

# Legislative Council

Wednesday, 21 October 1987

**THE PRESIDENT** (Hon Clive Griffiths) took the Chair at 2.30 pm, and read prayers.

## QUESTIONS WITHOUT NOTICE

*Direction: Statement by President*

**THE PRESIDENT:** I wish to clarify the ruling I gave yesterday on a point of order raised by Hon Neil Oliver relating to questions without notice.

Standing Orders permit questions to be addressed to Ministers and members in relation to business of the House of which the Ministers or members have charge. Where the question to be asked is one of which no notice has been given, I have ruled on several occasions since I have been the President that a question, where Ministers are concerned, must be one that falls within their respective portfolios. Put another way, such a question cannot be asked of a Minister in relation to a portfolio actually held by another Minister in the Assembly. The only qualification to that is where the member asking the question of a Legislative Council Minister in a representative capacity informally notifies the Minister in advance.

Yesterday, Hon Neil Oliver asked the Leader of the House a question without notice about a Government committee report which has some bearing on a Bill on the Council's Notice Paper. On objection being taken by the Leader of the House that he had nothing to do with the report, I upheld the objection and ruled that the question had to be put on notice.

I want to explain carefully the basis of that ruling. The Leader of the House is responsible for the passage of the Bill in this House, and it would be quite proper for a member to ask him a question either dealing with the content of the Bill or the timetable that he intended to adopt in putting the Bill through its various stages. It is quite a different matter to ask him, in a representative capacity, about the content or publication of a report that may have caused, in some way, the preparation of the legislation. The institutions covered by the Bill fall within the ministerial responsibility of a Minister in the Assembly and the content or availability of a report is, properly, a question that ought to be addressed on notice to that Minister through the Leader of the House. If such a question is to be without notice, the ruling stands that informal notice must be given so as to enable the Minister in this House to obtain the information from the Minister actually responsible.

I make that statement in view of several approaches that I received subsequent to my giving that off-the-cuff ruling yesterday. I place it on record so that everybody can digest it.

## ACTS AMENDMENT (LEGAL PRACTITIONERS, COSTS AND TAXATION) BILL

*Third Reading*

Bill read a third time, on motion by Hon J.M. Berinson (Attorney General), and transmitted to the Assembly.

## BLOOD DONATION (LIMITATION OF LIABILITY) AMENDMENT BILL

*Second Reading*

Debate resumed from 14 October.

**HON JOHN WILLIAMS** (Metropolitan) [2.41 pm]: This very small Bill is necessary because of an omission in the drafting of the original Bill which was presented to the Parliament recently. The intention of the original Bill was to protect, as it were, the Red Cross Society and similar organisations which collect blood from any risk of being sued by persons who contract AIDS in the process of a blood donation or a blood transfusion.

AIDS is a topical subject and, if one wanted to, he could wax eloquent for a number of hours on it. However, that is not the point of this Bill, which deals with workers who are engaged in duties associated with blood or blood products and who use needles and things of that nature in their work. The Act was found to be defective because provision for workers'

compensation was omitted from it. This Bill corrects that anomaly and allows workers placed in jeopardy in that way to be eligible, under normal circumstances, to seek workers' compensation.

I support the Bill and commend it to my colleagues..

**HON KAY HALLAHAN** (South East Metropolitan -- Minister for Community Services) [2.44 pm]: I welcome the fact that we have a consensus in this House on this small, but very important, amendment. We have said all that is to be said about the need to rectify the fact that in the original Bill workers were excluded from the right to receive workers' compensation in relation to AIDS-related matters. I commend the Bill to the House.

Question put and passed.

Bill read a second time.

*In Committee, etc*

Bill passed through Committee without debate, reported without amendment, and the report adopted.

*Third Reading*

Bill read a third time, on motion by Hon Kay Hallahan (Minister for Community Services), and passed.

## CONSTITUTION AMENDMENT BILL

*Second Reading*

Debate resumed from 14 October.

**HON JOHN WILLIAMS** (Metropolitan) [2.46 pm]: This is probably one of the most unusual Bills that has ever come before this House. It deals not with anything outside this House, but in fact it is about the control of this House. In other words, it is an amendment to the Standing Orders -- if it is not an amendment to the Standing Orders, it is a different method of dealing with Standing Orders.

Members are aware that when Standing Orders are amended it is necessary for his Excellency the Governor to approve those amendments. Consequently, the material goes to the Governor-in-Executive-Council. The Clerk whispers to the Minister in charge of the piece of paper about what should be said and, if it is so recommended, in next to no time the Governor's signature appears on that piece of paper.

It is interesting to note that initially I would have vigorously opposed this Bill because I felt that there was something sinister about it and about all the things that could and could not occur and those things that may or may not occur. However, I was assured that there was nothing sinister about the Bill because the Clerk of the Legislative Council is well versed in these matters and he has expressed the view that the Governor's involvement is anachronistic. The Governor's view made me feel more comfortable about the legislation.

Obviously, there are other inbuilt safeguards to protect the Standing Orders, so I will not make a meal of a Bill of this nature, even though it is quite historical. I have searched the records and I cannot find a similar Bill that has been before this House since its inception.

I give my support to the Bill and I hope I have persuaded some of my colleagues that it is a Bill that should be passed, perhaps for the better working of the House. I commend the Bill to my colleagues.

**HON D.J. WORDSWORTH** (South) [2.48 pm]: This Bill amends section 34 of the Constitution Act which requires that amendments to the Standing Orders of either House be assented to by the Governor. Until the Governor's assent is given, no Standing Order is effective. The Minister's second reading speech stated that the Clerk of the Legislative Council has expressed the view that the Governor's involvement is anachronistic.

I am somewhat surprised to find that the Clerk's view was stated in the Minister's second reading speech. Mr President, should a member in this House repeat an opinion that the Clerk has given to him on any subject, I think you would very quickly call him to order. Indeed, the Clerk is available to give advice and help to members on either side of the House.

For a Minister to suddenly use this as a reason that something should be done staggers me. It staggered me even more when the Minister implied, in his second reading speech, what the Governor thinks about the laws of the land. The second reading speech states --

The Governor agrees that it would be entirely appropriate for the Constitution Act to be amended . . .

I would like to think that he does not think that. Perhaps he might have an opinion on capital punishment and other matters which are discussed around the countryside. I believe that under the Constitution the Governor is an independent person who must ensure that there is fair play at all times. He has numerous responsibilities under our parliamentary system. It is argued that the requirement that the Executive Council should approve our Standing Orders is from another age. I suppose one may say that about anything done in the Executive Council. I have been many times the blotter boy in the Executive Council. For those who have not been there, there are two ministerial positions. The senior one reads the contents of the Executive Order, the Governor having signed it, and the other blots it and files it.

Nevertheless, I do not believe we have reached the stage yet where we should throw all these things away. It requires the Government at least to go through the formalities. In many cases it could affect an individual greatly. At least he knows it has gone through a formal process.

I remember one occasion when the Shooters Association of Albany wrote to the Governor and many others complaining about the administration of the gun laws. The Governor asked to see the Premier of the day to discuss this matter with him. I think the Governor might have got his ears chewed a little. He might have been told that that was not his duty at all. The Parliament makes the laws and the Governor signs them. The Governor of the day, an Air Vice Marshall, did not think that at all. He thought he had a responsibility in the role of Governor. I believe the Governor has a responsibility, and a very important one. I wonder whether, if we go the same way as Fiji and decide not to have a Governor General but a President, what the view will then be. Will we still consider this as an anachronism -- someone who is not really necessary except to sign the odd form presented to him in the Executive Council and pat babies on the head? I do not think so. I think the Governor has an important role to play as the Chairman of the Executive Council.

It comes down to the question of whether our Standing Orders should be one of those things which is presented there. At least in one of the Houses the Government has the numbers. It is perhaps slightly different in this Chamber, certainly at this time, but because the party in Government has the numbers, and each House is its own master, those Standing Orders can literally be changed to the degree that Oppositions speak for five minutes and Governments speak for an hour. It is easy to pass that measure through the House; the numbers are there, certainly in the other place.

Hon Tom Helm: That is sensible.

Hon D.J. WORDSWORTH: The suggestion obviously has support.

Hon A.A. Lewis: The Government backbenchers do not talk now.

Several members interjected.

The PRESIDENT: Order!

Hon D.J. WORDSWORTH: This democratic institution has a very fine balance. I would like to think that we will always see fair play and we will not change the rules to suit the Government which has the numbers. However, last night we saw this happen at 10.30. Suddenly the Standing Orders were suspended for the night; they were set aside so that we could debate until 2 o'clock. Indeed that created a little debate in the House. Because we must take our Standing Orders to the Governor, we have a greater chance of feeling a responsibility that everything should be fair and in order for both sides. The formality of the Governor having to sign any changes is not a very arduous one. How often do we change the Standing Orders?

Hon Robert Hetherington: Not often enough.

Hon D.J. WORDSWORTH: Quite right. Hon Bob Hetherington was on the Standing Committee which recommended changes. I would be interested to see how often this has

happened. When we do make a change, it is often for only a short period, and then we accept those temporary Standing Orders which I doubt ever go to the Governor anyway. On very few occasions would he have ever been troubled to sign the Standing Orders of this House. If he did, it would take him only a moment.

We are nitpicking when such minor issues are debated. We could go around and say, "Look at the great thing this Government has done; it has amended the Constitution." If that gives anyone any satisfaction, it certainly does not give me any. The Governor is an important part of our parliamentary system, and I for one feel there is no harm in asking him to sign the authority for the Standing Orders of this House on the few occasions it is necessary.

**HON A.A. LEWIS (Lower Central) [2.57 pm]:** I am stunned that the ALP, which has for years told us that it supported minorities, brings this sort of thing into the House. As the only person who has sat as an Independent in this House, if Standing Orders had been changed at that time, my only avenue would have been to appeal to the Governor before they were signed. I am not going to repeat what Mr Wordsworth said, but I wonder what will happen if a minority party -- take the National Party --

**Hon Mark Nevill:** Are you thinking of defecting?

Several members interjected.

**Hon A.A. LEWIS:** We noticed that. Not often. The National Party, by virtue of the kindness of the Liberal Party, has members on the Standing Orders Committee. If the Liberal Party said no, I bet the Labor Party would not sacrifice one of its members. We have not noticed that happen in this House very often. The position is a little different from the days when we were in government, when we often sacrificed a position to the National Party. This Government does not do that. It is not interested, except when it needs their votes. It is not interested in minorities. When members of the Government need one's vote, they are like flies around a honey pot. I have experienced that myself.

Several members interjected.

**Hon A.A. LEWIS:** Maybe just Pooh Bear. Seriously, though, this is a mistake. With due deference to all the Clerks, I do not really think the Clerk knows what is the position of an Independent in this place, nor a minority party. I happen to think they are a little bit above all that, probably not mentally but because of their job. It is practising politicians who should be making these decisions, and members of this place should have a final appeal to the Governor about Standing Orders.

**Hon D.J. Wordsworth** mentioned what happened last night, and we could hear it again tonight at 10.30 or 11 o'clock as we debate, say, the size of the ballot paper -- which we will probably be doing. The Leader of the House will say, "I want to go on working for another hour or two." Maybe the Leader of the House does not get up in the mornings as early as I do, but I am afraid late nights make me a little bad tempered.

**Hon John Halden** interjected.

**Hon A.A. LEWIS:** Some of us are, usually travelling. That is something a city member would not understand.

I join **Hon D.J. Wordsworth** in opposing this Bill. For the rights of this House it is a retrograde step and I do not believe we should take it.

**HON J.M. BERINSON (North Central Metropolitan -- Leader of the House) [3.02 pm]:** I have been in this game long enough not to be surprised at anything; nonetheless I must confess I am surprised about both the length of this debate and the direction it has taken.

**Hon G.E. Masters:** You said exactly the same thing last night about a clause in the Electoral (Procedures) Amendment Bill.

**Hon J.M. BERINSON:** In that case I have been surprised twice in 24 hours, and that is twice as surprising as I expected to be.

This is a small Bill. No-one has claimed that it is of major constitutional significance but at the same time it is something worth doing. Quite contrary to the impression that might have been given by some speakers in this debate, this is not a measure which detracts from the status or powers of members of Parliament. If anything, it adds to them.

All members will be aware -- including Hon Sandy Lewis, though he shakes his head to indicate in advance of what I am going to say that he is not aware -- that by well-established and well-understood convention the Governor acts on the advice of the Executive. In other words, we are moving in this case away from a position where a decision of the Parliament itself in relation to its own proceedings theoretically can be overcome by a contrary view by the Executive to one where the Parliament, and each House of Parliament, is in fact the master of its own destiny in relation to its proceedings. That is the only difference involved here.

There is no enormous constitutional impact in that; nonetheless it is a change which in the Government's view is worth making and I believe that Hon John Williams was closer to the mark in respect of the merits of this Bill than other speakers who have contributed.

I commend the Bill to the House.

Question put and passed.

Bill read a second time.

*In Committee, etc*

Bill passed through Committee without debate, reported without amendment, and the report adopted.

*Third Reading*

Bill read a third time, on motion by Hon J.M. Berinson (Leader of the House), and passed.

**APPROPRIATION (CONSOLIDATED REVENUE FUND) BILL**

*Consideration of Tabled Paper*

Debate resumed from 14 October.

**HON J.M. BROWN** (South East) [3.07 pm]: I am pleased to make some brief comments in relation to the finances and welfare of the State, and in doing so I will make special reference to the electorate of South East Province, which covers the core of the activities in the goldfields stretching down to Esperance on the coastal plain.

I must admit that both the goldfields and the Esperance-Dundas region are looking very prosperous at the moment and the initiatives of the Government which have enabled that prosperity are appreciated by the people living within the region. I am very appreciative of the actions of the Treasurer and his Cabinet and the support they have seen fit to give to the Esperance and goldfields regions. As well, I know the work of the local people, and especially the local government organisations within those regions, is always to the fore to ensure they are able to get their rightful revenue returns for the contribution they make to the welfare of the State.

Having said that, I want to touch on a matter concerning the report of a Select Committee into a Committee system, of which I was co-chairman. It was mentioned by the Leader of the Opposition in another debate concerning the recommendations of the committee, but one cannot take pieces of the quotations out of the interim report and give a satisfactory overview in a debate of what the report really meant. I want to make a clear statement about the report of the Select Committee. The committee comprised two members of the Liberal Party; my colleague, Hon Mark Nevill, and me from the Government party; and former member Mr Vic Ferry was co-chairman with me.

It was specifically spelt out in the first instance that the committee's recommendations were subject to a qualification, which was that the reform of this House was essential for the committee system to function in a proper manner. The report has been well received both within this Chamber and throughout Australia. Its contents have opened wide horizons for the improved operations of Government, and particularly the Government in the upper Houses of Parliament, and we used the Senate's operations as an example of what can be achieved with a committee system. But I want to clear up any misapprehension that members might have about the operations of a committee system by reading out a paragraph from the introduction of the interim report. Paragraph 1.4 deals with the role of the Council as a second Chamber, and I quote as follows --

In our interim report we said:

... the preservation of the bicameral system lies in defining with some precision the functions a second chamber may usefully perform without being seen as a threat to the government of the day. . . . Your committee accepts the constitutional role of an upper house as being one of revision and investigation.

That recommendation has two parts, and it is very important that I spell out to members that the recommendation that the functions a second Chamber may usefully perform without being seen as a threat to the Government of the day, was a prerequisite to the overall report of the committee. We said other things, but it is quite unfair to quote selectively from the report without indicating the full context of the report. I do not think anyone would have any objection to accepting that the constitutional role of an upper House is one of revision and investigation. I foresee that note will be taken of the report in this place, particularly as we have already passed major electoral reform legislation. The committee's recommendations could become a blueprint for the activities of this Chamber in pursuing a worthwhile function as a House of Review and investigation.

I am pleased the report was mentioned the other day because I was rather anxious to be able to highlight its contents and bring them to the attention of members of this Chamber and perhaps especially to some of the newer members who might not as yet have read the report. Many hours of work were put into producing this report not only by the committee members but also by their very competent staff; and the Clerk of the Parliament, Mr Marquet, was a tower of strength in assisting us with the presentation of the report. Our investigations took us all over Australia to visit other Houses of Parliament, and we believe we came up with final recommendations worthy of study by all members of this Chamber.

An important financial matter is the recent announcement by the Western Australian Government concerning the Grants Commission, which has changed the formula for local government grants very significantly. While a population needs base is still being used, an action base of local authorities is also being used; in other words, if a local authority cannot perform in a manner which satisfies the Grants Commission it will probably be disadvantaged by way of the amount of grant it receives from the commission. This will mean a great deal to local authorities when they consider their activities in administering the third arm of Government.

It should be clearly noted that local authorities would not be able to survive without the funds they receive from the Grants Commission, which currently amount to in excess of \$56 million. This is a notional grant from the Commonwealth which was originally fixed at two per cent of Commonwealth revenue above the line of income tax that the Commonwealth received. This has been fixed at a graduated increase and not in line with the increase in Commonwealth taxation. That measure was introduced when everyone in the nation was asked to exercise restraint in expenditure, and local government had to play its part in the overall curtailment of expenditure. But the figure is still a hefty amount contributing towards the activities of local government in Western Australia. I am sure the 139 local authorities in this State acknowledge as acceptable the efforts of the Federal Labor Government in introducing such a measure to enable them to perform their duties and functions which are so necessary for the well being of the people within their boundaries. Members will be aware that the greater number of local authorities are situated outside the metropolitan area, so the country is receiving its rightful share again thanks to the initiative of the Grants Commission. I pay tribute to members of the commission, particularly Dr Michael Wood, who is the Secretary of the Local Government Association and Chairman of the Grants Commission, and also to Mayor Ray Finlayson of Kalgoorlie. They have been able to explain to local authorities what is required by the commission to ensure they get their rightful share of the revenue derived from the Commonwealth's funds and directed to the States through the Grants Commission. So this arrangement is certainly of great benefit to local authorities and to country people particularly.

I could not let this occasion pass without making reference to the recent sudden and dramatic fall in share market prices. Although this fall might not have any great impact on the majority of members here the fact is that all citizens of this nation will be in some way affected by the fall. The ramifications of the fall could be quite significant in the overall

activities of the financial structure of the world. While all Governments throughout the world are quick to say that their economies are on the right track, the collapse on Wall Street had a snowballing effect throughout the world. Many Western Australians have lost, notionally, thousands of dollars following the loss in one day of \$600 000 million on the US share market. It is hard to imagine such a huge sum of money. While it is paper money it certainly has a dramatic and snowballing effect. No-one has been able to give a full account of why the share market collapsed so dramatically. Some have suggested it had something to do with the fighting in the Persian Gulf, while others have commented on the explosion of the US deficit. Whatever the reason, the fall has affected all nations throughout the world. Of note is the fact that the Hong Kong exchange has closed for a week.

A suggestion has been made that small investors should not panic. I can say without any fear of contradiction that the small investor has usually had fairly shabby treatment from the broking industry over the last 12 months. Because of the heavy pressure on brokers and the large volumes of business being done they have not had time for the small shareholder. These can be people from all walks of life, and it is a sad reflection on the broking industry that it should adopt such an attitude in the past and is now prevailing upon the small investor to be considerate and not to rush and do anything dramatic in relation to his investments.

I hope the sharebroking firms will realise the important and continuing role of the small investor because we know the part he plays in the industry. Not so many years ago brokers were opening up the Stock Exchange and inviting prospective investors to see how it operated. However, when one went to buy a small parcel of shares in recent months one found the brokers did not have time to deal with the order. This is the disgraceful part of the activities of broking firms. I hope this salutary lesson of a dramatic fall in the market will make them realise the importance of all investors, irrespective of the size of their contribution. When all is said and done there is a minimum charge on broking activities and the small investor is entitled to consideration as much as the large investor.

I believe the share market is going to have several more weeks of dramatic ups and downs; it is not going to stabilise overnight. It has been on an upward trend for the last five years -- I think it is called a bull run -- and now it is very bearish as far as the returns to the investor are concerned. The share market and the broking industry have a significant role to play in the financial structure of our nation, particularly in this State with its booming gold resources. I believe the goldmining industry will offer equitable returns for those with a long-term view.

The Federal Government's move to the imputation system whereby dividends issued to shareholders are no longer taxable within the hands of shareholders is to be commended. A company pays its company tax at 49c in the dollar, and when the funds are distributed to the shareholders they receive those funds without being liable for tax. Indeed, if a taxpayer's income is below the 49c in the dollar tax level he can claim a credit for that part of the tax within his dividends. That is of significant importance to retired persons and investors in all walks of life in that they are now not hit with a double taxation burden as they were in the past. This is a revolutionary change. We all know companies issue bonus shares to give shareholders the benefits of profits in lieu of dividends. They have postponed their dividends until the 1987-88 year, but now because of the imputation system the performance of companies will be under a great deal of scrutiny and their balance sheets will certainly be closely examined within the broking industry and financial world.

Our sharebrokers must have consideration for the small shareholder and the small investor in the future as they did some years ago when they encouraged such people to participate in the industry. I feel sure the market will bottom out and the stability it has always shown will return. When that happens I trust sharebrokers will look for the small investor.

Hon G.E. Masters: The sooner the better.

Hon J.M. BROWN: That is exactly right. They should never have neglected those investors, but they turned their backs on them because they said they were too busy. I know brokers are working very long hours -- 6.00 am to 10.00 pm -- and it is the top management as well as the employees. I acknowledge the hours they put in and the pressures they are under but that should not entitle them to neglect the small investor. As Hon Gordon Masters rightly said, the sooner they react to that responsibility the better. That is the major theme in my comments concerning the share market at the moment.

I refer now to a matter which I raised in a Press release which appeared in the *Kalgoorlie Miner* recently. It related to one of our most precious commodities, water. No-one is more mindful of the importance of water than country members, but it is true of members of Parliament generally. While people take for granted being able to turn on a tap they acknowledge that we could not do without water, particularly in the drier inland areas and the goldfields. What a blessing the water supply has been there.

The Institution of Engineers of Australia recently recognised the construction of the Coolgardie goldfields pipeline of 1898-1903 as a historical as well as an engineering feat. The institution comprises the engineering fraternity throughout Australia and includes members from all fields of activity. They recognised the feat of establishing the pipeline from Mundaring to Kalgoorlie and gave an award to mark that achievement. Only one other such award has been given, and that was to a bridge in New South Wales which was built in 1848 by convict labour. It was the largest bridge outside Sydney, and it was the first recipient of such an award. The goldfields pipeline received the merit award only this month, and I had the opportunity to acknowledge on behalf of the people of the goldfields the importance of the scheme to that area. It is of great significance not only to the people of the goldfields, but also to the people of Western Australia generally.

A history of the Public Works Department titled, "Building a State", and written by John Le Page has recently been published. John Le Page is retired from the Public Works Department and he wrote an excellent history about the building of Western Australia since the inception of the Public Works Department and up to its demise in 1986. The publication certainly gives a vivid description of the goldfields water supply.

It is interesting to note that many Select Committees of inquiry were conducted. Some funny business took place in Cunderdin involving one of the engineers who purchased the land where the pumping station was to be built. He also purchased the land where the township was to be built. Interestingly, instead of the pumping station being built at Tammin, which was considered the appropriate place for it, it was built at Cunderdin. Someone was hauled over the coals for the engineer's activities. Nevertheless the township, the pumping station and the pipeline were built.

C.Y. O'Connor's feat is of great significance and no-one will ever tire of talking about his activities and the activities of his engineering staff in building the pipeline. It demonstrates what great confidence they had in this State. C.Y. O'Connor was not only the engineer in charge of the Public Works Department, but also he was Commissioner for Railways. While there are certain suggestions now that someone did away with C.Y. O'Connor's life instead of his committing suicide, he will be revered by all Australians, particularly the country people of Western Australia, for his great contribution as engineer in charge of that feat.

I conclude my remarks with the comment that as member for the South East Province I am most appreciative of the Government's activities within the country region and trust that the State will continue to prosper in the way in which it has done in the past.

HON C.J. BELL (Lower West) [3.33 pm]: On this occasion I will bring to the attention of members in this House the problems confronting the agricultural industry in Western Australia. First, I will spend a little time on one problem, in particular, because many people are of the opinion that this problem has disappeared or is under control. I refer to the pesticide residues that have been found in beef.

The problem has not disappeared; the problem is not under control; the problem will not go away. In fact, by Christmas this problem is likely to reach disaster proportions in our agricultural areas. I will go through the history of this problem. On 25 May the American Government indicated to Australian exporters that it had found a number of samples of beef that contained unacceptable levels of pesticide residues. This sent shockwaves through the beef industry in this country and Ministers were advised of the problem and a new testing regime was instituted. People were satisfied with the action that had been taken and thought that the problem had gone away. In many ways this State's Minister for Agriculture aided and abetted that understanding.

At the end of May or early June I was called to a meeting of meat exporters and they advised me that they were not happy with the progress and that they were very concerned that the problem would erupt again. They were of the opinion that not enough was being done and



that it was inevitable that other samples of beef would be found with levels of pesticide residues that were unacceptable. They had had several meetings with the Minister with whom they had been amicable and cooperative. However, they felt that their warnings were not being taken seriously.

The testing mechanism that had been instituted continued until the next crisis occurred in the middle of August. Again, unacceptable levels of pesticide residues were found in a number of beef samples. Emotions began to run high and some Australians, including the Minister, accused the Americans of being unfair. Perhaps they were unfair but it is their market and they are entitled to place whatever demands they like on the marketplace. They know what is acceptable.

The response to this crisis was that \$600 000 would be allocated to protect the beef industry in Western Australia. It sounds a lot of money, but \$200 000 was to be funded by the Federal Government for the purpose of buying back pesticides. I applaud that because the sooner the pesticides are bought back and destroyed the better it will be for the industry. The salaries of the field officers took care of \$140 000, leaving an amount of \$260 000. It would have been good had the amount been sufficient, but I had been advised earlier that it was unlikely to be sufficient.

Currently we have a situation where there are three units of testing machinery. I understand that only one of them is in operation and that it is a slow process to get them functioning. Another unit is waiting for parts. One machine has the capacity of testing 75 samples per day. I understand that two weeks ago 800 soil samples were awaiting testing at Bunbury. The field officers are working very hard and they understand the problem. I have no criticism whatsoever of the Department of Agriculture's staff. Their endeavours to identify the problem have been admirable. Quite frankly, they have not been given sufficient resources with which to work.

I understand that the machine that is in operation is automated and can be loaded with 50 samples. At the end of a working day the machine is loaded up and the testing of the samples is completed by 3.00 am. However, no provision has been made for the machine to be reloaded at that time and for five hours it is left idle; that is, 20 per cent of the machine's capacity is being wasted. As I have already said, the other two machines are not functioning and are waiting parts. They are delicate machines and it takes a long time to calibrate them in order to obtain an accurate reading. It is a serious situation and people who are not involved in the industry are not aware of what is happening. They do not understand that there are beef producers hanging on by their fingernails trying to exist.

Even when these machines are operating they will not warrant peak requirements. E.G. Green & Sons kills about 600 beasts a day. That company is currently refusing to buy lots of less than 10 head because it tests one animal out of each lot. That means one machine is tied up with that abattoir alone and there is no capacity for testing contaminated farms. E.G. Green & Sons kills about half Western Australia's beef, so that means a machine is tied up with the kill, with none available for the massive requirement for soil analysis.

Then along comes the problem of the SEC poles. This has thrown all calculations straight out the window. There is a massive problem to identify contaminated ground, and there is no doubt that certain properties in the State have identified levels of contamination where the only logical explanation appears to be the SEC poles.

I would like to talk about the producers and the dilemma many of them face. My latest information is that the properties of some 90-odd producers are quarantined; they cannot sell an animal. One thing about being in quarantine is that advice by officers is guaranteed. They are out there every day. These fellows are working without any possible criticism of their efforts.

The fellows with the major problem are those who are on the blacklist. I understand there are around 300 of them. The export abattoirs will not buy livestock from any property which has had any level of chemical residue detected. About 100 properties are under quarantine; they will not get their stock bought by anybody; they are finished. Another 200 -- and the number is likely to rise -- are on this theoretical blacklist. It is not really a blacklist; the abattoirs are being very cautious, and they should be, because any trace found at the other end will be dynamite. It does not help those producers on the blacklist; they are not getting

the sampling because all the resources are allocated. No export abattoir will have their stock on the premises, so they cannot sell, except at a huge discount.

Through various subterfuges, and in roundabout ways, these cattle are being killed for the local market. There is no way that this level of contamination is any way, shape or form likely to harm anyone. It is a long way from that. But the abattoirs cannot possibly take the risk of having contaminated livestock detected.

Hon S.M. Piantadosi: How did they get contaminated?

Hon C.J. BELL: Generally it is the vegetable growers who put heptachlor and dieldrin on vegetables and potatoes, but not solely. The SEC is a major contaminating factor.

Hon S.M. Piantadosi: Are they not the same farmers?

Hon C.J. BELL: Sometimes. Sometimes they are not. Sometimes they are a little further on. I do not think they should be criticised because every vegetable and potato grower has been using these compounds legally and properly, as I understand it. Very few have been accused at any stage of using these compounds illegally or improperly. I want that clearly understood by Hon Sam Piantadosi. We are not accusing anybody of doing anything illegal. What we are trying to establish is a scenario for a number of people caught in a situation which will quite likely send some of them bankrupt, through no fault of their own, with no possibility of any manoeuvre.

*Sitting suspended from 3.45 to 4.00 pm*

Hon C.J. BELL: As the season runs to its close, in about six weeks' time the vast majority of properties will have to quit livestock desperately. While the spring growth has been occurring it has been possible for many farmers to carry cattle they might otherwise have quit into the marketplace for slaughter.

The suggested method of controlling the problem is that the Department of Agriculture will go to the properties and provide them with a certificate saying that their livestock have certain levels of contamination and that, if the cattle are taken from that property onto a property with no level of contamination, after a certain period those cattle will have levels below the violated level and therefore could be killed. The first problem, of course, is that at this stage the export abattoirs are not at all interested in cattle with any level of pesticide residue. There is no point whatsoever in certifying that the cattle are below the violated level -- the abattoirs simply do not want them. There are plenty of cattle to choose from and they are not interested. That means the only possible buyers for these cattle are either the domestic abattoirs -- which are buying some of them -- or those which are prepared to take them on their properties with the intention of holding them for a long time, probably one or perhaps even two years for some stock.

That livestock will reduce in value, especially baby beef which currently has a value of perhaps \$400. It is likely to have a store value of less than \$200 and perhaps as low as \$130 to \$150. When a farmer's income for the year is more than halved it really puts major strains on his cash position. It is quite clear that it is no use seeking the goodwill of every producer. While some might give it, some are going to look for other ways around the situation. Desperate people will do desperate things and already they have started to do them. I know of producers who have sought to sell their livestock through various subterfuges -- there are a whole range of them and they will not be able to be stopped; they are running the gauntlet.

If the problem were contaminated ground only, that would be one thing; but the contaminated SEC poles have added a new dimension to the problem because the cattle are not uniformly contaminated. An instance was brought to my attention of a farmer who sold a pen of cattle and one animal was picked up as having a level of pesticide residue while the others were totally clean. Very quickly -- within days -- the Department of Agriculture went to the property and took a random sample of that herd. They rounded up 30 animals at various stages and fat-tested them by making an incision at the head of the tail. Of that sample of 30, 28 were tested clean and two had serious levels of pesticide residue.

Quite clearly the contamination was not uniform. Obviously some of the cattle had a liking for licking the SEC poles or eating around their bases, because there was no other possible source of contamination. This puts a very different perspective on the problem, because people just do not know whether they are affected. Virtually every property in the south

west of Western Australia has SEC poles on it and no-one can be certain who has a problem and who does not. I must say that I am worried about my own farm. I am sending some livestock away next week. I do not think I have a problem, but I have about 15 SEC poles on the property and I guess I will know by the end of next week whether I have a problem or not.

The farmers do not know, and they cannot know unless something is done to enable, firstly, soil testing on the properties, and secondly, live sampling of the livestock before they go to the abattoir. It is a very expensive process but if we do not get on top of it, it will be a dashed sight more expensive for Western Australia. The beef industry is a multi-million dollar industry for the south west. It was showing every sign of being a very valuable industry, the farmers were coming into reasonably good times, and suddenly this has put a big black cloud over the industry.

The other problem relates to the people whose properties are in quarantine. What do they do? An example was drawn to my attention of a potato grower who had 2 000 crossbred lambs ready for market. Their value today would probably be -- I will ask Hon Jim Brown.

Hon J.M. Brown: About \$24.

Hon C.J. BELL: Between \$25 and \$30 was the figure I was given, so Hon Jim Brown obviously does not disagree with me that that is a fair value.

Hon J.M. Brown: I said \$24.

Hon C.J. BELL: That is pretty close. When that grower went to nominate the lambs to the Lamb Board, the board said, "Your property is at risk." A major part of the property was used for cropping potatoes over the years. There the farmer was with 2 000 lambs valued at \$50 000.

Hon J.M. Brown: When I said \$24, I was speaking as a buyer.

Hon C.J. BELL: That is right. His likely alternative, however, is to sell the lambs as store lambs. That would mean selling them to someone who would put them on green property for a year. As store lambs, I would not expect them to get a price in excess of \$10 a head. Thus \$15 a head is lost -- \$30 000 from that farmer's income for the year is lost. Very few farms could suffer a \$30 000 loss of income on a continuing basis. That farmer will be in the same cart next year as this year and many farmers in a similar situation would run very quickly into bankruptcy. Fortunately that individual is an honourable man who would not do anything to place other producers in jeopardy. However, other producers may be in more dire circumstances and may seek to do something which would not be in the interests of the industry.

There must be a mechanism available for those farmers who are placed in this very serious position to make sure that they are not bankrupted. If the Government makes them carry the total cost alone, there will be a minority who will seek to circumvent the system, to break it down and place at risk the whole industry. There are two messages of which I would like the Government to take heed: Firstly, the Government should not ignore the needs of those who are placed in a very difficult situation by the residue problem; secondly, for goodness sake, the Government should not restrict aid to \$600 000. If it costs \$2 million, it would still be cheap. It has been suggested that more vets are required to take on-farm samples from live animals. Let us do it; the situation is desperate. If we do not, we will place the entire industry in jeopardy. This is a matter of vital importance to the south west.

I support the Budget.

Debate adjourned, on motion by Hon Neil Oliver.

## ELECTORAL (PROCEDURES) AMENDMENT BILL

### *In Committee*

Resumed from 20 October. The Deputy Chairman of Committees (Hon John Williams) in the Chair; Hon J.M. Berinson (Leader of the House) in charge of the Bill.

Clause 80: Schedule 3 substituted --

Progress was reported on the clause after the following amendment had been moved --

Page 40 -- To delete the form of ballot paper included in proposed Form A and substitute the following --

*[See appendix A, p.4824.]*

Hon G.E. MASTERS: We are considering the Government's proposal to amend schedule 3 of the Act, which was previously approved after lengthy debate in the Legislative Council when dealing with electoral changes some months ago. My understanding is that clause 80 is to be amended by the Leader of the House in the form presented in the amendments listed. What exactly are we dealing with? Are we just dealing with the amendments to the schedule?

The DEPUTY CHAIRMAN (Hon John Williams): Clause 80 proposes to delete schedule 3 from the Act and substitute another schedule.

Hon G.E. MASTERS: We are considering the amendments to the Bill on the Notice Paper. Yesterday I expressed concern about any change to the provisions contained in the Act as it now stands. I made my reasons clear but, on the suggestion of the National Party Whip, the debate on clause 80 was adjourned. The Minister kindly made available to both Opposition parties Mr Graham Hawkes to explain the Government's position and the reason a vertical ballot paper is preferable to a horizontal ballot paper. We were given examples and although I have some reservations about the proposed changes, I am inclined to say that under certain arrangements -- and there will need to be some changes made to the Government's proposals -- I would be prepared to accept a vertical ballot paper. Yesterday I referred to the way people were able to record their vote in the voting ticket square. In other words, we know that the parties who are involved in an election will be able to register a how-to-vote card and the people may vote accordingly. This was opposed in the earlier debate but it is now a fact of life that this Parliament has approved the registered how-to-vote card for both the Legislative Council and the Legislative Assembly. Bearing that in mind, I ask the Leader of the House: How would one record one's vote in the area of the voting card squares?

I understood, as I think members of the National Party and most other members understood, that if a voter decided to record a vote by placing a "1" in the square rather than allocate his preferences according to the practice in the past his vote would be valid. The Leader of the House has advised that if a voter placed a "1" in the Labor Party's square, a "2" in the National Party's square, a "3" in the Liberal Party's square, and a "4" in the Australian Democrats' square, his vote would be valid, because the returning officer would simply ignore the "2", "3", and "4".

I have always assumed that the amendment of the Leader of the House only allows a voter to place a number in the square for the party for which he wishes to vote. However, I have been assured that that is not the case and that has been confirmed by the adviser on this legislation. Apparently a voter can fill in all the squares. I do not consider that to be an appropriate way to vote and do not believe it should be permitted under any circumstance. Surely voters understand the options available to them in recording their vote as set out on the how-to-vote cards. I will therefore move a suitable amendment at the appropriate stage.

Hon E.J. CHARLTON: I agree with the comments made by the Leader of the Opposition. Obviously we have to be tolerant and understanding of people's intentions if we are to debate this matter in a reasonable way. We have to understand how the percentage of people who have difficulty in following the layout of the ballot paper will fill in that ballot paper. They will have the option of voting for the party on one side of the ticket or of placing a number in every square on the other side of the ticket to indicate their preferences.

I wonder how far we have to go to give people the opportunity to cast a valid vote. Do we assume that a voter who places a "1" in a square on the right-hand side of the ballot paper signifies the voter's intention, but if he then goes on to place a "2", a "3", and a "4" in other squares, that he does not and therefore, that vote is invalid? We have to make a judgment about the intentions of a voter who places a "1" in one square or who fills in subsequent squares and decide which of those votes is valid. I think that some voters, because they place further numbers beside other parties, intend to vote that way, otherwise why would they fill in the extra squares? Who are we to say that the electoral officials should consider only where the "1" was placed and ignore everything else?

A voter who goes to the right-hand side of the ballot paper and places numbers in the squares

according to his preferences is voting correctly and that vote takes precedence because it is correct. However, a voter who places a number in every square on the left-hand side of the voting ticket is voting incorrectly and the electoral official would accept only the vote for the party beside which the voter placed his "1". I cannot understand why, if every square were filled in on the left-hand side, that vote would not be valid. Emphasis should be put on the layout of the proposed ballot paper. The ballot paper should be as specific as possible; it should be precise, bold and positive to encourage the elector to fill in the squares correctly.

Hon D.J. WORDSWORTH: I am glad the Leader of the Opposition and Hon. E.J. Charlton have raised this point. I endeavoured to point this out halfway through debate last night but the Leader of the House did not answer the question at all.

Hon J.M. BERINSON: Of course I answered the question last night but I am perfectly happy to answer it again. In the first place, I believe Mr Masters has accurately represented the position, namely that where an elector puts more than the number "1" on the ticket side of the ballot paper the "1" would take effect and anything else on that side would be disregarded.

Mr Charlton very fairly, I think, indicated an ability that all of us might have to argue one way or the other as to whether that provision of the Bill should be adopted. Members will already know that that is the position under the Commonwealth Act and that the Government has specifically said at various times that it has been our intention so far as possible to follow the Commonwealth practice in the interests of securing uniformity. There are some very major differences between Commonwealth and State provisions which will arise from our own Bill, and I acknowledge that at once. In particular I refer to the fact that we are looking to a different system in the Assembly voting pattern from that which applies in the House of Representatives. I can only say in that respect I believe the Commonwealth will certainly have to move in our direction rather than leave a position where in the interests of uniformity we should move to theirs. The reasons for that have been well canvassed and depend on the extent of the informal votes which are encouraged by the confusion of having two different voting systems in the one election.

I come back to Mr Charlton's comment that the argument could go either way on this subject. I want to seriously put to him that, accepting that proposition, the decision has to be made as to where the balance should fall. I believe that it should come down on the side of the basic principle which has been pursued throughout this Bill and which the House on the whole has agreed to support. The basic principle in relevant areas has been to minimise informal votes, which is to say maximise the effectiveness of votes by all electors. We cannot of course do that at all costs; we cannot do it where the position would arise that a vote is counted as formal where the intention of the elector was absolutely obscure; it cannot be adopted in a number of other circumstances.

In respect of ticket voting, however, I put the view to the Chamber that we have a quite different set of considerations from those that apply in the exhaustive preferential system. Under the exhaustive preferential system, as a matter of definition any paper in which any squares have not been filled in must be informal -- that is not strictly accurate but members will know the exceptions to that, and fully understand the general application of applicable rules. In general the exhaustive preferential system demands that every square be filled in because it is the objective of that system to ensure a vote should continue to have some value as the various higher preferences of the voter are set aside. In the end, until we reach the point that a candidate has a majority of votes, every elector's vote continues to have some weight. To avoid that situation -- namely the situation requiring a number for every square -- would require us to move away from exhaustive preferential voting. We could go to first-past-the-post voting; we could perhaps go to optional preferential voting; but we have not gone along either of those paths. We have so far stayed with a full exhaustive preferential system and in those circumstances it is simply inconsistent with the objective of that system to accept as valid any vote in which all squares have not been filled.

When we come to ticket voting the position is entirely different because in this case the placing of a number "1" against a particular name automatically gives rise to a process which totally exhausts the value of the vote. Once the number "1" is put against a particular name on the ticket side, the ticket operates to carry a preference right through to its exhaustion; so whether we have as well as a number 1, a 2, 3, 4, or 25, it makes no difference. There is no value in the vote left on which those other numbers could function.

Hon G.E. Masters: The Leader of the House must admit there was a tentative value, otherwise people would not have done it.

Hon J.M. BERINSON: There is an assumption in what Hon Gordon Masters says that the presence of those additional numbers would mean that the voter intended something to happen. The assumption which is to be adopted before that one is the fact that the placing of a vote on the ticket side of the ballot paper indicates another intention, namely the intention that the registered ticket should apply.

Hon D.J. Wordsworth: All by people who cannot even sign their name and put crosses.

Hon J.M. BERINSON: That is not so at all. The member does not know that; he has absolutely no basis for saying something like that. In the last Senate election, 88 per cent of voters cast their votes on the ticket side of the paper. It would be ludicrous to suggest that that is an indication of illiteracy or disinterest; it is an indication of an acceptance by the electorate that this is a preferable way to go. In fact putting all of that aside, it is a system which a growing number of electors prefer as they get to know the system better. I have no doubt that, as we move to the third, fourth and further Federal Senate elections, that 88 per cent will increase. That will not indicate a higher level of illiteracy; it will indicate a higher level of satisfaction with the system..

I believe the State electoral system can piggyback very well onto that developed process of acceptance by the electorate that ticket voting enables them to set out accurately their preferences in a way which is not only simpler but also has far less potential for error and informal votes.

It has been a characteristic of the last couple of Commonwealth elections that the Commonwealth Electoral Office has recognised the need for education campaigns in what is after all a strikingly new electoral system. I have no doubt that the State's Electoral Commissioner would also recognise the importance as we move into the early elections on the new basis and do the same thing.

I do not think we should look for extra reasons to assert the informality of votes. To a large extent that would be inconsistent with nearly everything that has been said and decided on this Bill so far. So even acknowledging the possibility of what Mr Masters and Mr Charlton have advanced, I want to urge on the Committee the view that the balance of benefits here from the point of view of the voting public must be in favour of retaining uniformity with the Commonwealth standards, and that will involve accepting that once an appropriate symbol is placed on the ticket side of the ballot paper, any other marks should be disregarded.

Hon G.E. MASTERS: When it suits the Leader of the House he continually makes reference to uniformity with the Commonwealth. At the moment we have very close uniformity with the Commonwealth under the present Act. That is in the form of the ballot paper and the way in which the Legislative Assembly is elected. We have already moved away from the Commonwealth practice by making changes to the voting methods undertaken in the Legislative Assembly. It is important to understand just what the new ballot paper will do.

The public generally have been accustomed to the practice of filling in all the squares 1, 2, 3 and 4 down the ballot paper. If we look at the Government's new proposal, that is exactly what people will continue to do unless words are written on the ballot paper to direct us otherwise. Do not tell me that people are unable to read the words, "vote only in this way", and then read a few words underneath. They are bound to do that to understand what they are about, and those words can be very simply and easily understood.

I move an amendment --

To amend the instructions to voters in Forms A and D of the ballot paper by --

- (a) inserting as a heading to the box on the left side the words "Voting Ticket"
- (b) deleting the instructions on the left side and substituting "Fill in one square only by placing the number 1 in the square against the voting ticket you choose."
- (c) inserting as a heading to the box on the right side the words "Preference Voting"

- (d) inserting before "place the numbers" the words "Fill in all squares".

To use the words of the Leader of the House, we cannot have it both ways. We are proposing two different methods of recording a vote. One is to follow a party voting ticket. If we follow the voting ticket of our party we are entitled to place "1" in the appropriate square on the ballot paper. If we want to record our choice by way of preference, we fill in the other side. The ballot paper is clear enough for anyone to understand.

The DEPUTY CHAIRMAN (Hon John Williams): To clarify the position for the Committee, are all the words in the instruction box to be deleted and the words in the amendment substituted?

Hon G.E. MASTERS: Yes.

*Sitting suspended from 4.48 to 5.00 pm*

[Questions taken.]

*Sitting suspended from 5.03 to 5.14 pm*

Amendment, by leave, withdrawn.

Hon G.E. MASTERS: I move an amendment --

To amend the instructions to voters in Forms A and D of the ballot paper by --

- (a) inserting as a heading within the box on the left side the words "Fill in one square only"
- (b) deleting the instructions on the left side and substituting "Place the number 1 in one of these squares to show the voting ticket you choose. (d) [Form A]; (c) [Form D]"
- (c) inserting as a heading within the box on the right side the words "Fill in all squares".

These words are alterations to the ballot paper agreed to by the Leader of the House and Hon Eric Charlton. I propose that should be the format for the ballot paper in both Form A and Form D. I emphasise that the words "Fill in one square only" should be either larger or darker letters to emphasise the importance of that aspect of the directions on the ballot paper.

Hon J.M. Berinson: And that the words "One square only" should be underlined.

Hon G.E. MASTERS: All right. "One square only" should be underlined. I am quite happy about that. On the right-hand side of the ballot paper, in Forms A and D, in the square box the words "Fill in all squares" should be larger or darker letters underlined.

Hon J.M. Berinson: "All squares" underlined.

Hon G.E. MASTERS: Hang on, I ask the Leader of the House who is responsible for outlining this amendment -- him or me?

Hon J.M. Berinson: You are, but I am just reminding you.

Hon G.E. MASTERS: These words should appear in the box: "Fill in all squares. Place the numbers 1 to (e) in the squares to show the order of your preference for the candidates." That is my understanding of the proposed changes. I understand that the Leader of the House will support these changes as will Hon Eric Charlton. It may be that the Leader of the House wishes to raise another matter concerning the right-hand column. I did not quite pick up his comment and perhaps he would like to make his own remarks.

#### Amendments put and passed.

The clause was further amended, on motion by Hon J.M. Berinson, as follows --

Page 41 -- To delete lines 3 and 4 of note (d) and substitute the following --

"Place the number 1 in the square below to choose the voting ticket of the candidate."

Page 41 -- To delete "ELECTORAL ACT 1907".

Page 41 -- To delete "opposite the candidates in the order of your preference" and substitute the following --

to show the order of your preference for the candidates

Page 42 -- To delete "ELECTORAL ACT 1907"

Pages 43 and 44 -- To delete the form of ballot paper included in proposed Form D and substitute the following --

*[See appendix B, p. 4825.]*

Page 44 -- To delete lines 3 and 4 of note (c) and substitute the following --

"Place the number 1 in the square below to choose the voting ticket of the candidate or group."

Page 45 -- To delete "ELECTORAL ACT 1907".

Page 45 -- To delete "opposite the candidates in the order of your preference" and substitute the following --

to show the order of your preference for the candidates

Clause, as amended, put and passed.

Clause 81 put and passed.

Postponed clause 74: Section 191A inserted --

Hon J.M. BERINSON: As members know, last night I asked to have the clause deferred as I wanted some parts of its terminology checked. It now appears that there is no problem with it and I can do no more than to thank Hon Eric Charlton for his support.

Hon G.E. MASTERS: I know that this clause was debated at some length last night. I think it was Hon Sandy Lewis who made a comment regarding section 191A(1) of the Act. I can still see considerable difficulties arising as a result of the interpretation of this part of the clause. I fail to understand the Government's reason for bringing forward this provision.

Hon Eric Charlton said that the Government's reason for this provision may be that it would prevent some things happening in an election which have happened in the past and which he and other members did not like. I wonder how far we go. I point out again, as my colleague did last night, that during the election campaign prior to the Labor Party's gaining power for the first time we saw in the newspaper a large number of promises made to the electors in an endeavour to gain their vote. The advertisements referred to lower taxes, lower Government charges, lower fuel tax and a promise that the fuel tax would not rise while the Labor Party was in power. As it happens, those promises were broken in the first few weeks that party was in Government. The Premier made so many promises in an endeavour to gain votes, yet he broke those promises. I think Hon Sandy Lewis said that he made so many promises which he broke that he should have ended up in gaol. I do not suggest that the Bill should contain provisions to send people to gaol, but substantial fines could be imposed. I wonder where these things start and where they finish.

It could be easy for a candidate or a party to suffer at the hands of another candidate or party who was prepared to make rash promises to persuade electors to vote for him. It will be very simple to use this clause to some advantage. The door is wide open and it would be better if this clause were not included in the legislation.

Having made my comment, time will tell how people will use this clause. I suggest that it will have no effect, but it will give parties the opportunity to attempt to embarrass other parties.

Hon D.J. WORDSWORTH: Perhaps the Minister could explain the intention of this clause so it is properly understood.

Hon J.M. BERINSON: By clause 74 the offence of misleading or deceptive publications in the election period and material likely to mislead electors in the casting of their vote or which are likely to induce an elector to mark the ballot paper wrongly, is to be punishable by substantial fines. Proposed section 191A(2) is more precise than subsection (1) and it refers to the actual ballot paper and directions on it. The penalties provided by section 191A(3) remain severe.

Proposed section 191A(4) provides that an intentional deception is an offence. I should point out that provisions similar to section 329 of the present Commonwealth Act have been a part of the Commonwealth electoral system since 1918. They are substantially to the same effect



as the measures proposed by clause 74 and have not caused any undue number of disputes. On the contrary, there have been very few occasions on which there has been recourse to that Commonwealth provision. In 1980, on the narrow interpretation of the Act, the Australian Electoral Office successfully prosecuted a party in Queensland which was found to have deceived electors about the casting of their Senate vote by imitating the design of another party's how-to-vote card.

In the case of *Evans v. Crichton-Browne* very similar words of the pre-Commonwealth Electoral Act were the basis of a challenge. Evans said that Crichton-Browne's advertisements about, "A vote for Democrats as a vote for Labor", were misleading. The court did not take that view, preferring a narrow interpretation hinging on the words, "casting of his or her vote", to mean the actual marking of the ballot paper. Members will observe that there is similar terminology in this clause. Following this case, section 329 of the Commonwealth Electoral Act was reviewed. An attempt to legislate for honesty in election advertising was repealed with the removal in 1984 of section 329(2) when the Commonwealth Parliament amended section 329 to remove a subsection which did not tie the offence to the casting of a vote. In 1987 in Western Australia an elector failed in an attempt to maintain that an advertisement about how to mark the ballot paper was deceptive.

The long and short of that outline is to indicate the restrictive approach which the courts have taken to similar provisions.

Hon G.E. MASTERS: If a group of people were to advertise publicly advocating electors not to vote at all, would that be breaking the law and would they be liable to prosecution? There have been cases where people, for one reason or another, have said, "Do not vote." I do not recall that happening in this State, but it could happen in the future.

Hon J.M. BERINSON: It is difficult to deal hypothetically with these cases, because much would depend on precisely what was said. I should have thought that an advertisement which said, "Do not vote", might or might not be a breach of one or other of the many sections of this Act.

Hon G.E. Masters: I am not sure if that answers my question.

Several members interjected.

Hon J.M. BERINSON: But, I do not see that that could be caught by proposed section 191A, which deals with efforts to mislead or deceive an elector. I would have thought, whatever else was being done by such an advertisement urging people not to vote, it would not be misleading.

Hon G.E. Masters: Would you not say it was misleading?

Hon J.M. BERINSON: No. I would have thought there was no misleading of the elector. There is a very clear call to the elector. It is an undesirable one, and it may be caught by some other provision in the Act, but it could hardly be said that a clear statement like that was misleading.

Hon W.N. STRETCH: May I prevail on the legal knowledge of the Leader of the House now? Who instigates or can instigate complaints in relation to this clause? Is it the candidate, the commissioner or the party? In what sort of court would such an appeal be heard? Is there an opening here for mischievous litigation which might open up all sorts of wasteful and highly expensive procedures such as those we see developing now with the bad habit of issuing writs against people for normal political process?

Hon J.M. BERINSON: This proposed section reads to me as requiring a charge of an offence to be laid, and the normal prosecutor one would look to in this situation would be the Electoral Commissioner. That might be by way of complaint to him or on his own initiative. I do not want to be too definite in that, because there is a capacity in a whole range of offences for a private prosecution to be launched. I would not want to suggest that the ability to initiate actions would be as restrictive as that. It is, however, on the face of it, clear that we are dealing here with prosecutions and not civil actions.

Hon W.N. STRETCH: I am informed but by no means enlightened. When we bring in provisions like this, we must know where we are going in the long term. The commissioner is covered, but what about the unwitting candidate? We should spell out where we will end up in situations of this sort. It is not good enough to pass this provision in this Chamber

believing it is a fairly simple safeguard, and yet it turns out to be a prohibitively expensive one. This will work against the smaller parties, and even Independents.

Hon J.M. BERINSON: The Act has a whole range of offences, and as this question has not been raised before I have not turned my mind to it previously. I have, however, indicated that in similar circumstances there have been at least three cases. In one the action was taken by the Australian Electoral Office; in two others it was taken by aggrieved candidates. I believe that I would be on safe ground in saying that there would be a similar capacity in at least that group of parties to take action under this provision. I should be happy between today and the further processing of this Bill, which cannot proceed until tomorrow, to obtain further advice and advise the member at that time.

Clause put and passed.

New clause 61 --

Hon J.M. BERINSON: I move --

To insert after clause 60 the following new clause --

#### Section 139 amended

61. Section 139 of the principal Act is amended in paragraph (e) by deleting "or, in the case of a postal ballot paper, absent ballot paper or a ballot paper issued pursuant to section 122A, the name" and substituting the following --

, or the surname

Hon G.E. MASTERS: Would the Leader of the House please explain the purpose of this new clause?

Hon J.M. BERINSON: As a result of the provision in clause 27, candidates may have some choice about using Christian or given names on ballot papers. This amendment is to ensure a minimum requirement of categories of ballot papers which will include surnames of candidates. The present wording does not include the ballot paper for ordinary votes.

New clause put and passed.

Title put and passed.

Bill reported, with amendments.

### ACTS AMENDMENT (BUILDING SOCIETIES AND CREDIT UNIONS) BILL

#### *Second Reading*

Debate resumed from 13 October.

HON MAX EVANS (Metropolitan) [5.40 pm]: I have been waiting for some time for this legislation, which affects the Building Societies Act 1976 and the Credit Unions Act 1979, to come before the House. Although I have been waiting for it we were told in May and then in August it would be coming, and we did not expect it to be rushed through quite so quickly.

I will address my remarks to the credit unions section of the Bill -- and I note the sheer number of the amendments; 117 pages of them -- and another member will address his remarks to the section relating to building societies.

I want to make a specific comment to members opposite about the credit unions with which they are involved. This legislation proposes to tighten up the control of those credit unions, but members should ensure that it does not take away all the control of the cooperative bodies that have been set up to create financial societies and so on. The original legislation allowed a credit union to be run by the members, for the members, and to make available loans to members. I ask members opposite to discuss this legislation with their own credit unions to see what they think about it, because there has been very little time for the industry to look at the legislation.

Yesterday Hon Neil Oliver was taken to task for requesting a copy of the working party paper from the Leader of the House. The comment was made that it was not the responsibility of the Leader of the House, and I thank him for making that working party paper available to us today. He made it available at 2.27 pm, three minutes before the sitting

began. Due to changes in the order of business some time was available for me to look at that 95-page document of the working party set up in October last year.

Surely this legislation is so important, because of the problems with the Teachers Credit Society and the Swan Building Society, that we should not be given information at the last minute. But that is what happened and that makes it very difficult for us to handle this Bill and to give it the time and interest it deserves to make certain we get good legislation. As I have said, there are 117 pages of amendments to the Bill. As if that were not enough, we now have another eight pages of typed amendments to amend the amendments.

Hon J.N. Caldwell: We should start again.

Hon MAX EVANS: That is right.

Hon J.M. Berinson: But you know there is a very limited range of subject matter there, and it is in response, in the main, to submissions that have been made by the industry.

Hon MAX EVANS: I am glad the Leader of the House has mentioned that, because I do realise that it is not his Bill. That also has been of interest. Why did not the Treasurer, whose department handles credit unions and building societies, bring it forward? Why was it brought to this House? I give the Leader of the House credit by saying he is probably far better at handling these Bills than is the Treasurer, but I am not certain why the Treasurer gave him the job of bringing this Bill forward. Did the Treasurer want to avoid further criticism? He has been responsible for this department since 24 October last year. Before that the Minister for Housing was responsible.

Once again we have a situation where, before a Bill is even up and running in this House, amendments are proposed to it. Those amendments were placed on the Table of the House for the information of members well into the afternoon. It was only because of a little reshuffling of the order of business today that we actually had them and that I had time to look at them before I spoke, otherwise there would have been no time.

If there had been far more consultation with the industry on this matter, many of these things could have been clarified. There was a rush on this legislation. We understand that when the Bill came into this House last Tuesday a meeting was held between the building society and credit union representatives to advise them of the Bill. The credit unions had found out beforehand -- they had telephoned to find out about the meeting. Was it another takeover or another collapse? They had no idea. When the building society representatives arrived at the meeting -- and I know this has nothing to do with the Leader of the House's responsibility -- they were told new legislation was coming into the House that day.

Is that the way to treat industry groups -- to bring in legislation without even referring it to those industry groups which have, I understand, given the Leader of the House a great deal of cooperation on the working party? They knew nothing about the legislation. In fact, the credit unions understood they had until last Friday -- three days later, as the meeting was on the Tuesday -- to make comments on a draft of the working party paper. I am not sure what papers they had been given. I think it was some notes, or "one-liners" as they put it, on what would be in the legislation.

So I say to members opposite who are vitally concerned with credit unions that they should find out how their credit unions stand. Why did they not consult properly with those credit unions on the draft legislation? I see that once again the Leader of the House is embarrassed. I give him credit -- he does not want to amend his own legislation, but he has done so. It must be embarrassing for him. We have been told before that legislation has been put on the Table for members to put up amendments. I understand from talking to people that in previous years it has been normally accepted that a Minister expects and hopes his legislation will not be amended because he has sought the comments of industry, the professions, and all other bodies. But this legislation has been amended and there will be further amendments to it.

Hon J.M. Berinson: Could I just say in my own defence that we have been very genuinely flexible in our approach to public submissions, and that contrasts very much with what previous Governments from your side did. I do not see it as a criticism that we should be prepared not only to receive submissions but also to act on them.

Hon MAX EVANS: I just take it as I see it. These problems have arisen because many of

the amendments have been required to be brought in due to lack of consultation, especially in this case where there has been limited time to discuss the legislation with industry groups. The credit unions relied on assistance from the Australian Federation of Credit Unions Ltd to look at the legislation. They had been looking at discussing the working party paper for some time, but they had only very little time. They flew experts from the Eastern States last Friday night to work on it over the weekend. The first opportunity they had to meet with the Treasury Department's policy committee to discuss this was on Monday afternoon. They met with Mr Kevin Edwards, and I am not sure who else, to discuss it. They typed out numerous amendments they thought were necessary from their experience in other States to try to get a degree of uniformity in the credit union legislation around Australia, especially in respect of the reserves of funds to be held and the administration of those funds.

I met with them on Monday evening after they had met with the department. This legislation was introduced last Tuesday, and it was only on Thursday afternoon that we were able to get extra copies of the Bill. Only 100 copies came to this House. Hon Neil Oliver and I had to wait for extra copies to give out to industry groups. The credit union representatives met with representatives of the Treasurer on Monday afternoon, and in the evening I met with them for some three hours to discuss the problems as they saw them in respect of credit unions in Western Australia. Credit unions in the other States are amazed by events in this State in respect of the Teachers Credit Society. I understand the parties notified the registrar over a period of time of their concern at the expansion and growth rate of the Teachers Credit Society without control. They were worried about the impact on credit unions throughout Australia. I know the Minister and the Government are also very worried.

The Teachers Credit Society of Western Australia was far bigger than any other credit union in this country. The next largest is the Teachers Credit Society of New South Wales, with total assets in 1984 of \$145 million, and the WA Teachers Credit Society assets were \$360 million at that stage. In 1987 the WA Teachers Credit Society assets were around \$550 million. The audited accounts have still not come to hand. The Teachers Credit Society of New South Wales held assets of \$250 million in 1987. A comparison of the populations of each State will give members an idea of the magnitude of the size and the problem. On 18 or 19 August the problem was announced, and since then they have been talking about legislation coming forth. I can see legislation improving some part of the administration of credit unions but on going through the working party's report, which I will quote from, we find mechanisms exist in the previous legislation which could have been applied.

Representatives of the local credit unions had hoped to meet with representatives of the Department of the Premier and Cabinet on Tuesday morning to find out if recommended amendments would be accepted. Late that morning the amendments were rejected. I had discussions with them yesterday afternoon about the amendments which had been put up in an explanatory form. The Minister should have seen these. The thinking of the group was that like some other legislation, this legislation has been rushed through without adequate consultation.

We have a problem in this House if we are to bring up major legislation within seven days. With some legislation this would be a simple matter, but with legislation of this magnitude more time is needed considering the number of amendments. The group is of the opinion that the Government has its mind fixed firmly on getting the legislation through this week. The Opposition is not against all the amendments; we are commenting on them.

I return to the draft working party report, consisting of some 95 pages, which was handed to me at 2.27 pm. We find that the working party was announced in October 1986, and this ties up with the fact that the responsibility of the registrar of financial institutions was transferred from the Minister for Housing to the Treasurer on 24 October 1986, and put through in the *Public Service Notices* on 10 December 1986; so we now have a relationship back to that date in October.

The document reads --

The Terms of Reference required the Working Party to investigate, in the context of possible structural changes to and new activities of these institutions the appropriateness of the existing legislation including prudential requirements.

For the benefit of members, the words "prudential requirements" mean the liquidity and statutory reserves to be achieved by good financial management to keep the business liquid.

Further on the document reads --

These previously sheltered gaps in the market that fostered the growth of particular institutions, permanent building societies and credit unions for instance, are now the areas of strong competition.

And we will find out why. Further on it states --

Through amalgamations, transfers, and exits from the industry, the number of permanent building societies has declined and credit union numbers have fallen . . .

And the Perth Building Society has been transferred to a bank. Further on it states --

Western Australia's permanent building societies and credit unions have held a larger portion of their local financial sector than their counterparts have in other States. Many factors will influence their ability to maintain a presence in the market; the establishment of the Working Party signifies the Government's concern to ensure legislation governing the commercial and prudential operations of permanent building societies and credit unions is relevant to the present environment . . .

This is particularly influenced by the Teachers Credit Society and the sheer size of its funds in comparison with credit unions in other States, and the money it has taken out of the markets here in competition with other unions, building societies, and probably even banks from time to time. The document refers to the terms of reference as follows --

- a) examine and report on the appropriateness of existing legislation for building societies and credit unions;
  - i) in the event that such financial intermediaries propose to undertake structural change or new activities, including: conversion to a bank; merging; be subject to takeover; issue fixed capital, or establish subsidiaries, giving due regard to procedures and the rights and treatment of shareholders and depositors in respect to the distribution of, and claims on assets and liabilities;
  - ii) giving due regard to: the scope of their activities; the impact of deregulation, including interstate expansion of permanent building societies and credit unions; liquidity and prudential requirements; the need for legislative distinctions between permanent building societies and credit unions.
- b) To report on any other aspect of legislation for permanent building societies and credit unions which the working party believes appropriate.

Mr President, it is amazing that this working party was set up in October 1986 and yet there is not one word of reference to the problems of the Teachers Credit Society at that time. The members of the business community cannot believe that the Government did not know of the problems. Subject to a Select Committee being formed, I know that I will receive comments from businessmen and bankers around town to confirm the fact that the Government was aware of the problem. The credit union association knew of the problems; everybody knew, and yet we see no mention in the working party report.

If the problems of the past are to be rectified, they must be analysed to see what went wrong. However, I see no specific reference to the problems in this document. The problems were of such magnitude that they could not be ignored, and should not be ignored by the registrar or by the Minister. I will have evidence to prove that they knew about it and did nothing.

Returning to the document, it states --

On 11 May 1987 the Government announced certain decisions in relation to permanent building societies . . .

Mr Bryce said the enhancement of prudential requirements would allow societies to undertake a broader range of activities and to continue the benefits they have provided in the past for the people and economy of Western Australian.

The association was asked to participate, and at the end they were not given the opportunity

to look at the legislation before it came to this House. Mr Bryce said further that they were opposed to any takeovers resulting in the concentration of ownership and control of societies by a single person or company -- that was on 11 May. Prior to that date they did not want to see any concentration of ownership and control of societies by a single person or company. Now we have the Home Building Society controlling the Swan Building Society, and the R & I Bank as the administrator of the Teachers Credit Society.

*Sitting suspended from 6.00 to 7.30 pm*

Hon MAX EVANS: Mr Bryce commented that the Government supported further rationalisation of the building societies and credit unions but opposed any takeover resulting in the concentration of ownership and control of societies by a single person or company. That statement was made in May this year, and already two major mergers have taken place: The R & I Bank is administering the Teachers Credit Society, and Home Building Society has merged with Swan Building Society. I have not had time to work out how those mergers have been carried out and whether the assets and liabilities have been transferred across or they have been merged as a subsidiary. I would be interested in hearing from the Leader of the House on that point at some later stage.

With regard to the R & I Bank administering the Teachers Credit Society, not much has happened since my speech some time ago in which I moved for the setting up of a Select Committee to inquire into this matter. I had hoped that by now we would know more about how this would be achieved. I would have thought one of the prime objectives of this legislation was related to that matter. However, I cannot clearly see what tools will be used. I can assume that certain things will happen. I have spoken to the Leader of the House, who told me the Government is still looking at this whole question. The Rural and Industries Bank of Western Australia Bill has been introduced, and we shall be given a briefing on that legislation by Mr Boylen on Thursday. I am not sure whether this has anything to do with this problem.

Hon J.M. Berinson: No.

Hon MAX EVANS: It could be that one wants to ask questions based on assumptions, asking how certain arrangements are made. We do not know what is happening. I am not sure whether the R & I Bank would want to merge with this structure with such a small capital base which has been eliminated by all the losses. In addition to taking over the assets, one must also take on the liabilities; and certain assets are converted to losses, and are no longer assets. This is a big problem.

We have not been advised either through the Press or from anywhere else -- and I know representatives of the credit unions have asked the Treasurer's representative -- how the Government will finance this. Will it be by Treasurer's advance, an appropriation Bill or by a Governor's message? What is even more important, shall we ever be told when it is done and how much it will cost? The Government will probably say that it does not matter much at this stage. However, it will matter because these losses will be funded by the R & I Bank increasing the overdraft of the Teachers Credit Society. They are relying on repayments, collection of debts, and payment of interest to balance the books. If those funds are not received and there are withdrawals of the funds, etc, the R & I Bank will have to fund the society for the time being. I understand the real losses will be funded by the Government.

Reference has been made to the R & I Bank being given a "political Press indemnity" by the Treasurer. I hope that by now the bank has received a written indemnity. In the first couple of weeks when this matter arose, the bank knew it would be indemnified by the Government but not the nature or size of the indemnity or how it would come about. The Leader of the House must realise that this will make a big hole in the Budget and it will be necessary to rearrange some aspects of the State's financial management to pick up this loss.

In August 1987 the Government announced that legislation would be introduced in the spring session of Parliament to allow the R & I Bank to take over the Teachers Credit Society. That statement is included in the working party report, referring to the Deputy Premier's comments, but we still do not know how it will come about. It is most important that something should happen. I believe the public of Western Australia has the right to know how it will be carried out and what it will cost taxpayers.

Paragraph 7.8 of the working party report noted that the arguments put by the credit union

movement had decided that any credit union wishing to move from the provisions of the Credit Unions Act should be permitted to adopt rules which allowed for voting based on ownership of non-withdrawable shares. That is included in the new legislation. Paragraph 7.9 states that the working party decided that the Credit Unions Act should provide for credit unions to seek registration under State legislation as financial societies. I know United Credit operates within the State of Victoria. If United Credit or any of these others became financial societies, would they be recognised under the Companies Code in Victoria as an operating business? That must be what they are; if they are financial societies here, they would be financial societies there. I hope the Leader of the House can advise us of the legal status of financial societies which are doing business in other States. He might also tell us how many credit unions in this State are also operating in other States.

The working party report also decided that the Credit Unions Act should be amended to incorporate a new part providing for the registration of these financial societies. Financial societies should be required to comply with all the provisions of the Credit Unions Act except the restrictions on one vote per member. Limits on control exercised by individual and associated members should be five per cent of eligible votes at any meeting of the financial society. The present provision is for one-man-one-vote, and now credit unions are looking at receiving more money into non-withdrawable capital, and they want some protection from that in respect of their voting.

Paragraph 7.13 of the working party report is very important. The Government said it did not want the credit unions to fall into the hands of one person or company. I quote --

7.13. It would be undesirable and inappropriate for the Government to guarantee depositors' funds, but both the permanent building society and credit union movements should provide protection to their depositors as the need arises on an ongoing basis.

This report is still in a draft stage; it has not even been signed by the Treasurer. The statement that it would be undesirable and inappropriate for the Government to guarantee depositors' funds is 100 per cent correct; but look where we are now, with the Government providing a guarantee in the form of a very large amount of money. As I have already said, I am not critical of what has happened now; my criticism is that over a number of years they could have stopped this happening.

As I said to the Leader of the House -- Hon "No Joe", who stops the Government from wasting money -- he is now going to be fettered by \$50 million or more from the Consolidated Revenue Fund to pick up the indemnity to the R and I Bank. The working party decided that there should be a provision in the amended legislation for reserve funds or deposit insurance funds to be activated. The precise form of the funds should be the subject of further consultation with industry representatives. The Bill mentions the reserve funds, but does not mention the administration of those funds. Procedures for the administration of those funds have been set up in the other States, and I would have thought procedures should also be in this legislation, but time probably caught up with the Leader of the House in bringing these forward.

The Treasury Department must give consideration to this matter. It is all very well to have an indemnity or reserve fund which is contributed to by members' funds, but this must be properly administered; it is not there just to pick up any shortfall. The tourism industry has such a fund, and I am not certain how the body which administers that fund checks the credibility of tourist companies which go broke, but tourist companies have to pay into this fund.

The working party report says that a reserve fund must be set up under a board which is independent from the registry office, and this board will check to see whether credit unions are complying with the rules of the Credit Unions Act. If we had had such an independent body to protect the funds of its members, it would have jumped up and down and said to the TCS, "You are breaking a lot of the rules. Your prudential requirements are being broken." However, that did not happen under the registrar. One of the reasons why I would like a Select Committee is because I want to know how much the Premier knew. Did he close his eyes to the situation? Did he hope the problem would go away? We have a real problem now.

I know that consideration has been given to the reserve fund. The reserve funds in most of the other States were set up when the financial climate was much stronger than it is now. We read over and over again in this legislation, and hear in the speeches, about the deregulated financial society and about tougher competition and that it is harder to make profits. It certainly is harder to make profits, and that is why these statutory reserves have not grown to what they should be because they can only grow out of profits.

We are now going to require credit unions to contribute to a reserve fund, and that contribution must come out of their cash resources. As I understand it from my advisers, the income earned from moneys in the reserve fund will accumulate for quite some time before a strong fund will be available to pick up any shortfall. However, having seen the figures of the national body's protection fund, even its funds would not be big enough to pick up the shortfall of the TCS because it was just too big.

The working party recommends also to --

Remove current controls on permanent building societies and credit union borrowing.

This is borrowings from their own members, not their lending. The report also recommends --

Borrowing by credit union directors only by special resolution of the board if the director is an employee of the credit union or special resolution of the credit union if the director is not an employee of the credit union.

The Bill explains further that if a full-time director wants a loan for other than his own residence, there must have be a special resolution of the society. I have not seen the definition of "special resolution", but normally the vote of a 75 per cent majority of members would be required. Some of these credit unions have 30 000, 40 000, or 50 000 members, and one can imagine going out to all of those members to get their approval for a non-residential loan.

The working party report also says that if a loan is made to a non full-time employee of the credit union, the approval must be by special resolution of the members. I think that would be an uneconomic proposal. We have read in the paper that certain employees have received these types of loans, so there is good reason for these amendments, because they are being brought in to control what has gone out of control.

However, I think these financial institutions are only doing what has been done in many other financial institutions, where one of the perks of office has been the ability to obtain loans at low interest rates, because often the financial institutions were not paying the high salaries which can be obtained in the city but were trying to retain their staff by making these funds available, and once the employees receive a low interest loan, they are unlikely to leave. So what these financial institutions have been doing is to follow the pattern of other financial institutions, but the provisions governing that will be tougher and tighter in the future, and I commend the Leader of the House for that.

The working party report then addressed itself to problems associated with loan limits --

The BSA limits to 2-1/2 per cent of the aggregate assets of the society the aggregate indebtedness or contingent indebtedness to a society of a person. The CUA permits the Registrar to give directions as to the maximum amount and term of secured and unsecured loans.

I wonder when I read this how TCS got out of control and how one or two of the other building societies got out of control, when the registrar is to give directions as to the maximum amount and term of secured and unsecured loans.

How did Teachers Credit give loans of \$30 million to A, to B, and to C, loans which we now find are not even fully secured? Yet the registrar did not give directions. What was he doing? What were his inspectors doing? What was the Minister doing? What was being done when the assets of Teachers Credit were going up by \$100 million per annum? The registrar must have said, "Where is this money going out to and in what form is it going out?" It takes a lot of paper work to put out \$100 million in loans. If we go back to 1983 we must remember that the maximum loan allowable was \$50 000. The Teachers Credit equivalent in New South Wales has a maximum unsecured loan still of only \$15 000, yet



here we have this Teachers Credit putting out large sums of money as loans. The registrar should have been sending someone around, as the Reserve Bank would have done. When the Reserve Bank hears something is not going well at a bank it sends an inspector around to investigate. An inspector should have asked how these large loans could have been given out and what securities were involved.

Hon Mark Nevill: If we did that you would call it Government interference.

Hon MAX EVANS: But this is provided for in the Act, and it is there to protect the money of the member and the member's friends. Although it is in the Act nothing was done about it. The working party says here --

The Registrar should retain the authority to direct the terms and conditions on which financial accommodations may be approved or advanced.

That is good and I hope he does more with that authority in the future than he did in the past. The Reserve Bank would check out this sort of situation; it would have found out what was happening. In 1986 Teachers Credit auditors reported to the board that large loans had been made and that the paper work had not been completed until after the loans had been made. That is a very dangerous way to treat secured loans. The inspectors should have picked this up and discussed the reports with the auditors.

This is the recommendation on aggregate loans --

Aggregate loans to any one borrower should be limited to [10] per cent of acquired prime net worth.

That is the capital funds of the shareholders' funds and reserves on revaluation of assets. Ten per cent is in line with what the banks provide. Any bank that lends 10 per cent or more of its capital to any one person is required to notify the Reserve Bank. This all comes back to relativity. The capital of these credit unions is only made up of these "massive" \$10 shares. I still believe that the 10 per cent of total capital is too high to be lent by credit unions; it goes against the original concept of credit unions, which was not to go into commercial loans. Commercial loans require more expertise, and obviously this expertise was not available to Teachers Credit. As I have mentioned before, the State managers of most banks in WA have been very grateful to Teachers Credit in recent times because of the number of doubtful debts they have had taken off their books and absorbed by Teachers Credit. I have also mentioned that the rates of interest for making those loans were not very high.

I quote now recommendation 8.10 of the working party's report --

The CUA (Section 54(1)(2)) restricts credit union lending to natural persons who are members and reside within such district or within such class or persons specified in a special rule of a credit union.

These are the words of the working party, they are not my words. It refers to natural persons and we have not heard or read in the Press where \$34 million was lent to a natural person, Laurie Potter; we have read about the money being lent to his companies. I commented earlier on the rules of Teachers Credit which allowed certain people to become members, and this brought in lawyers, accountants, engineers, architects, and members of the horseracing and horse pacing fraternity. That was most interesting; these people would have come under the special rule. But they were natural persons. I believe that most of the commercial loans involving 10 per cent and more of capital go against the Act. The Fremantle Credit Union Ltd has offered loans of \$250 000, and I doubt that that would be to natural persons. The Act is quite clear, as I am told by the working party report.

I come back to my opening comments about the magnitude of this legislation. I accept its importance. We have not been advised what the time limit is to get this through the Parliament. I have said before that one of the reasons I entered Parliament was not that I needed a job but that, as a member of the Western Australian Chamber of Commerce and Industry, I had seen the problems involved in being handed legislation with the expectation of providing some worthwhile feedback in less than seven days. The legislation is handed to an interested party the day after it is introduced in the Parliament and then what may be major legislation is debated just seven days later. This makes it very hard to do credit to legislation.

The Opposition has limited copies of Bills, and we must send them to interested parties in order to obtain their opinions, remembering we deal with such important issues as trustee companies and trustee investments. It is difficult to do justice to important legislation. The Leader of the House has three advisers in the House tonight who will be feeding back information to him; there are three of them in case one cannot read his notes. I do not have anyone, yet the Opposition has to try to ensure that good legislation is passed. As a member of the chamber of commerce I can remember saying years ago that I was perturbed about the way legislation was rushed through. Since I have been in Parliament I have become even more worried when I see exactly what happens.

Section 7(b) refers to money from deposits from members, and we are to delete the word "member", which will mean that money can be taken from any member of the public. We have a legal opinion on the proposed amendment, and I quote as follows --

The proposed amendment to Section 7(b) of the principal Act would permit credit unions to receive money on deposit from persons who are not members. This amendment is so substantial as to be beyond the contemplation of the parties to the Formal Agreement, and therefore is an amendment requiring the consent of Ministerial Council before being introduced.

I can accept the argument for dropping the word "member" which would provide non-withdrawal deposits with fixed interests; but we need to look carefully at the ramifications of this. Sir Maurice Byers goes on to say --

The agreement bound each State and the Commonwealth to introduce the Code and associated legislation only to amend it as the agreement allowed.

The Acts Amendment (Building Societies and Credit Unions) Bill purports to amend the Companies Code (Western Australia), the code, and purports to introduce a new form of State incorporated body corporate and purports to permit credit unions as financial societies to raise equity via a new form of quasi marketable security and to invite the public at large to deposit moneys with them.

Clause 38 amends section 4 of the Credit Unions Act dealing with the definition of new bodies corporate called "financial societies". A reference in the Act to a credit union is a reference to a financial society. A reference in any other written law in the State is also a reference to a financial society, unless the contrary intention appears in section 4 as it is proposed to be amended. The Leader of the House should look carefully at this. A credit union is a unique institution; once one starts changing the rules one must be very careful. A credit union is run by its members, who are elected; it is not subject to income tax, nor is it subject to a prospectus to raise funds. Building societies and banks are not so required; but they are subject to tax. The Leader of the House should seek legal opinion from the Taxation Office on this matter, before the Government puts this legislation through to ensure that credit unions will not be influenced or affected by the taxation Act, if this wording is removed.

Many exemptions are in the taxation Act because of the nature of a specific business. A credit union is limited to doing business with its members. The rule might change, but even so a building society, for example, is not limited in this respect and is subject to tax. The Minister should take advice on this matter before the legislation goes too far. I referred earlier to Murphy's law -- when things go bad, they can only get worse -- and I think that reference could apply to this situation. I feel sorry for the Leader of the House and the Government because I know that there will be more problems with financial institutions as a result of the stock market crash yesterday. That will put a lot more pressure on banks, credit unions, and building societies because people will withdraw their funds to pay their sharebrokers. It is one of the unfortunate things that sometimes happens in this world -- when things are tough they never get better, they only get worse.

Several members interjected.

Hon MAX EVANS: Yes, but in the short term it could have an effect on finance because of the demand for money.

Hon Mark Nevill: Have you no faith in the money market?

Hon MAX EVANS: I have faith in the money market; I enjoy it. Money comes in and out

of the free market. There is supply and demand; they have to front up and pay their bills.

Hon Mark Nevill: You're saying that none of them can cope.

Hon MAX EVANS: I support the need for the legislation to be amended. The Liberal Party is not against that at all; we support legislation to improve the organisations. I do not think the prudential requirements are so important if prudent management is running the financial institutions. Prudential requirements exist in most of them, but some of them have been lifted. We know that exemptions have been given; I understand that some have now been taken back. My request for a Select Committee was not aimed at "getting" the Teachers Credit Society or the Swan Building Society. My request was to look at the impact of what the Government had done or not done. It is interesting that when one looks at a copy of the working party's report, one finds it does not address the problem of the Teachers Credit Society, which problem I believe existed last October. On the night I requested a Select Committee, a Minister in the other place made some comments about me to the effect that I, and my firm, were involved in the conspiracy to bring down the Teachers Credit Society. I emphatically denied that, but I did not even get a decent report in the Press. There was no conspiracy between Keith Simpson, Hendry, Rae and Court, or me; the conspiracy revolves around the fact that the Government can make statements in the other House that are picked up by *The West Australian* verbatim and printed as gospel truth. They do not know the facts. I was accused of being part of the conspiracy to bring down the Teachers Credit Society. The Liberal Party is not so silly; we would not want to bring down anything as important as a financial institution. I object to those comments made by the Minister in the other place; they were not even withdrawn.

Hon Mark Nevill interjected.

Hon MAX EVANS: If the Liberal Party wanted to bring it down, it would not fail. The Liberal Party is not so stupid. All these financial institutions are too important; there is an Act of Parliament to protect them. A Government member just said that one cannot have Government interference by inspectors, but the inspectors would be there to protect the small people's money. The member should go and see what is happening in that regard. The Liberal Party did not bring the Teachers Credit Society down. In January one of my clients asked me, "Max, what am I going to do about the Teachers Credit Society? There are rumours it is not going too well." I asked her whether she was a lender or a borrower because I knew she had some problems; she said she was a borrower and I said, "Don't you worry. If someone comes in, you'll be all right; you're not a depositor."

In March one of my partners tried to get money out of the Teachers Credit Society. I should think that Alex Clarke, in his paranoid fashion, would have taken this fact along to the Treasurer. He wanted to get some money out of the Teachers Credit Society; it belonged to a liquidation. It had been with the Teachers Credit Society. We always leave money with the banking institution when we take on a liquidation, and we expect to be able to get the money out to pay the creditors. My partner wrote a letter because he wanted to withdraw the money and close the account; two or three weeks later there was still no reply -- the Teachers Credit Society had lost the letter. He wrote a second, more terse, letter saying that we wanted the money immediately because as the liquidator he wanted to pay the creditors. I do not know whether Alex Clarke showed those letters to the Treasurer. We had nothing to do with the downfall of the Teachers Credit Society. In March when my partners wrote the two letters to the Teachers Credit Society, trying to get some money he should have been paid immediately. There should have been no problem or delay; we do it with other banks -- sometimes with hundreds of thousands of dollars as a liquidator. This was only a sum of \$3 000 or \$4 000, but we could not get it out of the society.

Hon Mark Nevill: Just get on with the facts and leave out the innuendo.

Hon MAX EVANS: I am talking about facts. Things have been said about me and my firm -- that we were attempting to bring down the Teachers Credit Society. I am saying that there was no relationship between our firm and the Teachers Credit Society.

The DEPUTY PRESIDENT (Hon John Williams): Order! Because of the office he holds, Hon Mark Nevill should know that when I call for order, the person who has the call has the right to speak. Hon Mark Nevill will have the chance to speak when he receives the call.

Hon MAX EVANS: For the information of members, credit unions are unique institutions.

There is a very good booklet brought out by the Australian Federation of Credit Unions which details the characteristics of credit unions. They are not normal organisations; they are not normal corporations registered under the Companies Code; they are not incorporated bodies under the Associations (Incorporation) Act; they have unique characteristics. They are member-owner cooperatives; they are owned by and operated solely for the benefit of the members who use their services. Members buy shares in their credit union, usually up to the maximum of \$10; they are thereby entitled to enjoy the privileges of owning a financial institution with which they deal. In this way they have a vested interest. Credit unions have democratic management and provide their members with an opportunity to play a role in the management of the organisation. As owners, members can exercise that entitlement by calling, attending and participating in special annual general meetings and by electing their representatives to the credit union board. Each member has only one vote. They rely on voluntary service; credit unions are governed by directors who in a voluntary capacity make unstinting contributions to their organisations as a whole. These directors are complemented with a range of voluntary, committed, field representatives.

I note that the legislation the Leader of the House has brought forward tries to expand that, which I think is a good idea. This is a good idea. They may be able to bring on to the board other people with expertise who may be able to help run the credit union, because they need that help. They cannot always rely on their voluntary members to make this contribution because with the background of the group there may not be enough people with expertise who can help. The document goes on to say --

Credit unions are, and always have been, not-for-profit institutions.

In this way they keep down the interest rates charged to members and they maximise the interest rates paid to their members. If we look back at credit unions as they were some years ago, we see that some of them paid bonuses to their members. They had a profit and they paid out some extra money. That was before the financial market got much tougher. The document goes on --

All revenues generated by lending and other financial activities, except for required reserves, expenses and a usually modest amount of retained earnings, are returned to the members in one form or another.

So they are a true member-owned cooperative. Further on it says --

Credit union shares cannot be publicly listed or transferred between members in most States and Territories, though ordinary share capital is withdrawable.

Another major difference between credit unions and other financial institutions is that a credit union lends only to its members. Eligibility for membership is determined by what is known as the "common bond"...

Usually the common bonds of credit unions are defined by reference to common occupations, places of employment or residence, religious affiliations and ethnic groupings.

It is often a misnomer, this word. I must admit that I was under an illusion that credit unions really were backed by union groups. However, many companies have a credit union for their employees, and some companies make it compulsory to join because they believe it is a cooperative to benefit their employees. Members of the Australian Defence Forces are required to join their credit union. This is because of their cooperative nature. The document continues --

Social purpose.

As co-operatives, credit unions place great emphasis on contributing to the continued well-being of the people they serve.

Further on it says --

Membership in a credit union is voluntary...

Credit union members enjoy equal rights to vote...

This comes back to the change in financial societies which is very important compared with the way they were known before. I advise the member to look at this. Financial societies

may be the end of credit unions as we know them, and that may be something we will regret because they have provided an excellent service. Because they have done that for so long we should not try to destroy the structure we have got because one or two have gone overboard and were not controlled in the manner they should have been. To continue quoting from the document --

Distribution to members and service to members. A major priority is to encourage thrift through savings and thus to provide loans and other member services. A fair rate of interest is paid on savings deposits within the capability of the credit union.

And a fair rate of interest is charged to members. That is where it has fallen down. Some of these credit unions tried to become too big. They have gone into commercial loans and have given a reasonable rate of interest on those loans when they should have charged a lot more for the benefit of their members. This going out too far and over-extending itself is what happened to the Teachers Credit Society. I said two or three weeks ago that I believed the Teachers Credit loss and the impact on the State's revenue would be \$50 million. Swan Building Society's loss is \$6 million or \$7 million; I am not certain whether that has got any worse. That figure is equivalent to the surpluses generated by this Government in four years. It will wipe out those surpluses, and \$50 million will have to be found in the next 12 months or so.

The taxing and territorial revenue of the State is only \$1.1 billion. The total revenue from gambling in this State is only \$40 million; from land tax next year it will be \$59 million; and from the financial institutions duty it will be \$32 million. I am trying to show the relativity between these figures and the amount of money this Government will have to find to indemnify deposits with Teachers Credit because it was allowed to get out of control. Although the revenue of the State is between \$3.5 billion and \$3.8 billion, it is only really within the taxation and territorial revenue of the State Government that it can cover the losses. The rest is fees and Commonwealth Government grants.

I believe after talks with other people that the member should be looking closely at legislation in other States. The working party mentions this, but I am not too certain how closely it looked at this because it does not talk about having consulted with the other States.

The reserve board will be an important factor. We should be looking at what has been done in the other States -- the whole administration -- and particularly keeping an eye on the control of credit unions and the type of business they are doing so that a check can be kept on the risks they are taking because if anything goes wrong the reserve fund will pick it up. I understand New South Wales pays about 0.7 per cent of its total assets into a fund. South Australia set up its scheme in the 1970s, and its figure is two per cent which is a very high amount because the statutory reserves of credit unions in Western Australia are 2.5 per cent. That fund has been going for a long time and is generating revenue which I understand is being paid back to them.

I mentioned earlier the commercial loans which I believe are the cause of all the problems. In New South Wales, commercial loans are prohibited. The Teachers Credit Union in New South Wales has a limit of \$15 000, and it constitutes about 70 per cent of its loans. They are not involved in commercial loans because the legislators over there realise that credit unions do not have the expertise or the knowledge to handle large commercial loans. One has to know who one is dealing with and the security. As a professional I have even seen banks having trouble through not having all their securities tied up for a loan.

The Teachers Credit Society through its association with Laurie Potter has brought all the pressure on the Government to legislate. It has had so much publicity in the Press with stories about Laurie Potter's members and their life memberships, but really that has nothing to do with the Teachers Credit Society. That was just business done by Laurie Potter, but it has been kept at the forefront and has brought pressure on the Government to rush through this legislation. The Government should have had more consultation with industry groups prior to the introduction of the legislation so that it could make certain it had the best legislation.

What the publicity about Laurie Potter did was emphasise the fact that the Teachers Credit Society was making too much money too readily available to Laurie Potter, and it accelerated Teachers Credit's downfall. If so much money had not been available, TCS

might not have expanded quite so far and taken so many risks. I understand that most of the debts -- I do not know about Laurie Potter -- were transferred from other banks and other institutions. The money from Teachers Credit did not go towards building them up, it took over someone else's debt. The other people wanted to get their money out.

A number of people do not realise that the interest rate could have been controlled by the registrar. The Teachers Credit Society was paying the highest interest rate in the State, and it received millions of dollars each month not only from teachers, but also from other people, and that money was put on the short-term money market. The overdraft was \$5 million. As a result, for every dollar it received it was losing two or three per cent interest because of the high rate. I believe the inspectors should have investigated the whole situation. It is interesting that there is no mention in the working party's report as to what went wrong with the TCS which resulted in this legislation. I am very surprised about that.

I understand that the allowance of contingent losses has been made more tough than the provision in the former legislation, and it should be investigated. When a debt is three months' overdue a certain percentage should be provided for doubtful debts. This applies to debts which are overdue for six and nine months also. This information is computed into the accounts of the building society every month.

The important factor in the Bill is the prudential requirements and the ownership provisions which change a shareholding. I am referring to non-withdrawable shares -- they require fixed capital. I believe that in some cases it will require more than non-withdrawable shares to rectify the position. Additional help will be required during the intervening period.

When I read the Leader of the House's second reading speech, I was of the opinion that it would be very hard to obtain non-withdrawable capital, and I questioned who would invest in this way. The head of the United Credit Union gave me the union's prospectus, and it is worth my referring to it. It is the first prospectus of its kind published in Western Australia. In a previous speech I commended the United Credit Union on its actions in obtaining fixed capital. St George's Credit Union in New South Wales has done the same thing, as have one or two other credit unions around Australia. Some of the building societies in Victoria have been successful in obtaining fixed capital.

The question that came to my mind was why would someone deposit money that was non-withdrawable. It is a terrible word, and I would have thought a more attractive word would have been used. It makes one's hair bristle when he is asked, "Will you give me some non-withdrawable money?" He immediately thinks he will never see the money again and he backs off.

Hon J.M. Berinson: Shares are non-withdrawable investments.

Hon MAX EVANS: I know the market is full of them, but we do not call them that. People would not be impressed if they were called non-withdrawable shares. We do not think of shares in that way, we think of shares similar to the TAB or the races.

Hon J.M. Berinson: We did not used to think like that.

Hon MAX EVANS: A person can lose at the races also, just as he can lose money on shares. We have always known a share to be fixed capital. We know that there is a differential between a limited company and a no-liability company. Now we have non-withdrawable capital. If I were going to seek investment money I would look for a better word.

The United Credit Union has not even used that word in its prospectus, it has only been used in this legislation. The United Credit Union's prospectus states the issue of seven million \$1 D-class shares in part, payable in full with a minimum of 100 shares per application; that is \$100. The purpose of share raising is to provide funds for the normal lending and investment operations of the credit union. That is true, but it is not completely true. The funds are really to try to strengthen the fixed capital of the credit union. It could still bring money in for the purpose of investment operations of the credit union. It could borrow money to do that but the money is really to strengthen the fixed capital to improve its net worth.

The United Credit Union guarantees a minimum annual interest yield for the year ending 30 September 1988 of 15 per cent. The return on shares will be twofold -- firstly, a fixed percentage rate shall be declared by the directors annually. In addition, the annual general meeting will consider and declare, if approved by the members, a bonus dividend on the D-

class shares, depending on how successful the year has been. As members will appreciate, that has its problems.

The credit unions are trying to increase their statutory reserves by the retention of profits. That is the reason most of them have not paid out bonuses because their statutory reserves have been built up only by profits. A lot of them have been behind on their statutory reserve limits. It is intended that the United Credit Union's shares will not be listed on any stock exchange, and the credit union does not offer to redeem shares. The credit union shall apply for approval to conduct an internal share market for the provision of information on share prices to buyers and sellers. Notwithstanding such approval, the United Credit Union will make arrangements to facilitate the purchase or sale of shares.

The credit union hopes to pay 15 per cent -- the other day the interest rates increased from 11.5 to 12 per cent. I think the TCS is paying more than that, but many of the rates around town are 11 or 12 per cent. There is a premium as far as shares with the United Credit Society are concerned, and the society has guaranteed 15 per cent. Therefore, a person could make a small profit from the sale of shares. For example, 100 shares could be sold for \$110. There will be a market for them, and I was pleased to receive information to this effect. It helped me understand the Leader of the House's second reading speech with regard to how they will operate.

If a bonus dividend is paid each year on a D-class share, it will increase the value of the share. The bonus will only come from prudent management of the credit union and from good management in minimising bad debts and maximising the interest paid and giving a fair interest to members.

The United Credit Union has a record of high level growth in the past years. The board of directors believes that the issue of shares gives members the opportunity of potential capital gains. The directors can give no guarantees regarding future share prices. However, based on United Credit Union's achievements, the strong prospect of capital gains is anticipated. Application for shares offered by the share issue must be made on the application form issued and forming part of the share document. That covers the shares.

I made the point before to the Leader of the House that if application forms were issued to non-members -- as far as the United Credit Union is concerned it relates only to members and that is what should apply. The existing Act requires that. If shares are offered to non-members there could be pressures from the NCSC and the Attorney General, because they would be inviting the public to take up non-withdrawable shares without a prospectus. This matter should be looked at very carefully by not only the Attorney General, but also the Commissioner of Corporate Affairs, to ascertain whether that would be a breach of the Companies Code. In recent times the Government has taken action against certain companies in this State which have raised money without a prospectus, and so it should. That is why we have these rules, so that people cannot go around with a piece of paper asking for shares to be taken up. A prospectus requires careful briefing and vetting by the Corporate Affairs Department to see that all the facts are correct. Many requirements must be satisfied. The contents must be credible and upheld by the directors.

Coming back to the change in clause 7(b), many of these ramifications must be looked at carefully. They will not affect me or anybody I know, but they could affect members of credit unions administered by legislation and those coming under the registry to protect them -- not just to protect the funds, but to see that the unions are run properly and do not become involved with income tax problems and so on.

The legislation for both credit unions and building societies refers to the net worth or statutory reserves. In 1984 the amount of statutory reserve was changed from the mean between the amount at the beginning of the year and the total aggregate asset at the end of the year, which gave the average, which was divided by two; it was changed to the amount at the beginning of the financial year. When rapidly increasing assets during the year are balanced by liability, one does not realise one is getting a long way from the statutory reserve, and one's liquidity ratio is also influenced. The working party mentioned this point. We must go back to this mean position. The problem could be seen.

In July 1986 we had a new base figure. The new base goes from July to December, and it will be the mean of that period. The ratio keeps in line with the money coming in -- and so it

should. The Minister and the working party referred to the statutory reserve or the net worth to overcome all the problems. With that statutory reserve there are no problems at all. The registrar is misleading himself. Unless the societies comply with the rules and regulations and charge a proper rate of interest, the reserves may go from 2.5 per cent to five per cent over three years. That is completely irrelevant.

Normally, if the directors do bad business, it reflects directly on those directors. The Attorney General can take action against the directors if they incur liabilities and the company cannot pay its debts. If they do not pay 50c in the dollar they cannot be directors again. I do not see why action should not be taken against these people. They have gone into this in a voluntary capacity, but there should be some provision to make sure that these volunteers do the job better. It is no excuse to be doing a job in a voluntary capacity if the registrar has not helped them to do a better job, because the building society or credit union could be put at risk. It is not only a risk to that credit union; it puts at risk credit unions a lot smaller than this one throughout the country if funds are jeopardised. They should have been controlled.

I come back to statutory reserves or the liquid ratio which is now up from seven per cent to 10 per cent. I do not intend to go into the different forms for building societies and credit unions, but those amounts are still insufficient to allow loans of up to 10 per cent of the capital to any one person. They are putting themselves and their depositors' money at risk, because there is a risk factor in the large commercial loans. One is trying to match up the big ones with a lot of small ones.

It is said that the existing liability limits which control the ratios are aimed at retarding deposit growth by either limiting the extent to which liabilities could increase -- that is loans -- in any given period, which is the position with the present Credit Unions Act, and also by tying credit liabilities to some items comprising net worth, which applies to building societies.

The legislation was there to stop the rate of growth of this building society and some other building societies. They were becoming too big. They were outside the statutory reserve limit, which came back to the reserves of the original capital and the retained profits at 2.5 per cent of the aggregate assets at the beginning of the year.

If the assets are allowed to go up by \$100 million in one year, which is what Teachers Credit Society did, the statutory reserves must be increased by \$2.5 million, or 2.5 per cent net profit. The society was not making that. I understand the average throughout Australia is less than two per cent. That is the sort of net profit which must be made on those funds by the end of the year to comply with that statutory reserve, and that is very difficult.

We are now looking at five per cent. If the members' deposits increase by \$100 million again, the society would have to generate profits of \$5 million or five per cent, which is absolutely impossible. They probably charge a margin of three per cent over what they are paying. I am not certain how they would increase those reserves other than by non-withdrawable shares. Taking a line through United Credit Union, I hope that union is successful, but it will not be a licence to do a lot of big deals again. Money must be kept back in the reserves, or all the funds will be put at risk.

Many other companies are putting funds at risk, and the directors are also at risk. The Attorney General would know; he takes action against them. The same thing occurred with some of these football clubs a few years ago. They had huge debts in this State and in other States. The directors go out and buy players and do whatever they like; there is no financial risk to themselves. They love playing with other people's money. People should have a lot more respect for other people's money.

It is said that none of these controls is efficient or effective in controlling growth. That is what happened; the embargo was lifted. The proposed higher minimum net worth required will necessitate, after a transitional period, 5c in every dollar of assets being held as net worth. Additional assets or growth can only occur if the assets generate a sufficient margin to service the increase in net worth.

It is becoming very difficult, but I commend the Leader of the House for what he is doing. I am not certain how the transition is going. There seems to be a swing to financial societies to get those requirements of net worth in the next couple of years because the financial



market at the moment is a very difficult place in which to make a profit. It has been even worse these last few weeks with interest rates dropping right down. The Leader of the House said that the Credit Unions Act provides the registrar with the authority to set the maximum amount and maximum term for any secured or unsecured loan. That is one of the keys to where this has all gone wrong. It must have been obvious what was happening.

I shall be looking to the Leader of the House to explain further the controls to stop concentrated ownership and so on. In one case he will want concentrated ownership if the R & I Bank is to take it over. Members would like to know the long and short-term position with Teachers Credit Society and the R & I Bank. Teachers Credit Society might be formed as a financial society and the registrar can direct shares be issued to the R & I Bank. If shares were issued to the R & I Bank they would have to issue only one share and it would become a subsidiary of the R & I Bank for consolidation purposes, because it is completely controlled by the bank. It is not really going to amount to capital; it becomes part of the R & I Bank. I give the Leader of the House a warning that unless he really knows what the end result will be he should not put anything together until he has worked out, by permutation and combination, what he could do to the credibility of the R & I Bank. That bank has to comply with the Australian accounting standards. If the R & I Bank has shares in the society and control it, it would be consolidated. If it is consolidated, at the present time there is a very interesting accounting equation, and we discussed this earlier. I do not know how it could be done. If the Government puts in \$30 million or \$40 million to pick up the losses, who is it going to -- the capital reserve of the R & I Bank; the capital reserve of the credit union? I am not even certain what the journal entries would be there.

On consolidation I think the Government would have to show the net losses on trading. After all, that is what it took over. If it has losses it would have to show its \$5 million or \$10 million losses on those bad debts, but the gift would show as the capital reserve, except in the Exim Corporation cash. The Leader of the House may recall that the Federal Government gave it \$6 million for cattle lease which was offset against the cost of the assets. The Minister for Budget Management may not bring in the capital reserve in his accounting methods that are a lot different from mine and he might get away with it here. But he must take care because with Exim the Government did exactly that with the Federal Government's \$6 million. The auditor agreed to it and did not offset it. I do not believe that was right. It might be the Government's salvation here but it should treat it very carefully because I do not think the Auditor General will let the Government and the R & I Bank get away with what it got away with in Exim in respect of that accounting treatment.

The Leader of the House should consider very carefully before he brings in anything that makes the bank and the society appear as two merged structures. I do not want, nor does my party, for anything to impinge on the integrity of the R & I Bank. It is a great bank and a great institution. I do not want anything to go wrong with the Teachers Credit Society, either. I did not bring it about, I am just trying to make members aware of the problem -- of what did go wrong and why we should look at it. The problem might go back four, or six, or eight years, during which time the registrar has not done the work. I say that not to try to upset the position; it has been made clear what will happen to it. But let us not affect the R & I Bank. My fellow members and I appreciate keeping the R & I Bank off the front page. That is in the interests of everyone in this State.

Hon J.M. Berinson: You can be absolutely sure nothing would be done to affect in the remotest way the standing or the stability of the R & I Bank. I agree very much with what you are saying and that is absolutely in line with the Government's own interests and determination.

Hon MAX EVANS: I am saying that because I have seen some of this Government's funny accounting with Exim Corporation and I never received any answers about what was going to happen, nor about the Perth Mint. What I am saying is that unless the Government goes to Corporate Affairs it should get top corporate legal advice to see that under the Australian accounting standards nothing will jeopardise it, because once it has been done it cannot be undone. That is most important.

I think the Government will probably carry the society as a separate entity for a long time, with the R & I Bank as administrators, and will have to pay the administration costs. If the Government forces a consolidation those losses will have to be brought into the R & I Bank.

That will affect the bank's raising of capital stock because the return is 15.75 per cent this year on those capital stocks. I think that was the Armstrong Jones prime fund.

It is quite interesting to read the working party's report.

I read the other day that the R & I Bank had its capital increased by \$19 million before the end of March. Not one word was mentioned in the R & I Bank report to explain why \$19 million capital was paid in by the Government. Why did the bank need more capital? There is not one word in the Supply Bill -- and I understand that is where we approved that \$23.4 million of capital expenditure although I still have not been able to find it. That figure was not in the Budget Estimates for 1986-87 as having been expended. The \$19 million just snuck through with nothing being said in this House as to why the Government put that money into the R & I Bank. Did the bank need to improve its asset backing or its capital? I have not been able to find out in the accounts, and I have been right through them. But \$19 million went through in the Supply Bill which was passed in June. I understand there is a schedule there, but I have not seen it yet.

It is part of the normal process of Government to put money out like that but if an amount of \$19 million goes from the Parliament of this State to the State bank we should be informed about it. Why was it put in before the end of March? Did the bank need it? It is some years since the capital was raised. Did it improve its ratios? We do know that the R & I Bank does not have to comply with the standards of the Reserve Bank of Australia, but I am almost certain it complies with them even though it does not have to. That is normal, prudent business. It would do that -- it would be silly not to. It is the safest way to do it.

There is no doubt that this Bill is timely. There has been a lot of pressure for the working party to get out its report. The working party has put a lot of history in the report -- what has happened and what will happen. There is nothing world-shattering about that. The second reading speech is taken pretty well from the statements in the working party report. The report says that the prudential requirements will be strengthened and the powers of the registrar will be changed, although I believe he had plenty of powers before. The reserve fund is a new one to come up.

My point is that with further consultations with the credit unions this may not have happened. I said before that the credit union representatives went to a meeting last Tuesday and thought they had until last Friday to make comments on the information that had been given. The Government is not going to kill credit unions in this State because they have served us very well. There have been 40 or 50 credit unions in this State and one or two have gone wrong. That is no reason to have an overkill situation because once that structure is destroyed the people go other ways and the kinship and unique characteristics of credit unions will be lost.

The more I read about them, the more I believe credit unions are very worthwhile. I have been on a learning curve on this, and I think the Leader of the House probably has as well. I have learnt a lot by talking to these people. I met with the directors the other day and discussed exactly how they operate. It is sad that one or two credit unions have got out of control for the wrong reasons -- not for any personal benefits. I do not think they got any benefit at all for what they did. They made a very big society and probably tried the best for their members but they should have been more prudent in what they did.

It seems that under the Bill it may be very difficult if not impossible to form new credit unions because of the capital requirements, and I would like to hear the comments of the Leader of the House on that. That would be a pity, as certain firms, organisations, or unions might feel they would like to have a credit union. They should be assured they can form them in the future because they have grown up in our society. It is a bit like our school days when we all had a Commonwealth Bank savings account. Everyone at State schools did. Everyone signed up and that is how the Commonwealth got its customers.

An Opposition member interjected.

Hon MAX EVANS: The member was at Guildford Grammar School; I was at Thomas Street State School.

Hon J.M. Berinson: I was at Highgate.

Hon MAX EVANS: And I will bet the Leader of the House had a Commonwealth Bank

account. We all did it. It was an accepted part of life, and when one was 20 or 30 one found in his bottom drawer a bankbook that said he had five pounds sixteen shillings and one penny. One would go along and get it updated, get a few dollars in interest and close the account. It was part of the institution of this State. And members ought to see the membership of credit unions the same way. They are very much a part of society in Western Australia, and have been a very successful part. I do hope the legislation still enables credit unions to be formed.

There should be a right of appeal with respect to the powers of the registrar. I understand the Government will tighten up the legislation that was there before so that the Government can take unilateral action to make the financial institutions do something they would not otherwise do. I do not know whether the Government has made many changes there, but it has tightened it up. There are alternatives -- one can put in an administrator or a liquidator. There could not be a receiver for a credit union because no-one is holding any security. Credit unions can be transferred from one to the other; this has been done before, and the Treasurer may be able to expedite such amalgamations. I am worried that this may not be done in a prudent manner -- for example, a weak credit union may be merged with a strong credit union, but one would have to be very careful of the effect that might have on the strong credit union. In saving the weak credit union, the strong credit union might be made weaker. I do not think that is the answer for the credit unions in this State, particularly when one considers the small size population. I do not anticipate that there will be any more problems, and such credit unions would be able to be merged. The R & I Bank has a huge structure, and the money could be deposited there. The Swan Building Society could be absorbed by the Home Building Society; I have not checked the ratio of one to the other but I think because one is large and the other small, there is a good margin because the losses were indemnified by the Government.

It appears that credit unions may not always remain credit unions. They may become financial societies; building societies will always remain as they are. I believe that the biggest problem is that this legislation has not addressed the problem which occurred in the past. The legislation will patch up the problem, but basically the whole thing came about because of lack of surveillance. We need some assurance from the Treasurer and from the registry officer per se -- it will not be a new one; it will be the same Act, the same staff, and so on. However, there should be better controls and better reporting; someone should know what is going on. All these changes to the legislation -- the Liberal Party does not like all of them but we do not oppose them -- are right in principle. However, unless the Government can assure us that the shortcomings of the last few years, where controls were not implemented -- the Act said that the size of loans could be limited and the rate of interest and so on -- are overcome, we will not be satisfied. There will be a new registrar, and there will be inspectors; but we must be assured that they will keep a tighter control in the future. If they go to reserve funds, there should be a statutory body to look at those funds and the performances of the credit unions in order to protect the funds.

The Government should have an early warning system through the registry office. That office should advise the Treasurer of what is going on. The taxpayers cannot keep picking up these lame ducks and problem children; the cost is too great. We do not want to be governed by Press releases which say, "Here we've got the legislation which will solve all the problems", because that will take us back to where we were before, when the Treasurer did not administer it properly. Such Press releases give good headlines; but our only interest is in the public purse. Administering the Act is the most important; not terrific headlines which say, "It will never happen again", because it will happen again if the Act is not properly administered.

All these changes will not make any difference. There was enough legislation in the past to prevent everything which happened; the legislation the Treasurer wants will only help bring about mergers. The Treasurer could not have forced a merger of the Teachers Credit Society with any other credit union in the State or any other business in this State; the Treasurer could only have done what he has done; he could not have forced a merger because of the Teachers Credit Society's sheer size. The Treasurer has that; there are the non-withdrawable shares, which only appear to solve the problem. However, if they do not have prudent management, and watch what they are doing, the Treasurer will again have problems. The Treasurer knows he has had problems and he will have more if the Act is not administered

properly. All the Press releases in the world will not solve the problem if the Government is not working hard.

I commend the Government on the working party's report. I think it is a tremendous document which gives a good history of the whole situation and good recommendations about what should be done. My only criticism is that it has not addressed itself to the real problem at the right time, but it picks up quite well on the ratio problems of these credit unions -- in other words, why fixed share capital is needed to source the funds to cover the cost of assets, such as the purchase of buildings, furniture, and other fittings. As the Treasurer would realise, one cannot buy fixed assets on short-term loans. A lot of these building societies bought large buildings which they would eventually make a profit on; but they do affect the whole liquidity ratio if there is no fixed capital. With non-withdrawable capital, one should look at the funds to build up, and to lease the funds for one's fixed assets. The only fixed assets these building societies start off with is the \$10 per member.

Building societies have all the risks of normal business; they have loan losses -- there is no doubt about it; if they do not expect losses, they should not be in business. They will have normal losses and changes of circumstances, such as changes to interest rates during the year. They may have investment losses; they buy securities as a part of their statutory form and liquidity reserves -- they may have losses there. They will have operating losses; that is, if their overheads are too high.

It was interesting to read the other day of the massive sacking of the staff of the Laurie Potter Group. One wonders why they were not sacked the week before if the group had losses of \$6.5 million, financed by the Teachers Credit Society last year. However, because someone was funding the group on overdraft nobody said, "Stop", because it was being funded. Everyone believed the problem would go away, but such problems never do. Building societies will have losses from increased competition; other losses may result from the destruction of assets, legal proceedings, or losses of key employees. I do not think these happen here; I do not think the Swan Building Society was influenced by such things -- it was influenced by fraud. It had one very bad debt; but it also had major fraud losses to which I will refer later. The working party noted that a market-orientated legal framework would be needed to reorganise; we have non-withdrawable capital. The working party's comments are valid and we will wait to see how they go.

Credit unions can be converted to banks. I think that is unlikely now that bank rules have been changed. However, they could be converted to banks under the present legislation. Under "subsidiaries", the working party refers to the fact that the narrow range of activities under the original legislation was intended to ensure that members' funds were not put at risk in speculative ventures. They went into various businesses, including travel. I think they made a profit last year while the Teachers Credit Society carried forward a taxable loss over the last few years, which must mean that one of its subsidiaries has some future tax benefits. They must watch these because they do not have the funds to go into risk ventures. As the report says, the original legislation was intended to ensure members' funds were not put at risk in speculative ventures. Once again the directors of this organisation should always have been aware of the fact that the money they were looking after belonged to their fellow members of the cooperative. I wonder how these directors could have looked in the face their fellow teachers and friends in the society, whom they were putting at risk. Maybe they did not think they were at risk. It is quite strange that they were not asked by their friends because I am sure some of them asked, "Gee, what is going on here?"

Hon Garry Kelly: They were not doing their job properly.

Hon MAX EVANS: They were probably doing a good job within their capabilities. However, they should have been tougher. They allowed too much money to go out. It seemed a good idea to loan more money; after all, they were in the business of making profits. One or two of them were really not doing the job properly, but most of them were probably doing it very well.

Under the heading "Prudential Requirements" the working party report, in paragraph 5.2.1 states --

The Registry monitors the activities and consults with the boards and management of permanent building societies and credit unions.

It is hard to believe that things could happen the way they did if that was carried out. All credit unions, except the Teachers Credit Society, had similar accounting systems with similar computer programmes. I have been told by the experts the system is a very good one. It provided up-to-date information on their profitability, and it worked out the contingent liabilities on slow-paying debts. An audit package allowed the auditors to pull out all of the bad debts and the slow debts, the statutory ratios, the statutory reserves and the liquidity ratios. The registrar's office should have employed skilled people such as professional auditors to go to credit unions at any time and run an audit package to obtain the information they required. I understand that was done rarely because I do not believe the officers were equipped to do that sort of job. It was the registrar's job to employ the right sort of people to do that job. He should have been aware of the need for it and the tools available to do the job because he was there to monitor it.

The Teachers Credit Society was a completely different proposition. It had a completely different computer system. I am not sure what were its auditing packages for internal audits to be carried out. However, the other societies could be monitored regularly to find out whether debts were secured, or partly secured, for instance. That information would come up on the computer information package.

Paragraph 5.2.2 states --

The day-to-day management of permanent building societies and credit unions is the responsibility of the boards of directors and other officers of the societies or credit unions. There is no substitute for good management and it is the directors' responsibility to ensure their institution adheres to legislation as part of its normal business procedures for the prudent management of depositors funds.

That hardly needs stating. As Hon Garry Kelly said, maybe they were not doing their job properly. They were not paid well. I think the Teachers Credit directors were paid \$12 000. That is not a lot for the time and effort that they put in. I think the treasurer, Barry Markey, would have put a lot of time into his job, although I believe the manager, Alex Clark, had carte blanche to do whatever he wanted to do.

Paragraph 5.2.2 continues --

Prudential requirements are merely the minimum standards of conduct for the management of depositors' funds. Those standards cannot and do not guarantee that sufficient liquidity will be available to meet day-to-day demands for cash withdrawals nor are they a guarantee against losses from day-to-day trading. They are the minimum standards to be followed in conjunction with sound management practices.

I emphasise that point to the Leader of the House. We want that confirmed because that is more important than anything else. We need to know that the minimum standards of the prudential requirements are enforced because the future of these organisations will need supervision and control not by the Minister's department because I know it is not his responsibility, but by the Treasury Department, which has the responsibility to see that these requirements are complied with. The words stated by the working party are so true. Sound management practices were not being complied with when a society loaned amounts totalling \$34 million on capital of \$8.5 million. That is not prudent management. I wonder how it all happened.

The document talks about net worth. The Reserve Bank specified a capital ratio of six per cent including the share capital. Six goes into 100 approximately 17 times which allows for gearing ratio of 1:17. Members may recall that the Teachers Credit Society had capital of roughly \$8 million on loans totalling about \$550 million which gives a multiplier factor of 70 times. Prudent bank management, as I said earlier, required a factor of 17 times. Why did the registry not pick that up?

The working report states further --

This method of using previous year-end assets as the denominator has three undesirable effects.

I have mentioned that before and the Minister is well aware of it. I think the credit union association, the national body, is also aware of this. As I said earlier, the national body is

embarrassed by the Teachers Credit Society in this State. It is bigger than any other credit union in Australia and it should have foreseen what was going to happen, just because of its sheer size.

The document continues --

there is inadequate discipline imposed on boards and management to generate the sufficient net worth to cover assets as they are required.

The working party is looking back and saying, "If there is no discipline, you must make profits. We will just drop the standards. You don't have to keep up the statutory reserves. Instead of lifting your profits or changing your position to meet your statutory reserves, we will drop the statutory reserves so you can comply."

I would like the Leader of the House to comment on the contingency liability provisions. Comments have been made to me that the requirements are tougher than before. The document states that they must make a contingency reserve for 50 per cent of the outstanding balance where an amount is unpaid for a period of three to six months, and 75 per cent of the outstanding balance where unpaid for a period of six to nine months. There is automatic provision for the debts in the computer.

Hon J.M. Berinson: What are you asking?

Hon MAX EVANS: I gather that the new provision in the Bill is a lot tighter and tougher. If it is not realistic, though, the societies will create paper losses because it will create an incorrect provision for doubtful debts on the basis of unpaid accounts.

Hon J.M. Berinson: Are you expressing the view that it is excessive?

Hon MAX EVANS: It has been suggested that the percentage being used is very high and it will give a false picture on the monthly or quarterly accounts of the credit union. The computer will work out the provision for overdue accounts. It has provision for doubtful debts which come out of profits as the Minister knows.

Hon J.M. Berinson: Do you agree with that view?

Hon MAX EVANS: No. Contingency provisions are in the Bill already. I am not certain that they have all been picked up. The comment has been made by the credit union association that the figure for the percentage is higher than before and should be looked at.

Hon A.A. Lewis: I don't think the Leader of the House understood that. Explain it again.

Hon J.M. Berinson: I am not having any trouble understanding the indications of the problem. I am asking Mr Evans whether he is relaying the association's view or whether he is supporting it.

Hon MAX EVANS: I am relating the association's view. I could not pick this point up in the Act earlier. Provision for amounts of 50 per cent which are overdue for three months is a very hard provision to include in the regulations. It may not be for commercial loans, but it will be for the average business that a cooperative credit union does with other customers. The customer could be on leave and could be behind with a couple of payments. The society should automatically create a contingency-loss provision to take account of those delays. I believe that with ordinary prudent businessmen, that is a lot. If a company structure were involved which received tax deductions for a provision for doubtful debts, that would be a different case. If no tax deduction is received for doubtful debts and it is too high and it would affect the true and fair provision in the accounts if the provision for doubtful debts were unrealistically high.

I have been looking at two separate issues in recent times. I recently moved a motion in this House calling for a Select Committee to inquire into the Teachers Credit Society, but that has nothing to do with the Bill. My motion refers to the indemnity by the State Government to the R & I Bank, the cost and its effect on the State's revenue, and the circumstances which have led to that. This legislation will not change that situation at all. The investigation by the R & I Bank would provide some information but not about what can go wrong and the prudential requirements for these bodies. An investigation by the Corporate Affairs Department into the Swan Building Society will look only at the machinery of what went wrong. I want to know more than that and why these things were allowed to happen; that is the purpose of the proposed Select Committee.

This Bill was the result of a lot of work by that working party. I thank Hon Neil Oliver for requesting a copy of the working party's report and the Leader of the House for producing it today, because it helped me to understand some matters. I thought it should be brought to the attention of members because basically it is a sound report. My only comment is that there should have been more consultation with both industry groups when the first draft of the legislation was done. However, time was against the Government and the pressure was on because of the failure of the Laurie Potter Group. We have important legislation to control the industry. This legislation is a major change, and it should be very carefully looked at for the reasons I gave earlier.

If the Government wished to consider the legislation further, it could put through special legislation dealing with the Teachers Credit Society situation, setting out what it wants to do with regard to the society and the R & I Bank. I warn the Government not to move too fast. We are led to believe that this Bill will solve the problems of the Teachers Credit Society and the R & I Bank, but I do not believe it will. If the Government wants quick relief it should introduce legislation to exempt the Teachers Credit Society from the Act so that the Government can make unilateral decisions with respect to changing its structure, if necessary. I believe that structure will have to be changed somewhere along the line. I support the attempt to upgrade the legislation applying to building societies and credit unions. It is timely and necessary, but it will not solve all the problems if the registry office does not improve its performance.

The problems of the Teachers Credit Society were largely the result of lack of control and supervision and not as a result of conspiracies from outside the organisation. The Treasurer and his Ministers were well aware of the problems of the society long before last Christmas, and no conspiracies were involved. The Government should look at the person who made those allegations -- Mr Clark -- not the people he accused. It was said during the suspension this evening that a conspiracy was involved; that was absolutely fallacious and I strongly objected to the implication particularly in respect of me and my firm. I have great respect for businesses and the problems caused by a run on credit. The last thing I, my partners, my colleagues, my friends, or my party would do is to apply such pressures. It would not help anybody, particularly credit unions or business throughout Australia. It would not just affect Western Australia but the whole of Australia. No-one I know would be involved in such activities; those statements by Ministers and reports in *The West Australian* involving Mr Keith Simpson and me in connection with a conspiracy are to be deplored.

I support the legislation.

**HON NEIL OLIVER (West) [9.16 pm]:** I will not retread the meticulous research and speech of my colleague who has just resumed his seat. I cannot accept the reasons given by the Leader of the House for introducing conjoint legislation for building societies and credit unions.

It is interesting to look at the history of this legislation in this second session of the Thirty-second Parliament. I said some time ago that all I could find in the Governor's speech of any substance was a reference to the amendments to the Dog Act. At that time the Leader of the House interjected and asked about the Electoral Act. Two Bills amending the Electoral Act have been introduced even though there was no mention of those in the speech.

It is interesting that this legislation should be before the House at this point. Why is it necessary for building societies to combine with credit unions? They do not have things in common. Perhaps some of the mechanics are similar but they are involved in two different types of lending. Without doubt a considerable number of cash transactions are undertaken by buildings societies in large volumes through cash cards, etc, and even more so through credit unions which are not so much involved in secured mortgages.

I am aware, through the buildings societies' monthly newsletter, that in the last 18 months to two years there has been a decline in the number of houses on which mortgages have been extended and registered by building societies. At the same time the building approvals in this State were running at record levels which surpassed those in the years of the mining boom. Knowing that the building society movement in this State had accounted for approximately 65 to 70 per cent of all the funds for housing, I could not understand why it had dropped to 40 per cent. I made some inquiries and found that the credit unions had taken over a large proportion of this business. I spoke to people in the real estate industry and they

enlightened me about the wonderful bonanza they had with credit unions and the manner in which they approved first and second mortgage advances. The warning flag was out. The Australian ensign was already flying upside down 18 months ago but nothing was done about it.

The other thing which concerns me is why this legislation was introduced into this House by the Leader of the Government. The Building Societies Act and the Credit Unions Act are administered by the Premier of this State, Hon Brian Burke, in his capacity as Treasurer of Western Australia. This has never happened before while I have been in this place and now it has occurred twice in one week. We have already had it once in relation to the Electoral Act and now we have it in relation to the Acts Amendment (Building Societies and Credit Unions) Bill.

Is it that the Treasurer of this State has not the capacity to introduce the Bill and move it through all the various stages with all the necessary amendments, so it could come there with all the amendments in place? Minor debate may ensue, but the numbers would be there and one could be certain that the Bill would pass in the other place. There would be a minimum of input, pressure or requirements on the Treasurer who is responsible for the administration of this legislation.

It is a curious question. It is a curious situation. I would be very interested to know what it is about. Why is there this departure from the Westminster system where Ministers of the Crown handle Bills in accordance with which Acts of Parliament they are responsible for administering, and for which purpose they are sworn in by the Governor General?

The next point is: Why at this time? Is it opportune? We have a major problem with a credit union in this State, which is very unfortunate. How did it come about? The Treasurer of this State arranged for the salaries of the teachers of this State to be immediately transferred from the Treasury, from the allocations of the Education Department, direct to the Teachers Credit Society. That Teachers Credit Society became the largest credit union in the entire continent of Australia, yet when we come to consider the legislation -- after the horse has bolted -- the very man responsible for it is not here to face the music. What is it about? It is happening in a week when we have got a by-election. What is the connection with that? Does that mean that the *South West Times* will run an article with banner headlines on Friday morning, or will it be Saturday morning? What is proposed? I would be interested to know because I am certain this by-election is involved in some way. There must be a reason for this great rush and sheer panic to get this legislation into Parliament.

The Bill was introduced into this House last Tuesday and I was unable to get a second copy of it until around 4.30 pm on the Thursday. The reasons I were given was that the Government Printer had not printed sufficient copies, or sufficient copies were not available, yet this is a major item of legislation. The House had adjourned. Many of the country members had already dispersed. I do not know how they obtained additional copies to distribute to credit unions and building societies for their comments. Although I asked for additional copies the moment the Bill was introduced on Tuesday, I was told they would become available on the Wednesday. When I asked for them on the Wednesday I was told they would be available on the Thursday morning. I came in to get them on Thursday morning and was told they would not be available until Thursday night.

Why the haste, when we are actually dealing with this legislation? The horse has already bolted.

A member interjected.

Hon NEIL OLIVER: I could not agree more with the Leader of the House as to its importance. Is the Government worried that there is going to be another collapse in the next 24 hours?

Hon J.M. Berinson: Why should you speak like that, Mr Oliver? What good purpose is served by talking like that?

Hon NEIL OLIVER: The purpose of my question is to know why there is this strange departure from normal procedure with a major Bill containing 88 clauses. The Government has an enormous amount of amendments on the Notice Paper and I have two or three to add myself. The Government has been involved in very detailed discussions with the credit industry. Those discussions have been hasty because they have had to read the fine print.



Hon J.M. Berinson: Mr Oliver, do you not believe that the experience with the two credit societies in particular justifies urgent action?

Hon NEIL OLIVER: I have already complimented the Government on the need for this legislation in my opening remarks. I realise that the amalgamation will no doubt take effect. I note that legislation is -- I am not going to call it retrospective -- to take effect on the 13th of this month which is when the Leader of the House stood in this House and delivered his second reading speech. I understand the importance of the Bill. What I am interested in is why was it not introduced through the normal process?

Hon J.M. Berinson: I thought you were questioning the urgency of it.

Hon NEIL OLIVER: That is all paramount because it will pass in this House and no doubt will pass to the Legislative Assembly. The Legislative Assembly will sit on Friday in order to ensure that it is passed, and I presume there will be a special meeting of the Executive and Council on Friday afternoon to enable this Bill to be proclaimed.

Hon J.M. Berinson: You have a vivid imagination, Mr Oliver. None of that is proposed.

Hon NEIL OLIVER: I hope the Bill will not be delayed in the other place next week. I hope it will be expedited because it is not our intention here to delay its progress. I know it has been a difficult task for us, but we have always been prepared to speak to the Bill and spend as much time as possible on it in contributing to the debate, and in no way hinder its passage.

What concerns me is that this particular Bill, as I understand it, has been prepared in what is called the Department of Policy and Secretariat -- the Premier and his Cabinet. I have had some dealings with the members of this body before and I found them to be very vague and evasive with questions and, frankly, not committed to putting things in writing. So, knowing the experience I have had in the past in this area, it does create a concern for me about the fine print in this Bill and the speed with which it is passing through the House. This is the House where it should be reviewed, having already been through another place.

Hon J.M. Berinson: That is what is happening now.

Hon NEIL OLIVER: I am concerned about the role of the working party, and that is one of the reasons I put the question to the Leader of the House yesterday. Who is the chairman? Who are the members? What is their experience? It places great emphasis on the manner in which this legislation was drafted. It is in this area of the policy secretariat that my first and only experience was a total and absolute disaster. I hope that my previous experience will not be repeated; indeed, I do not think it will be -- I think it would be physically impossible.

Hon J.M. Berinson: Since you asked the question yesterday I have checked on the membership of the working party. Only one member came from the Department of the Premier and Cabinet, and I will be happy to provide in my reply the details of the other members of that group.

Hon NEIL OLIVER: I thank the Leader of the House for that, because it is one of the areas about which I am concerned.

I will refer briefly to the second reading speech. It mentions that these recommendations reflect progress to date of the working party, and that further recommendations will need to be considered at a later time. I can only presume from that statement that it is the urgency that surrounds the amalgamation areas of the legislation.

What does intrigue me is to read further on to the fact that it is in response to the deregulation of the financial markets and in particular the banking sector, and that it was a Government decision in October 1986 to establish this working party. October 1986 was when the Government decided that it should respond to the proposal to deal with the financial markets; yet that was announced in the Campbell report in 1982, although Mr Keating would not accept the Campbell report and commissioned what was called the Martin report, which was concluded in 1983 and came up with exactly the same answers as the Campbell report. So I can hardly see that the Government or its working party, expeditiously or with the approval of the Government, came to the incredible decision in October 1986 that there had been some deregulation of the financial markets.

I also may have the opportunity through the various pieces of information provided by the Leader of the House to examine the terms of reference of the working party, which were very

wide-ranging. They placed special emphasis on prudential standards, mergers, and amalgamations. Of course, these things will be gone into more thoroughly during the Committee stage.

In my opening remarks I referred to the dissimilarity between permanent building societies and credit unions, and therefore I do not believe they function as similar institutions and that where possible the same standards should apply. There are some areas in the control of any financial institution, be it a full bank under the Banking Act, a merchant bank, a financial company operating nationally, or a credit union, a Staff Bowkett society, or a terminating building society. A multitude of people in this country are involved in what we call our securities industries, and that even takes into account the sharebroking component of the securities industries. They do have similar functions by virtue of the fact that they handle large volumes of money but, frankly, that is where much of the similarity ends.

In fact I am surprised to see that this statement follows up the fact that building societies are required to have a 12.5 per cent liquidity while credit unions are to lift their liquidity to 10 per cent. If there is any similarity between the two of them, either the credit unions should have it higher or both institutions should have it at the same level. I would like the Leader of the House to advise us what the difference is. If they are similar, why are building societies, which tend to lend long term, placed in the category of credit unions which tend to lend short term and provide ready withdrawals from the automatic telling machines?

I turn now to the historical reasons and the association of building societies and credit unions with the household sector. I presume it is basically because they are providing consumer credit. Of course, the building societies are very much in the long-term mortgage market rather than the general cash turnover market of the credit unions. But the second reading speech goes on to say -- and this is particularly important -- that the institutions must retain public confidence to survive. I could not agree more. These institutions are very much a part of the public life of Western Australians, and it is indeed very important that they retain public confidence in order that they may survive. But with all due respect to the Government, in recent times these institutions have done a remarkable job of weathering the storm.

I am not one to speculate in the area of lending institutions that may in any way affect their liquidity because it does not matter how strong an institution is, in any country or in any State, the spreading of rumours and any decline in public confidence will be an embarrassment to it, irrespective of its capital base. We saw that yesterday with the United States Reserve Bank's move into the capital markets and the stock markets in an attempt to reduce the slide in the Dow Jones index and all that surrounded the euphoria of yesterday's market.

Hon J.M. Berinson: I thought it was despair rather than euphoria.

Hon NEIL OLIVER: It could be despair but it is quite amazing that when one reads the newspapers and sees how well the television deals with these matters, one realises that there were a lot of sellers yesterday. When one sells something, there are always buyers because one cannot sell unless one has a buyer. Yesterday there were a lot of buyers around. I have a lot of regard for the Leader of the House; he is a very astute investor. There is no better time to buy than when things are down and one is cashed up.

Hon S.M. Piantadosi: Were you a buyer?

Hon NEIL OLIVER: I am sorry, I do not intend to disclose the discussions I might have had with the Leader of the House on private matters regarding our investments. We already have a requirement to disclose all sorts of things and I do not intend to comment on that this evening. If I do so, I will probably run into difficulty because it is irrelevant to the Bill.

I refer now to the role of the registrar. I believe that in the Committee stage there will need to be a closer examination of this matter. There are many instances where the role of the registrar is all-powerful. In fact his power almost surpasses that of the Governor of the Reserve Bank. In one instance he even breaches the Companies Code. While I have been more specific about the role of building societies, I would like to place on the record that in the other Australian States the view has always been held that building societies in Western Australia had grown too fast and had exhibited innovation in their approach to housing, which other, more conservative -- if they could be called that -- building societies in other

States would not care to try. However, Western Australia has been very fortunate. It has not had the support of the State banks, particularly the savings banks. This was referred to by Hon Max Evans when he spoke of the Commonwealth Savings Bank. The second largest bank in the country is the State Bank of Victoria, more commonly known as the State Savings Bank of Victoria; similarly, we have the State Bank of South Australia and the Rural and Industries Bank of New South Wales. These banks, through their credit financiers, have had a major impact on housing in those States. There are people in those States who would not own their homes collectively if the level of home ownership was not due to the activities and success of those State banks.

Western Australia has been less fortunate. Although the Commonwealth Savings Bank was mentioned earlier, it has never taken the role of a State bank, yet the Commonwealth Savings Bank is recognised in the Statutes there as being the State bank of Queensland. Therefore we in Western Australia have somewhat had to fend for ourselves. It is on that basis that I want to pay tribute to successive Governments, including the Tonkin Government, which came forward with some very advanced reviews of building society legislation. Legislation was adopted in Parliament during the term in office of the Tonkin Government and during the terms of successive National Party-Liberal Party Governments. The role of building societies has resulted in the provision of a very high level of home ownership in Western Australia under lending conditions that are equalled nowhere else in the Commonwealth. Their record and their ability to weather the storms of credit squeezes and the problems of the money market have shown them to be expert commercial bankers. I believe it would be remiss of us not to pay recognition to that role. It is for that very purpose that I do not see why they should be joined together in a Bill with credit unions because I believe that there is no similarity.

I refer to the proposal to repeal the requirement of an advisory committee. We have had some 10 or 12 building societies in WA. There was no doubt very much a role for a building society advisory council to the Minister for Housing, as it was, and might one say that as we have now reduced the number of building societies in this State to five or six, the council's role may have diminished. However, if one cares to examine the role of the registrar of building societies, who is supplanting the role of the Minister and can make decisions without referral to the Minister, I believe that one would find it inappropriate to repeal the building societies advisory committee. A registrar acting in isolation within the Treasury in this particular case, having now been moved from the position of State Housing Commissioner, needs to have consultation with a committee such as that which is currently contained in the Act. I oppose the repeal of that and I trust that the Leader of the House will support me in that.



I would like to pay a tribute to Bruce Brotherson, who was the registrar of building societies in Western Australia. He presided over the enormous growth that occurred in the funds which became available to building societies. In addition, he assumed the role of credit union registrar, at one stage very reluctantly, during his term there. We saw growth, solidarity and none of the problems that has occurred over the past six months and which were evident over the past 18 months. I look forward to hearing from the Leader of the House when he replies to the second reading debate and in the Committee stage of the Bill.

Debate adjourned, on motion by Hon Fred McKenzie.

*House adjourned at 9.50 pm*

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**Vote only in one way**

<b>This way</b>	<b>OR</b>	<b>This way</b>
		
<div style="border: 1px solid black; padding: 2px;">Place the number 1 in <u>only one</u> of these squares to show the voting ticket you choose. (d)</div>		<div style="border: 1px solid black; padding: 2px;">Place the numbers 1 to (e) in the squares to show the order of your preference for the candidates.</div>
(f) <input type="checkbox"/> (g)		<input type="checkbox"/> (h)
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(f)   or <input type="checkbox"/> (g)		<input type="checkbox"/> (h)
(f)   or <input type="checkbox"/> (g)		<input type="checkbox"/> (h)
(f)   or <input type="checkbox"/> (g)		<input type="checkbox"/> (h)

**Vote only in one way**

<b>This way</b> 	<b>OR</b>	<b>This way</b> 
<p><b>"Fill in one square only."</b> Place the number 1 in one of these squares to show the voting ticket you choose. (e)</p>		<p><b>"Fill in all squares."</b> Place the numbers 1 to (d) in the squares to show the order of your preference for the candidates.</p>
<p>(e)    <input type="checkbox"/>    (f)</p>		<p><input type="checkbox"/> (i) <input type="checkbox"/> (j) <input type="checkbox"/> (i) <input type="checkbox"/> (j)</p>
<p>(e)   or   <input type="checkbox"/>    (f)</p>		<p><input type="checkbox"/> (i) <input type="checkbox"/> (j) <input type="checkbox"/> (i) <input type="checkbox"/> (j) <input type="checkbox"/> (i) <input type="checkbox"/> (j) <input type="checkbox"/> (i) <input type="checkbox"/> (j)</p>
<p>(e)   or   <input type="checkbox"/>    (f)</p>		<p><input type="checkbox"/> (i) <input type="checkbox"/> (j) <input type="checkbox"/> (i) <input type="checkbox"/> (j)</p>
<p>(e)   or   <input type="checkbox"/>    (h)</p>		<p><input type="checkbox"/> (i) <input type="checkbox"/> (j)</p>

**QUESTIONS ON NOTICE**  
**EDUCATION: UNIT CURRICULUM**  
*Staffing Formula*

365. Hon NEIL OLIVER, to the Minister for Community Services representing the Minister for Education:

Is the 1987 staffing formula to be revised to enable the department's programme unit curriculum to be successfully introduced in the calendar year 1988?

Hon KAY HALLAHAN replied:

There has been no alteration to the standard formula by which secondary schools have been staffed. It is considered that the unit curriculum can be successfully introduced within the provisions of this formula.

**CHARITABLE ORGANISATIONS: INCORPORATED**  
*Lotteries Commission Funding*

376. Hon P.G. PENDAL, to the Minister for Sport and Recreation representing the Minister for Racing and Gaming:

- (1) Is it correct that the Lotteries Commission will only grant financial subsidies to community organisations that are incorporated bodies?
- (2) If so, could she explain how subsidies were granted to --
  - (a) the Marra Worri Worri Aboriginal Corporation;
  - (b) the Alcoholics Recovery Rehabilitation Centre at Mandurah;
  - (c) the Leeming Senior Citizens Retirement Village,
 none of which is an incorporated body?

Hon GRAHAM EDWARDS replied:

- (1) No.
- (2) Answered by (1).

**HAZELMERE HERBS**  
*Prestige Brickworks: Fluoride Emissions*

379. Hon NEIL OLIVER, to the Minister for Community Services representing the Minister for Environment:

- (1) Has the Environmental Protection Authority been approached by or has it approached Hazelmere Herbs, a major supplier of herbs to restaurants, located at 64 Talbot Road, Hazelmere, in regard to the proposed brick kiln on the former Midland abattoirs site?
- (2) If not, can the Minister give an assurance that there will be no detrimental effects to the produce sold from the property for human consumption due to fluorine acid emission from the brick kiln to be constructed on the site?

Hon KAY HALLAHAN replied:

- (1) No.
- (2) Yes. The conditions I have set on the project will ensure that ground level concentrations of fluoride are 25 000 times lower than accepted occupational health standards. At these concentrations, no detrimental effect is anticipated to plant species generally. In the event that any particularly sensitive species is affected, the EPA would immediately require the brickworks to reduce fluoride emissions.

**QUESTIONS WITHOUT NOTICE**  
**COMMUNITY SERVICES DEPARTMENT**  
*Advisory Staff*

209. Hon W.N. STRETCH, to the Minister for Community Services:

- (1) Does her department have advisory staff working in the agricultural areas now? I asked a similar question some months ago in regard to the north eastern wheatbelt.
- (2) If so, how many, and are they working with organisations such as Agcare which is a voluntary group trying to offer community support to people in bankruptcy or extreme stress and other situations?

Hon KAY HALLAHAN replied:

- (1) As a result of the crisis in the rural sector last year, the Department of Community Services had all its staff go through workshops and training to sensitise them to the needs of people in the area to which Hon Bill Stretch referred.
- (2) I cannot answer the question about Agcare, but I presume that if it is involved in the community in providing services there would be links with the department. That would be the usual thing to happen. With regard to particular financial problems, a counsellor attached to RAFCOR has done an excellent job. A senior social worker, Cathy Stevens, has been very accessible to people and families with financial difficulties and assisting them in getting access to the relevant support and services they need.

**EDUCATION: HIGH SCHOOL**

*Pinjarra: Land Allocation*

210. Hon B.L. JONES, to the Minister for Community Services representing the Minister for Education:

Will the Government honour its undertaking to set aside land for a proposed new high school in Pinjarra?

Hon KAY HALLAHAN replied:

I thank the honourable member for prior notice of the question.

Yes, the Minister for Education has informed the Education Department to begin the process of setting aside a site for future high school development in Pinjarra.

The member will be well aware that the Government has allocated \$1.3 million for much needed upgrading of the school. It is therefore not proposed to shift to another site in the immediate future. But in accordance with a pre-election undertaking, the land will be a provision for further development and expansion as Pinjarra grows.

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