question of sinking fund will be important when we come to deal with the Bill in detail. They said it would not be a fair thing to interfere with the sinking fund. In fact, they said "There will be a serious objection to the gross debts being taken over and the sinking fund remaining to the States for application to purposes other than those for which the funds were originally intended. Such application of the sinking fund would almost certainly damage our public credit abroad." Under this Bill that is exactly what we are going to do. This is an official document. It says such an application of the sinking fund would almost certainly damage our public credit abroad.

Hon. J. Nicholson: What document is that?

Hon. J. J. HOLMES: I will explain again that when Sir George Pearce was here some months ago I raised a lot of these points in discussion with him. He said he could not give me an effective reply at the moment, but that if I would put up the points by letter, he would see that I got a reply. In due course I wrote a letter to Sir George Pearce, and told him I would be visiting the Eastern States. After I left Perth, a telegram was sent from my Perth office to say that I had gone to Sydney. I travelled from Melbourne to Albury with Senator Pearce. He said, "I have a letter for you, Mr. Holmes. What shall I do with it?" I said, "Keep it at Canberra until I arrive." This is the letter I have here. It shows the danger of tampering with the sinking fund. I do not wish to be considered one of the old people who opposed Federation and have never forgotten it. I did oppose it. I was member for East Fremantle in the Legislative Assembly at the time, and I had some pretty warm experiences at some of the meetings, because of this "one-flag, one-destiny and one people." I said then that we would be the junior partner. I had had some experience as a junior partner, and some as a senior partner. I found that the senior partner got all the plums and good things, and that the junior partner got all the work and very little of the other things. I ask members whether I was right or wrong. That is what I would say with regard to this agreement, and later I will endeavour to prove the truth of what I say. I was an anti-Federalist, and fought against Federation until the day of the referendum and on that day, but it will be agreed that ever since I have not said a word in public or otherwise against Federation. I have never joined in the secession movement. People talk about seizing the Customs, and doing this, that and other. I have always said it was all moonshine. We have made a contract, and there are only two ways out of it. One is through civil war, and the other is by a vote of the majority of the public in a majority of the States. If we seized the Customs it cannot be imagined that the army and the navy would be turned against us, but we would find that the authorities would prohibit any ships from entering Fremantle. So much for seizing the Customs. I have always been prepared to fulfil the Federal contract. When the Disabilities Commission



was sitting I refused to give evidence. I said we had made a bargain with the Federal authorities and that we had to abide by it. We now come to the stage when some one has to take a determined stand, and see that this State, at this last stage, receives a fair deal. I do not propose to deal with the next generation or with the time 50 years hence, or to dilate on the possibilities of how our population will have increased 50 years hence, or how, if we borrow at so much per cent., we shall arrive at a certain conclusion. I do propose, however, to take members back to the position when we were federated, and deal with what has happened since. First we had a special right to impose our own Customs duties for five years, on a sliding scale. Then we had a return of three-fourths of the Customs and Excise duties for a given period. Then we had the per capita of 25s. for ten years. During that period we created a deficit of £6,000,000. We have had a special grant in order to get us out of these difficulties, whilst we have been receiving the 25s. per head, the grant coming to a million and a half, made up of £300,000 a year for five years. A special commission was appointed to report upon the position of Western Australia as the result of Federation. The Royal Commission reported, not that we were entitled to £300,000 for five years to compensate us for the damage which had been done to us through Federation, but that—

Until the State of Western Australia is granted the right to impose its own Customs and Excise tariffs, the Commonwealth shall pay to the State a special payment of £450,000 per annum in addition to the 25s. per capita payment made in accordance with Clause 4 of the Surplus Revenue Act of 1910, the above special payment to include the special annual payment now being made to the State of Western Australia in accordance with Clause 5 of the said Act. The above special payment of £450,000 to commence on the 1st July, 1924.

That is what the Royal Commission said we were entitled to. Never mind what Mr. Bruce or Mr. Collier has said. This Royal Commission, was appointed by the Bruce Government.

Hon. A. Lovekin: And there was no representative from this State upon it.

Hon. J. J. HOLMES: That part of the report was not signed by Mr. Stephen Mills. I think he was the South Australian representative. He said—

While agreeing with my colleagues as to the desirability of Commonwealth aid in the

form of an annual payment being made to the State of Western Australia for a period. I regret that I am unable to concur with them as to the amount and period of time. After careful examination of the course of the State finances during the last few years, the prominent feature of which has been the swift improvement year by year since 1922, and after taking into consideration also the position of the State with regard to sinking funds, as set forth in the section of the report headed "Financial figures—Western Australia"—I recommend that a special grant of £300,000 per annum be paid by the Commonwealth to the State for a period of 10 years, commencing on 1st July, 1924, the question of further assistance to be reviewed towards the end of that period.

Hon. H. A. Stephenson: I do not think he was a South Australian.

Hon. J. J. HOLMES: That is what Mr. Mills, a member of the Royal Commission, said. He said also that this recommendation was made on the assumption that the present per capita allowance of 25s. per head of the population would continue for the same period of ten years, and on the further assumption that if the special grant of £300,000 recommended be paid, the present diminishing State grant should cease. That is what people in the Eastern States have said Western Australia is entitled to. Mr. Mills says we are entitled to £300,000 a year for ten years, and makes the stipulation that we should also have the 25s. per capita payment. Under this agreement we do not get anything like that. In addition to the £300,000 we have had the sale of Government property. We are selling the lands of this State every day in the year. The more land we sell the less we have to sell. We have put into revenue the proceeds from these sales. I have questioned that time after time. It is wrong to sell our assets and put the money into revenue. We have been selling our lands throughout this period of Federation, and revenue has had the advantage of the proceeds. We shall lose all that presently, for we cannot go on forever selling land. In addition, on the showing of the Chief Secretary, we have been dodging the sinking fund to the extent of £31,000,000 during recent years. We have been battling to live under Federation, and without doubt the Treasurer has become financially embarrassed. We can borrow all the money we want, and borrow it on better terms than either the Commonwealth or the other States; but the Treasurer

knows that when he borrows money he has to pay interest on it, and, despite all these concessions, he finds himself financially embarrassed. It is quite true this proposal will give temporary relief, but to afford temporary relief at the expense of the future is the act of a politician and not that of a statesman. Until now I have looked upon Mr. Collier—and I have said this in season and out of season—robbed of Trades Hall influence, as one of the statesmen of Australia. Mr. Collier, in my opinion, signed that agreement without a knowledge of facts which have since been made public. Having signed the agreement he is honourable enough to stand up to it, unlike Mr. Lang of New South Wales, who, after signing the agreement, condemned it. Mr. Collier signed the agreement under a misapprehension.

Hon. Sir William Lathlain: Does he say that?

Hon. J. J. HOLMES: I say it.

Hon. A. Lovekin: Mr. Collier signed the agreement on a 2 per cent. basis, and now finds the basis is 3 per cent.

Hon. J. J. HOLMES: I hope the members of the Labour Party will not be compelled to stand up to the agreement because Mr. Collier signed it under a misapprehension. Otherwise the party business, which has caused trouble in the Senate, is going to cause trouble here. What will happen when the concession is cut out? That is the aspect from which to view the question, and not the aspect of something possibly mythical to happen 50 years hence. I have discussed the matter with men who have studied political economy, men not directly interested in this State, and they say that we cannot develop one-third of Australia with a paltry £475,000, or say half a million, of indirect taxation annually. Two-thirds of the territory of Australia is to have £7,000,000 for the next 58 years—New South Wales £3,000,000, Victoria £2,000,000, Queensland £1,000,000, South Australia £750,000, and Tasmania £250,000. Against that total of £7,000,000, Western Australia is to receive £500,000 annually for the next 58 years. Men qualified to speak say that one of two things must happen: either we must cut out essential services, or we must tax our primary producers out of existence; and either course will bring stagnation. I put to the Treasury officials a question which they could not answer, and which nobody else has been able to answer. I said: "We have six million people in Australia, and £7,500,000 is the utmost the Com-

monwealth says it can give us. The offer is approximately equal to 25s. per head of the population. If the £7,500,000 were from time to time divided on a population basis there would be some equity in it. But how can it be said that there is equity in the basis of distribution now proposed?" The day is not far distant when Australia will have 7½ millions of people. I give that figure more particularly because it corresponds with the £7,500,000 to be allocated to the States by the Commonwealth. I do not exaggerate when I say that when that day arrives Western Australia will have 600,000 people. If the amount of the contribution were allocated on a population basis from time to time, it would then average out at 20s. per head, and Western Australia, instead of getting £475,000, would get £600,000, and as her population continued to increase she would receive a greater proportion. No answer was given to my question, because opulent New South Wales and opulent Victoria could not stand that; it would never suit them. But Western Australia is told at the point of the bayonet to take this or nothing. If this £7,500,000 could be distributed on a population basis from time to time, I would vote for the second reading of the Bill. As it is, the measure is a ramp that has been conceived in Victoria. I do not justify the expenditure at Canberra, but if Canberra has done any good at all—

Hon. A. Lovekin: According to the table we shall have 600,000 people in this State in 14 years from now.

Hon. J. J. HOLMES: If Canberra does any good at all, it will be the removal of the evil Victorian influence from the Federal Houses of Parliament. I do not for one moment acknowledge that £9,000,000 should have been spent on Canberra; and the expenditure has not really begun yet. Sir William Lathlain says it is not the fault of Mr. Bruce. However, it is somebody's fault that £9,000,000 has been spent on a temporary political city. Taking the expenditure to date at £9,000,000, and calculating the amount at 5 per cent. per annum, the Federal capital interest is going to be more than Western Australia is to receive during the next 58 years towards the payment of her annual interest bill. Is that justice? Moreover, as I have said before, the Federal Government have not yet really begun to spend at Canberra. Can anybody read any justice into this agreement? I cannot, though I have tried my best and have discussed the agreement with all sorts of people, holding view

for and against. We have that Melbourne influence extending to this State. We know that the Press of Western Australia—I do not care whether this is published or not—is now controlled from Victoria. Our Press is writing articles which I have no hesitation in saying mislead the public of Western Australia.

Hon. G. W. Miles : Dictated from Melbourne.

Hon. J. J. HOLMES : From Victoria and New South Wales, as if we had not been carrying those States long enough. I for my part am not prepared to help towards carrying them any longer; hence I am prepared to fight this question. The "West Australian" leading article of the 6th June claimed that as five out of six Parliaments had endorsed the Financial Agreement, we must do so likewise. If I were in any other State except South Australia—and I think South Australia has something to complain about—I would take the agreement with both hands and say, "This is good enough for me." There is £3,000,000 for New South Wales, and £2,000,000 for Victoria, and over half a million for Tasmania whether she loses her population or not for the next 58 years. Is that any justification why the "West Australian" should tell the members of this Chamber what they are to do? I hope we are living in a free country. At all events, I am not prepared to be dictated to by Melbourne Press proprietaries. The Press says it is not understandable that Western Australia should object, as the agreement will be more favourable to Western Australia than to any of the other States. I challenge that statement.

Hon. V. Hamersley : Mr. Collier made that statement.

Hon. J. J. HOLMES : I challenge it, but am open to conviction, and am ready to vote for the Bill if anybody can show me any good in it. The leading article continues—

The per capita system has gone, as sooner or later it had to go. As a matter of equity between the individual States, apart from the magnitude of the payments involved, the system must in a few years have broken down of its own weight.

Broken down! I will read the next paragraph and then leave the article—

A Parliament with any sense of national responsibility could not have indefinitely continued to feed the fat opulence of New South Wales and starve the poverty of Tasmania.

Not a word about the opulence of Victoria, which is to receive £2,000,000! Why does the paper single out New South Wales and keep silent regarding Victoria? Dare not the "West Australian" make any reference to Victoria? And there is no reference to starving Western Australia. A Federal Royal Commission admitted that we had been starved, but no reference to that circumstance appears in that leading article published by the principal paper of this State. The article goes on to warn this Parliament not to do anything that may straighten or smooth the path to unification. Then it says—

It may reasonably be expected that our legislators will make an intelligent study of our public affairs.

That is what we are doing; and when we do make an intelligent study of them, the Press will not take the trouble to let the public know what we say. However, that is a matter of indifference to me. As for smoothing and straightening the path to unification, this very Bill does that in the simplest form. The measure provides for a Loan Council, comprising six members for six States—each State having one representative—and a Federal representative with three votes. It is an acknowledged fact that the Federal Labour Party are unificationists. We may have a Federal Labour Party in power, possibly as the result of the next Federal election. If there are two nominees of State Labour Governments on the Loan Council, Labour will have five votes against four, and the States will be starved into unification, because government is finance and finance is government. If we cannot get any money, the Labour Party will hold us in the hollow of their hands; and so unification will become inevitable. The position is quite clear. Dr. Earle Page at one time gloried in being a unificationist. I may repeat what I said earlier in the sitting, that Mr. Bruce is the voice of the one and Dr. Earle Page is the hand of the other. Let me give hon. members an idea of the difference between Dr. Earle Page and Mr. Bruce. I had never met Mr. Bruce until I went to Canberra. No sooner had I arrived there than Mr. Bruce sent for me. He told me he would allocate from 6.45 to 8 p.m. to discuss matters with me, as he had to be back at Parliament at 8 o'clock. He asked me to bring Mrs. Holmes with me to dinner at his house. The Prime Minister spent the only hour and a quarter available that day, in discussing

Western Australian matters with me. He could not understand that I had been so long in politics and yet we had not met. I told him that I was merely a State politician and I did not want to bother him with my views. On the other hand, the Prime Minister was exceedingly anxious to discuss matters and to get me to show him anything bearing upon our views. Now take the other man. Dr. Earle Page, the Leader of the Country Party, when I was introduced to him, said to me, "I have been looking for you; you are the man who has been writing some letters." I said, "Yes." Dr. Earle Page said, "I want to see you." I said, "You can see me anywhere at any time you like." From that day to this, I have not seen Dr. Earle Page. I draw that distinction between the two men. Mr. Bruce showed that he knows his job and is anxious to do his best. It is obvious to me that he is burdened with the pull of Victoria and New South Wales, which States have the preponderance of members in the Federal Parliament; we cannot get away from that fact.

Hon. G. W. Miles: Is not Page the man who stands for unification?

Hon. A. Lovekin: He denied that last session.

Hon. J. J. HOLMES: The irony of the position of Western Australia is that an impossible condition of affairs has been built up under the per capita system. This payment of £7,500,000 odd is to continue for half a century on the worst basis possible for this State. It is admitted by the Prime Minister that Western Australia is the State that will progress and it is to this State that increased population will come. No matter what happens during the next 58 years, of that £7,500,000, Victoria will continue to get her £2,000,000 and New South Wales £3,000,000. That is all built up on a false basis. Everyone knows that for years and years past, we have been maintaining thousands of people employed in the factories of the Eastern States in the manufacture of articles for Western Australia. I would instance the Sunshine Harvester works. We have been maintaining employees of those works for many years past, and in Victoria they have collected the per capita payments in respect of those people we have been maintaining. As soon as the Labour Party in this State adopt the same system of working as in Victoria, namely, piecework, many of those people will come to Western Australia and then we shall have

to provide additional essential services, such as education, etc. Although we shall have to furnish that additional expense ourselves, Victoria will still collect the per capita payments in respect of those people for the next 58 years. Is there any justice in such a proposal? Is this reasonable? Is it fair? Next we come to this point; with increased population goes increased responsibility. Men who have studied the position point out that the Customs are collecting from 6,000,000 people £6 per head per annum which amounts to £36,000,000. Of course I know that the Customs revenue amounts to more than that.

Hon. A. Lovekin: It amounted to £41,000,000 last year.

Hon. J. J. HOLMES: I will take the round figures of £36,000,000, on the basis of a payment of £6 per head to the Commonwealth for what we eat and wear, and what we use. Western Australia pays £2,500,000 through the Customs on that basis, and we are to get back less than £500,000. When we double our population, they will collect £5,000,000, and still give us £500,000. Economists point out that we shall have to provide essential services, for which we will have to pay. Where will we get the money from? From the country? The representative in this House of the Country Party, Mr. Stewart, would like to vote against the Bill and has condemned it roundly, but has promised to vote for it! Our railways will not pay because they will never be able to show a profit. The moment they show a profit, the Arbitration Court will grant increased wages and reduced hours. Our railways will not be allowed to pay until someone is hungry and anxious to work.

Hon. V. Hamersley: The tariff may be reduced.

Hon. J. J. HOLMES: I cannot give a better illustration of what is going on than to quote something that happened in South Australia. The new American Commissioner of Railways was asked why he could not make the railways pay. He replied, "I will never be able to make the railways pay while I have to pay a man, his wife and children for what they eat and wear, instead of for the work the man does." That is the basic wage. Is that right or is that wrong? So long as such conditions obtain, the railways will never pay. Then we have our harbours, but they represent a comparatively small matter. The provision of educational

facilities is a big item. Is there anything to be made out of our free education system? Then there are our hospitals. Can we make anything out of them?

Hon. G. W. Miles: We are told that the hospitals are short-staffed, and they want more money expended on them.

Hon. J. J. HOLMES: All these essential services are to be provided by the State with indirect taxation amounting to under £500,000. The Customs will collect £2,500,000 from the State, but we are expected to pay for our essential services ourselves.

Hon. H. A. Stephenson: They may be able to get that from the State enterprises, perhaps!

Hon. J. J. HOLMES: I have pointed out that the State will pay £2,500,000 through the Customs and will receive back under £500,000. If we double our population, on the same basis the Federal people will collect £5,000,000 through the Customs and Western Australia will still receive under £500,000. Will the "West Australian," or those people who have voted for the Bill, say that that is right? Mr. Lovekin mentioned the £18 per head that we have to pay as duty. If I imported an article and wanted to sell it so that it would show a return of 10 per cent., the value of the article being £100, I would have to charge £110 for it. But if I had to pay the £18 duty as well, I would have to charge £12 in order to get 10 per cent. profit. Thus the purchaser of the article has to pay £130 instead of £110. The merchant does not get the advantage of that. I, as the merchant, would get the 10 per cent., but the Commonwealth would get the £18.

Hon. Sir William Lathlain: Does that make any difference to the agreement?

Hon. A. Lovekin: It makes all the difference to the price we have to pay for our money.

Hon. J. J. HOLMES: If we were to get our quota from time to time, I would not mind. On the other hand, we are to have the fixed amount of £475,000, no matter what may happen in this State during the next 53 years. In view of the facts I have put before members, the question this House has to consider is whether we can develop Western Australia and provide all the essential services by means of direct taxation, plus £475,000 a year. I will not advance my views, but will emphasise the point that men who have studied these problems stress the

fact that so long as we leave indirect taxation through the Customs in the hands of the Federal Parliament, so long shall we have Federal extravagance, because they can put on additional charges through the Customs without the people generally knowing of it. That is what the Federal authorities are aiming at. They want to be able to impose indirect taxation and to leave it to the States to impose direct taxation. I am advised, and convinced, that that is what has led to Federal extravagance and what will lead to its continuance so long as that position obtains.

Hon. V. Hammersley: That is what the framers of the Constitution were afraid of from the start.

Hon. J. J. HOLMES: The States will be forced to impose direct taxation, with the result that our primary industries will be strangled. If we are to have unification, let the job be done decently. Do not let Earle Page or anyone else put up schemes like that now under consideration. Finance is Government, and government is finance, and this sort of thing will lead us into unification before we know where we are. Let us know what is to happen. Reference has been made to the Loan Council and advantages have been claimed for the operations of that body. The facts are entirely against such a contention. We have had the spectacle of the Commonwealth and Western Australia going on the London money market on the same rates. What happened? The Commonwealth had 16 per cent. of their loan subscribed, and our State loan was over-subscribed.

Hon. Sir William Lathlain: How much was the Commonwealth loan?

Hon. J. J. HOLMES: The Commonwealth loan was for £3,000,000 and Western Australia's loan was for £3,000,000. Perhaps the hon. member is sorry he interjected! The Commonwealth with all their £40,000,000 Customs revenue and so forth, could get only 16 per cent. of an £8,000,000 loan subscribed.

Hon. G. W. Miles: And with all their assets?

Hon. J. J. HOLMES: Yes. And Western Australia's £3,000,000 loan was over-subscribed! In view of those circumstances I do not see that Western Australia can get much advantage from this agreement. It is true that 5s. per cent. is to be contributed by the Commonwealth Government towards paying their quota on new debts. We have

only to analyse the position to realise what has happened. New South Wales with a public debt of between £230,000,000 and £240,000,000 has a sinking fund of less than £1,000,000; Western Australia with a public debt of £70,000,000, has a sinking fund amounting to £9,000,000. Is there any comparison there? Because New South Wales is forced to accept the agreement owing to her financial position, is that any reason why Western Australia should accept it too? New South Wales and other States are fairly well developed. Their secondary industries have been established for many years. They were established on a low tariff, with low wages, long hours and at a time when men were prepared to work. Western Australia is expected to establish industries under awards of the Arbitration Court, short hours, high wages, and a high tariff, and to pay employees for what they eat and wear and not for what they do. Can we establish secondary industries under those conditions? The people in the Eastern States who have been and are manufacturing for us are going to collect the per capita payment for the next 58 years.

Hon. A. Lovekin: And if we bring those men here to manufacture for us, the other States will still collect it.

Hon. J. J. HOLMES: This is a country of distances, and the greater the distance the more difficult and the more expensive it is to handle. Western Australia is going to be the granary of Australia. There is no doubt about that. But we have got to provide railways and essential services, and how can we do it? If this agreement goes through, there will be only one way to do it and that will be to get the revenue from the primary producers of this State.

Hon. A. Lovekin: Do not forget that they are supporting this agreement.

Hon. G. W. Miles: Not all of them.

Hon. A. Lovekin: A good many of them.

Hon. J. J. HOLMES: During recent years there has been a transfer of population from East to West and that transfer is continuing. Particularly has it been in evidence since this per capita arrangement was agreed upon at the Premiers' conference. We read in the morning paper a couple of days ago that there were 400 applicants from South Australia for land in this State. Some of those 400 applicants may be here already, and South Australia will collect the 25s. per head in respect of them for the next 58 years. Those people are going to come here and we have to pro-

vide for them hospitals, schools, and other necessary services.

Hon. Sir William Lathlain: Do not you want them to come here?

Hon. J. J. HOLMES: Of course we do, but we want something to assist us to carry on those essential services. The Commonwealth will collect £6 for every one of them, and that being so, in the name of common sense, are not we entitled to our quota? Some members adopt the attitude, "Mr. Bruce says so-and-so. Thank you, Mr. Bruce. I agree." If some member-like to adopt that attitude, well and good, but it does not suit me.

Hon. A. Lovekin: We want to see where we can make provision for that transfer of population.

Hon. J. J. HOLMES: The tendency is for our population to increase considerably. The increase has really not yet begun. When the people come here we have to provide all those essential services and the Commonwealth will take all the Customs revenue. That is the great weakness of the agreement. To argue that we have to accept this agreement or get nothing is entirely wrong. I have been through the Eastern States and have discussed, not this agreement, but our position generally with all sorts and conditions of men—I like to talk to everybody—and the good feeling exhibited towards Western Australia is nothing short of astonishing. Fathers and mothers in the Eastern States are sending their sons here and obtaining an interest in Western Australia, and I am satisfied that if half-a-dozen able men went to the Eastern States and represented our position to the people there, what we have behind us and could do if we had the money, we would get a fairer agreement than this, even out of the Federal Parliament. No matter what happens at the referendum, this is the last opportunity we shall have to assert our rights. If this Bill goes through, it will be the end of everything, except the £475,000, for 58 years.

Hon. V. Hamersley: It is not passed yet.

Hon. J. J. HOLMES: We know that the other States were compelled to enter into this agreement. We know that New South Wales was dead up against things. Why, the agreement itself proves that. New South Wales was exempted from its sinking fund for the first year. We know on reliable authority that the Commonwealth had practically to finance New South Wales

in order to keep that State off the London market; otherwise Australia's credit would have been ruined.

Hon. A. Lovekin: That is right.

Hon. J. J. HOLMES: New South Wales was compelled to accept the agreement.

Hon. A. Lovekin: And Queensland, too.

Hon. J. J. HOLMES: Yes, the same applies to Queensland. Tasmania is losing her population. Victoria is holding her own, but South Australia is in a very bad way. To say that because those States have accepted the agreement, the Parliament of Western Australia should do the same, is absurd. Has this agreement been rendered necessary by any act of omission or commission on the part of this State? Have we done anything to necessitate it? We have shown to the world that we are prepared to meet our liabilities. We have a sinking fund amounting to £3,000,000. We have shown that we intend to pay our debts, and we have paid our liabilities as they have fallen due. It is that which has enabled us to borrow money in London at a less or equal rate to the Commonwealth, and get our loan over-subscribed, whereas the Commonwealth got a subscription of only 16 per cent. What would be the position if we disposed of our sinking fund, as is suggested? I happened to look up particulars of the Coolgardie water scheme and the purchase of the Great Southern railway. I told a Federal Treasury official that we paid £3 per cent. sinking fund on the Coolgardie water scheme loan and had liquidated the loan, and that if we had paid only 10s. instead of £3, we would have paid off, perhaps, £1,500,000 and a sum of £1,000,000 would be owing. The Commonwealth would come in then and would pay one-third of the sinking fund. Because we have been honest by paying sinking fund and wiping out our liabilities, we are to be penalised because New South Wales and Queensland cannot get any further. Is that fair? I said we had paid 3 per cent. on the Great Southern railway. The Commonwealth official told me that we were paying only 1½ per cent. When I look up the particulars I find it is so, although the Act says we shall pay 3 per cent. and shall meet the liability in 1936. Are we going to tell the people from whom we purchased the Great Southern railway that we are going to tear up the paper due in 1936, and bring them into the pool? The Treasury official said that if we

interfered with the sinking fund it would damage the credit of Western Australia, and that is exactly what this Bill proposes.

Hon. A. Lovekin: There is direct repudiation in that case.

Hon. J. J. HOLMES: I think I have made it clear why the Eastern States agreed to the Bill. Victoria, a small State and fairly well developed, is afraid of losing her population; Tasmania is actually losing her population; South Australia is financially embarrassed; New South Wales and Queensland are right up against things. Because Mr. Bruce, or his Government, told the financiers of the world that he would set about creating a sinking fund to make those States pay, poor old Western Australia, which has carried her burden and done her duty, must be dragged in, for the reason that the other States cannot go on without her.

Hon. A. Lovekin: And be penalised as you suggest.

Hon. J. J. HOLMES: Yes. Is it a fair thing, I repeat, that Western Australia, with one-third of the territory of the Commonwealth to develop, should be given £475,000 towards the payment of her interest, while the Federal capital city—the only justification for which is that it is a fulfilment, and an expensive one, too, of a contract entered into at the time of Federation—with nothing to develop except politics, will get more per annum on interest account than will this State? I listened to the Premier when he moved the second reading of the Bill in another place. I am a great admirer of Mr. Collier. Of his ability, I have said before and I repeat that, robbed of Trades Hall influence, he is the nearest approach to a statesman that we have. I ask members to mind the qualification, "robbed of Trades Hall influence." I am satisfied that the Premier is an orator, but his address on this Bill was, in my opinion, a painful effort. He was putting up to the country what he had been induced to sign at the Premiers' conference. He never attempted, nor has any supporter of the Bill, attempted to show that there is any justice in the agreement. He did say that the financiers of the world approved of it. One need not be surprised at that, in view of the fact that there is to be a compulsory sinking fund of 7s. 6d. per cent. on the whole £640,000,000 spread over 58 years. This

was the first attempt to show the world that Australia intended to meet her obligations and liabilities. No wonder the people at the other end of the world accepted the agreement with both hands! If the other States had done as Western Australia has done, there would have been no necessity for a compulsory sinking fund and a compulsory scrapping of our sinking fund to bolster up the finances of the other States. To say that Western Australia, under this agreement, will offer a better security than would Western Australia standing alone is a libel on this State. Western Australia consists of one-third of the continent and its net indebtedness is £60,000,000. The other States, comprising two-thirds of the continent, have a net indebtedness of £580,000,000. There we have £580,000,000 against £60,000,000, and I say it is a libel on Western Australia to assert that our security under this agreement would be any better. Would not members sooner take Western Australia, one-third of Australia, with a net liability of £60,000,000, than the other two-thirds with a liability of £580,000,000? Of course; we would back Western Australia every time. Because of our sinking fund which signifies our intention to pay our liabilities, we can borrow money on better terms than the Commonwealth; at all events, we can get the money we ask for and the Commonwealth cannot. The best answer to that is, "Which borrows the best"? Everyone knows that Western Australia borrows best. I will not at this stage make any reference to the bondholders, who will have to be consulted sooner or later. There is one thing this House will not stand, and that is repudiation even in the most simple form. Last session a Bill was put before us to increase the salary of the Auditor General. The Auditor General holds a life appointment, but the Bill provided that he should retire at 65. This House declined to agree to that, and called it repudiation. The Government could increase his pay if they liked, but they could not retire him at 65. The Bill passed backwards and forwards between the two Houses, but finally the Government agreed to our way of thinking, and the matter was put right. We would not stand for repudiation in that case, and surely we are not going to stand for it in this very much more important case. Members may, of course, vote as they please,

but I shall vote against that. This is a country of primary products, a country of distances, and very difficult to manage. New South Wales has five out of every eight of its population of 2,300,000 in and about the city of Sydney. That is a very different proposition from Western Australia, and far more simple. I do not say it is right. We have this huge country to develop, and it will take a lot of money to do it. Every pound that we borrow has to be paid back.

Hon. W. T. Glasheen: By comparison there are no more people in the city of Perth than there are in other cities in Australia.

Hon. J. J. HOLMES: We have more land to develop than any other State has. Mr. Glasheen will no doubt get his instructions from somewhere, and we shall hear from him in due course. Our opportunity is here. If we miss it we shall never get another. We are paying for the Federal extravagances in the Federal city. Money must, however, be found for that. There is great extravagance in the Northern Territory, and we have to find money for that. We have had to carry the sugar bounty in Queensland for I do not know how long. We have carried all these things for many years, and it is time we had a fair thing meted out to us. It is our duty to protect the rising generation. The boy of 10 or 12 to-day will never have the opportunity we have in dealing with this agreement. If he does get it, he will be in a state of senile decay, and will not know right from wrong. Are we to tie up the next generation by an agreement like this? The whole thing is monstrous. I venture to say if Mr. Bruce had 7½ millions of money that he could control, free from the influence of New South Wales or Victoria, I believe he has sufficient confidence in and knowledge of Western Australia to send half of that to us. It is in that way I think Mr. Bruce looks upon Western Australia, and it is what he would do for us if he could. But because New South Wales and Queensland had to be rescued, and prevented from spoiling Australia's credit, we have to assist them and are to get nothing for doing so. This is the most important Bill that has ever come before this Chamber, certainly in my time. It should be considered from every standpoint so that Western Australia may have an opportunity to get that to which she is rightly entitled. No one has



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

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

*House adjourned at 8.35 p.m.*

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## Legislative Council,

*Tuesday, 3rd July, 1928.*

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

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

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

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

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

### PERSONAL EXPLANATION

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

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