

second reading said: The purpose of the Bill is to continue the Act passed by Parliament in 1930 as a result of the unemployment that followed the advent of the depression. It was hoped then that the conditions which necessitated the relief embodied in this legislation would not continue in existence over a protracted period, and, consequently, the Act was made operative for only one year. Unfortunately, a considerable section of our community has continued to experience depression conditions since the enactment of the initial Bill, with the result that, during each of the last six years, the Bill has been brought before Parliament for re-endorsement. The Act now operating makes provision for the tenant, purchaser, or mortgagor to take action in the court to obtain a stay order to prevent the landlord, owner, or mortgagee from exercising his rights. Under other legislation, the latter are not debarred from exercising their rights, unless the tenant, purchaser, or mortgagor concerned makes application for a stay order. In that case, both parties are summoned to appear before the court. Consideration is then given to all the circumstances and a decision is made on the result of evidence heard and facts adduced. Rights under this Act are given only to persons in difficult circumstances, by reason of unemployment or part-time employment. Despite the general improvement in economic conditions during recent years, the necessity still exists for the continuation of this legislation. Last year 27 applications were made to the court under the provisions of the Act. There would have been a considerably greater number of applications for stay orders but for the fact that there is no legislation preventing people from contracting themselves outside the provisions of the Act. A provision is contained in the present Bill to prevent this practice. This amendment seeks to debar landlords and mortgagees from taking advantage of a person's unfortunate economic position for the purpose of compelling him to sign away his rights under the law. Members will join with me, I am sure, in the hope that this witnesses the last occasion on which it will be necessary for legislation of such a nature to receive their consideration. From long experience with the conditions of part-time employment and unemployment in the Fremantle district, I feel it is absolutely necessary for this legislation

to be continued for at least another year. I move—

That the Bill be now read a second time.

On motion by Hon. H. V. Piesse, debate adjourned.

House adjourned at 7.49 p.m.

Legislative Assembly.

Tuesday, 29th September, 1936.

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The SPEAKER took the Chair at 1.30 p.m., and read prayers.

QUESTION—BUTTER, LABELS.

Mrs. CARDELL-OLIVER asked the Minister for Agriculture: 1, Is he aware that butter is being sold, contrary to law, in wrappers marked "North Coast" and "Bunbury" which has not been produced in the places named? 2, If so, will he give instructions for proceedings to be taken against the persons or firms who are breaking the law?

The MINISTER FOR AGRICULTURE replied: 1, Yes, and have considered amending legislation to prevent the practice. 2, The matter is in the hands of the Dairy Products Marketing Board, who are dealing with it. Anyone can, however, take action under the Criminal Code.

QUESTION—TROLLEY BUSES, CLAREMONT ROUTE.

Hon. C. G. LATHAM asked the Minister for Railways: 1, Have tenders been accepted for one complete unit and eleven chassis and

material required for trolley buses? 2, If so, before committing the State to the expenditure for the buses and material required for the installation of trolley buses from Perth to Claremont, will he give the House an opportunity to discuss the item?

The MINISTER FOR RAILWAYS replied: 1, Not yet. 2, Full opportunity has already been given.

QUESTION—OLD MEN'S HOME.

Hon. N. KEENAN asked the Minister for Health: 1, What is the cost of board and lodging for an inmate in the A, B, and C wards of the Old Men's Home? 2, What is the cost under the same heads for an inmate in the D ward and the hospital respectively? 3, What is the cost of administration for A, B, and C wards, and for the D ward and hospital respectively?

The MINISTER FOR HEALTH replied: 1, 2, and 3, The cost of maintenance of all inmates at the Old Men's Home is 14s. 3½d. per week. No attempt is made to keep a costing system which will indicate the costs separately of the various types of wards in the institution.

BILLS (3)—THIRD READING.

- 1, Cue-Big Bell Railway.
- 2, Fremantle Literary Institute Mortgage.
- 3, Land Act Amendment.

Transmitted to the Council.

MOTION—COMMONWEALTH GRANT.

Decreased Payment to Western Australia.

THE DEPUTY PREMIER (Hon. M. F. Troy—Mt. Magnet) [4.36]: I move—

That this House views with apprehension and alarm the serious effect of the reduction of the Commonwealth grant by £300,000 on the economic position of the State, and respectfully requests the Commonwealth Government to restore the grant to the same amount as was paid in the year 1935-36.

As hon. members are aware, the third report of the Commonwealth Grants Commission has just been issued, and the recommendation in regard to this State is that a grant of £500,000 should be paid to us for the financial year 1936-37. The grant paid last year was £800,000. The principles and

methods adopted by the Commission are set out in the report, which is a voluminous document, covering more than 260 pages of written matter and tables. It is a document that is well deserving of the attention of members. It will be recollected that the Commission were appointed three years ago for the purpose of making recommendations as to the amounts of grants to be paid by the Commonwealth Government under Section 96 of the Constitution. The Commission were also charged with the task of providing a formula whereby such grants could be automatically adjusted. This latter task the Commission have been unable to accomplish, and very elaborate calculations have been made in order to arrive at a basis for the recommendations. When the Commission were appointed, they invited the claimant States to submit particulars of their claims and this State appointed an advisory committee which prepared a case for presentation to the Commission. The case contained evidence in support of a claim of £1,500,000 to be granted to Western Australia. The grounds of this claim were as follows:—

(a) The relationship of population to the size of the territory, and the consequential high administrative or overhead costs of the services of government.

(b) The inequality in the relative burdens of Federation upon a State which is predominantly engaged in agriculture and other primary industries.

(c) The absence of economical compensation to the State to balance the effects of national fiscal policy, and the resulting inability of the State to assist adequately the primary industries or develop secondary industries without a special grant by the Commonwealth.

(d) The effects of the foregoing upon the finances of the Government of the State.

It will be noticed that our claim was based on disabilities imposed upon us as a result of Commonwealth policy, and right from the inception of Federation, this had been recognised as a legitimate ground for Commonwealth assistance. During the first five years of Federation, Western Australia was entitled to levy Customs duties on imports from the Eastern States. The object of this concession was to assist the State to readjust its finances when the right to impose Customs duties was handed over to the Commonwealth Parliament. For the first ten years of Federation each State received from the Commonwealth 75 per cent. of the Customs and excise duties collected in the State. On the expiration of that period, an agree-

ment was entered into between the Commonwealth and the States whereby the Commonwealth returned to each State 25s. per head of population. Our right to special consideration was again recognised when a special grant over and above the payment of 25s. per head was allowed to us. We received the sum of £250,000 per annum, diminishing each year by £10,000. Before the expiration of what was known as the per capita agreement, it was felt that the scope of the diminishing grant was inadequate, and as a result of strong representations to the Commonwealth Government, a Royal Commission was appointed to investigate our disabilities under Federation.

The Commission consisted of Messrs. Higgs, Mills and Entwistle. The Commission visited Western Australia in 1925 and recommended that a special grant at the rate of £450,000 per annum should be paid to us pending an amendment to the Constitution to give us fiscal autonomy. The Commonwealth Government paid the State at the rate of £300,000, which was continued until 1932. Further representations led to the grant being increased to £500,000 for 1932-33, and to £600,000 for 1933-34.

In 1933 Messrs. Eggleston, Giblin, and Sandford were appointed a Commonwealth Grants Commission by the Commonwealth Government. In their first report the Commissioners intimated that disabilities were not in themselves grounds for special assistance by the Commonwealth. This was the first time in the history of Federation that our right to a special disabilities grant was questioned. The two subsequent reports of the Commission have merely emphasised this view, and the Commissioners followed the lines adopted in their first report, basing their recommendations on the needs of the claimant States, and not on their disabilities. In the report members will find that the "needs" are defined as follows:—

Special grants are justified when a State, through financial stress from any cause, is unable efficiently to discharge its functions as a member of the Federation, and should be determined by the amount of help found necessary to make it possible for that State by reasonable effort to function at a standard not appreciably below that of the other States.

In their earlier report the Commission stated that the standard at which a claimant State should function could be as low as the Commonwealth desired. In other words, before being called upon to make any grant, the Commonwealth could insist that the scale of

social services be low, or that the rate of taxation be severe, or both. The Commission held that it was a matter entirely for the Commonwealth Government to determine in any circumstances. In the third report the Commission somewhat modified these views, and arrived at the conclusion that the standard of the claimant States must not be appreciably below that of the non-claimant States. Though the Commission refuse to recognise or admit disabilities as a ground for a grant, they do admit that disabilities may have an important effect on the application of the principles adopted, and, in assessing the grants for this year, the Commission have made us some slight concession on account of our recognised disabilities under the policy of protection. The Commission have not, however, made any allowance whatever to us on account of our higher cost of administration, due to large territory and small population. The basis adopted by the Commission in arriving at the grant is to compare the budgetary position of the claimant States with those of the non-claimant States. For this purpose the financial position of New South Wales is excluded, because the Commission maintain that special services are provided by that State which are not common to the other States. The average deficit of Victoria and Queensland has therefore been taken as what is termed a normal standard with which to compare the deficits of the claimant States. The grant to this State for this year is made up as follows:—

	£	£
On the basis mentioned the standard deficit for Western Australia was calculated to be	...	161,000
The year on which the grant is based is 1934-35, when our actual deficit was	...	167,000
To which was added our Commonwealth grant for that year	600,000	
Special Commonwealth grant	133,000	
Small special adjustment re group interest	...	5,000
		<hr/> 738,000
Our adjusted deficit was thus	...	905,000
From this was subtracted the standard deficit of	...	161,000
		<hr/> £744,000
Leaving a difference of	...	
Which was our unadjusted grant for this year.		

To this, further adjustments were made as follows:—

Add allowance for economy in administration expenditure	...	20,000
		<hr/> £764,000

Then the Commission assessed the penalties and deducted—

For extravagance in social services	£	£
... ..	188,000	
For low taxation	120,000	
		<u>308,000</u>
Leaving		456,000
Add special allowance for effect of drought on the finances of the State		44,000
		<u>500,000</u>
Making a final grant for this year		£500,000

The Commission decided that a claimant State must be showing economy in the provision of social services and prudence in loan expenditure, and be bearing a higher level of taxation than the average. The standard fixed for social services is six per cent. below the standard set by the average of Victoria and Queensland. The amount by which our cost exceeds that standard is deducted from the unadjusted grant. This excess came, as I have shown, to £188,000. In regard to loan expenditure the Commission criticised us severely for extravagance in the expenditure of loan moneys. The report states that the main causes of our inferior financial position are the serious losses arising from reckless financing of wheat settlements, and the attempt at dairy settlement in the South-West. It is noteworthy that in the 16 years since 1920 we have spent about £30,000,000 of loan money in the development of agriculture, and that in that same period our imports from the Eastern States have totalled £128,000,000. On a conservative estimate, based on the inquiry already made by the Government Statistician, the subsidy paid by consumers in Western Australia to manufacturers in the Eastern States on the goods thus imported would not be far short of the total amount spent by Western Australia on agricultural development. If we had not spent this money in the development of agriculture, for which we are now criticised by the Commission, Eastern States manufacturers would not have enjoyed the benefit of the Western Australian market, which absorbed their goods to an amount of £128,000,000; and to this extent the expenditure complained of in Western Australia has benefited, greatly benefited, the Eastern States. In regard to group settlement the Commission state that soil and settlers were unsuitable, and that the only favourable feature was the heavy rainfall. It will be

obvious, I think, to anyone possessed of even the slightest knowledge of local conditions, that such a criticism is entirely valueless, in view of its extravagance. It is all the more so when it is remembered that the Commission paid only two flying visits to the group areas.

Hon. C. G. Latham: Did the Commissioners ever visit Southern Cross and Esperance?

The DEPUTY PREMIER: I do not think they ever went there. When they visited this State last year, evidence was submitted to show that areas on which group settlements had been founded were quite suitable for dairying, and the Commissioners admitted that their statements were too sweeping, and were unjustified. If so little regard is paid by the Commission to the evidence placed before them, it naturally raises doubts as to the value of the submission of any evidence; and it would appear that the Commissioners made up their minds even before hearing the evidence. The Commissioners have not publicly admitted that their previous criticism in respect of the South-West was in any way unjustified. The report states that because of our extravagance in loan expenditure, our State taxation should be 10 per cent. in excess of the average taxation of all the States. In other words, whatever the average burden of taxation is on all the States of Australia, Western Australia should impose additional taxation to the extent of 10 per cent. above this average, in order to make good what the Commission regard as the losses on reckless loan expenditure. The net losses on public debt per capita are—

In South Australia—£4 13s. 8d.

In Western Australia—£4 11s. 7d.

In Tasmania—£4 2s. 9d.

Whereas the Commission hold that this State is due for a penalty of ten per cent., they hold that with respect to South Australia a penalty of only seven per cent. is necessary. In the face of the figures given, that contention cannot be justified. As regards Tasmania, where the per capita losses on loan expenditure are not much below those of either South Australia or this State, no penalty whatever is imposed. At this point it may be significant to mention that the personnel of the Commission until this year consisted of the chairman, who is a Victorian,

one representative who is a South Australian, and one who is a Tasmanian. The Tasmanian representative, Professor Giblin, was responsible for the preparation of Tasmania's claim for a grant before the Commonwealth Grants Commission was established; and it is most significant that the basis adopted by the Commission is almost identical with the basis on which Tasmania's claim was constructed. It is also significant that most, if not all, of the concessions granted by the Commission have been to the benefit of Tasmania and to the detriment of Western Australia. When it was known that two members of the Commission were retiring, Mr. Collier, our ex-premier, requested the Commonwealth Government to appoint a representative from this State to one of the vacancies; but our request was not granted, and another Tasmanian was appointed; so that now there are on the Commission two Victorians and one Tasmanian. If a Western Australian had been appointed, the confidence of the people of this State in the work of the Commission would have been greatly strengthened, and it would have provided the basis of a more cordial relationship between this State and the Commonwealth than has existed for some time. Now, although the Commission considered at our taxation should be ten per cent. above the average to make good the losses on loan expenditure, this percentage was ultimately reduced to five per cent.; first, by three per cent. on account of the responsibility of the Commonwealth for assistance in the development of the north-west portion of this State, and, secondly, by two per cent. on account of the fact that the tariff burden rests more heavily on Western Australia than on any other State. That is a reluctant admission, and the only admission made at all, that the tariff burden is responsible for many of our disabilities; but so far the Commission have not given any special recognition to that fact. The final recommendations of the Commission with regard to the States are as follows:—

South Australia shall receive £1,330,000, or at the rate of £2 5s. 4d. per head.

Western Australia shall receive £500,000, or at the rate of £1 2s. 3d. per head.

Tasmania shall receive £600,000, or at the rate of £2 12s. 0d. per head.

With an optimism which is entirely unfounded, the report concludes with the statement that the Commonwealth and the

claimant States are practically in agreement in approving of the principles and methods of assessment formulated in the report. Much, of course, depends upon the interpretation of the word "practically," but it can hardly be deemed to cover a strong protest by the State against the exclusion of disabilities as the ground for a grant—a protest which this State has made on every occasion when opportunity offered. It will be seen that Western Australia, the greatest sufferer from the policy of protection, and which should, in ordinary circumstances, be entitled to the greatest grant, receives the smallest per capita grant, being less than half of the per capita grant paid to South Australia. It has always been held in Western Australia that a grant for disabilities imposed by Federal policy is no more than the recognition of a just claim for compensation; but a grant for "needs" is charity, and the recipient must be prepared to accept whatever the donor is willing to give. This subjects the State to great humiliation, which is a constant source of irritation in the relations between Western Australia and the Commonwealth. One of the most unsatisfactory features of the Commission's report is that the recommendation is based on the budgetary position of two years ago; and quite apart from any other criticism which might be involved against the Commission's basis, this in itself is sufficient to render the recommendation unacceptable. A lag of two years would be of no material consequence in the case of a State whose economic conditions were stable; but in the case of a State like Western Australia, which is so dependent on seasonal conditions, a lag of two years may have, and on this occasion actually has, very serious consequences. To some extent the Commission admit this, saying, "If conditions are changing rapidly, such a recommendation might prove to be in serious disharmony with the needs of the State for 1936-1937." The disharmony, which has been occasioned by the changing conditions in this State since 1934-35, is a further reason why the Commonwealth Government should render great assistance to Western Australia this year. Hon. members know that the economic conditions in this State are not as satisfactory as they were two years ago. In 1934-35, considerable sums from overseas were being invested in the gold-mining industry in the State, whereas now that

flow of investments has been very much reduced. Loan expenditure two years ago was heavier than it will be during the current financial year, and the effect of the curtailment of both sources of spending power must be to decrease the revenue of the State. These moneys are not recurring, and it is not safe to judge the prosperity of the State now on the conditions that obtained two years ago or on the expenditure incurred then. Last year we suffered from the effects of a very severe drought in the main wheat areas of the State in consequence of which considerable expense was involved in supplying relief to the settlers in the affected areas. There again the State suffered considerably.

Mr. Marshall: And what about the wool position? The pastoralists also suffered last year.

The DEPUTY PREMIER: Yes, that is correct. Though the present season showed promise in the opening stages of being favourable, the rains have not continued. The outlook for the season is extremely pessimistic, and, in addition, water supplies have not been replenished. I am hopeful even now that rain will arrive in time to relieve the situation on the wheat belt, but even so, it could not, by any means, restore the conditions that obtained a month ago. It is getting too late now to expect any improvement in the season's conditions, which are unquestionably the worst in the history of the State, and to relieve the position the Government will be embarrassed by very heavy expenditure. In addition to the failure of the rains in the agricultural districts, the northern portions, which are the pastoral districts, are at present experiencing the worst drought in the history of Western Australia. As I pointed out a few nights ago, the drought has been so calamitous that many stations are now almost denuded of sheep and on many others, the flocks are maintained only by hand feeding. It is obvious that substantial concessions will have to be made to the pastoralists—the Government have already introduced legislation for that purpose—in addition to which the revenue we may expect from the industry will decrease very considerably because the return from the woolclip will be much below normal. The unfortunate position in pastoral and agricultural production will have an adverse effect on the employing capacity of our other industries, not only in those primary industries themselves but in the transport,

and other handling, of their products. This will further accentuate the difficulties of the State in carrying on adequately and keeping the people employed. I feel sure that had these factors been known to the Commission before their final recommendations were made, basing our claim on our needs alone, the Commission would not have selected this year to single out Western Australia for a much heavier reduction of the grant than is the case in South Australia and Tasmania, where the seasons are good. South Australia still receives a substantial grant, while Tasmania has received a very considerable increase over the grant of the previous year. I think hon. members will agree that an intelligent survey at the present time could not fail to impress any inquirer with the fact that the position of Western Australia is more unsatisfactory than it was when the larger grant was made available last year. The effect of the reduced grant requires no great amplification. Apart entirely from the effects of the drought, a budgeted surplus of £5,700 will be converted into a deficit of practically £300,000. That is to say, that would be the result if the season continued to be a normally satisfactory one. This deficit can be financed only from loan funds and even if our already reduced loan programme is provided, we will have insufficient money to meet our essential loan requirements and at the same time provide the necessary cash to finance the deficit. The Government are anxious to do their best to obtain budgetary equilibrium: they have done so in the past and will do their best to continue with the same objective in the future, but the incentive to do so will be largely discounted if a set of fortuitous circumstances operating in one year is to be taken as a guide in reducing the grant, which did not prove to be more than adequate at a time when the difficulties confronting the State were much less than they are to-day. Members will appreciate, I feel sure, the difficult position of the State because of the climatic conditions that now obtain. A great many people will require help, and if ever there was a time in the history of Western Australia when our needs, if not our disabilities, were entitled to every consideration, it is now. In submitting the motion to the House, I hope it will receive unanimous support.

HON. C. G. LATHAM (York) [5.9]: I rise for the purpose of seconding the motion.

I am sorry its wording is not more drastic. I think we ought at the outset to have protested against the unwarranted abandonment by the Disabilities Commission of the basis adopted for assessing compensation payable to the State for disabilities incurred under the Federal regime, and also arising from Federal policy. We should have set out very clearly in the motion that we consider the basis upon which the Commission's report is framed as being entirely wrong. It seems to me that the motion, as worded, will not convey to the Federal Government the grounds on which we consider the report of the Disabilities Commission is wrong, and on what grounds we oppose the findings of the Commission. It is true, as the Deputy Premier pointed out, Western Australia will suffer a loss of £300,000. While remembering that point, we should set out clearly that we regard the basis of the Commission's findings as unsound. The Deputy Premier pointed out that the basis of computation decided upon by the Commission gave little consideration to the point he mentioned, namely, the money despatched from Western Australia to the Eastern States for the purchase of goods in respect of which the Governments of the Eastern States derived benefit through the expenditure of our funds. It was originally intended that the grants should be based on the disabilities suffered by the smaller States as a result of Federation and of Federal policy. If hon. members look through Federal "Hansard," they will note what the Prime Minister of Australia, when introducing legislation that resulted in the creation of the Disabilities Commission, had to say and also the views expressed by members of the Federal House. In my opinion, the members of the Commission have refused to recognise the principle of compensation for Federal disabilities. It has resolved itself into a position of charity, or needs. If the matter were to be determined from the standpoint of needs, I suppose we could easily slip into the position of being able to quote a great many needs, but that would be extremely wrong in principle. There are no two States of Australia where the economic conditions are identical. Let members consider the various States for themselves, starting from Queensland and including Tasmania in their survey, and finishing up with Western Australia. They will at once appreciate the fact that the economic con-

ditions are by no means identical. It is therefore impossible for any Commission to fix a satisfactory standard upon which to base their recommendations. The protest should be against the methods used by the Commission for assessing the State grants. Apparently the members of the Commission have assessed the needs of the State and refused to recognise the principle of compensation for Federal disabilities. I advance that contention because the Commission say, in paragraph 239 on page 99 of their third report, when setting out matters relating to the financial position—

We take the published deficits of the States for 1934-35 as our starting point. To these we add special grants for States receiving them, the non-recurring grant of £2,000,000 made to the States by the Commonwealth, and then add or subtract certain items, calling the net effect "correction."

Then they set out a table showing exactly what the deficits were, after taking into consideration the special grants made to the States that received them, and add—

The standard deficit in accordance with paragraph 213 is taken as the mean of the deficits per head for Victoria and Queensland, or £.364 per head.

Previously, they started off taking the non-claimant States as the standard on which to fix a basis for the other States. Last year in their third report they eliminated New South Wales and, in their second report, the Commission stated that they eliminated New South Wales for the reason mentioned by the Deputy Premier, namely, that there were certain conditions in connection with the expenditure on social services in that State—I presume they referred to childhood endowment in particular—which did not have a general application. Last year they took Victoria and Queensland and fixed the normal standard of the deficit at £.364 per head. I wanted to show that if they had included New South Wales we would have been better off because, instead of receiving only £460,000, which is the amount we will receive, not £500,000—the difference represents an advance on this year and will be taken into consideration when fixing any grant that may be made to Western Australia for the current financial year—we would have been allowed a larger amount. I do not know what is going to be the result next year if they do not make any grant

at all, seeing that the £500,000 for this year is £44,000 in excess of the amount recommended. If New South Wales had been included, the total grant would have been nearer £750,000. Thus, if they had started by taking the deficits of all the non-claimant States as a basis, Western Australia would still have fared better. Had this State last year expended money, as it might have done, in the direction of assisting our primary industries to a greater extent than we did, we would have received a considerably larger grant. (On page 13, paragraph 18, of the Third Report, we find the following statement:—

While the Commonwealth Treasury raised some objections to the system of basing State grants on budgetary results, and expressed some regret that the basis adopted by the Commission for assessing grants differed so materially from the principle accepted by the Commonwealth Governments for many years, namely, compensation for disabilities due to Federation and Federal policy, it has now expressed a willingness to assist the Commission to apply the principles and methods set out in its second report. The attitude of the Commonwealth Treasury is indicated in the following extract from the evidence tendered to the Commission by the Treasury in Canberra recently:—

It is not now proposed by the Commonwealth Treasury, however, to continue to stress the principle of payment on the ground of disabilities, seeing that that basis has apparently been abandoned by the Commission. The Treasury intends rather to address itself to the task of assisting the Commission to apply the basis set out in the second report in a manner acceptable to all the Governments concerned, whilst at the same time securing as great a degree of fairness in the incidents of the scheme as is possible under the circumstances, having regard to what may be accepted as the inherent dangers of a scheme of basing Commonwealth grants on budgetary results.

The Deputy Premier: They are only making excuses.

Hon. C. G. LATHAM: When the legislation was introduced, it was in the minds of the Federal Government that we should get assistance, not on our needs, but on the ground of disability. But this Commission has taken on itself the responsibility of altering that policy. Let us see what took place when the Bill was introduced. In Volume 139 of the Federal Parliamentary Debates, page 1571, it will be found that the Prime Minister was dealing with the dis-

satisfaction being caused by the methods adopted. He stated—

This has meant that in the end the amount of the grants has been determined in a more or less arbitrary manner. In 1923-24 the special grants to Western Australia and Tasmania totalled over £200,000. In 1928-29 the payment had reached a total of £520,000. In the present year the grants being paid to Tasmania, Western Australia and South Australia are costing the Commonwealth £1,330,000. But in spite of this increase from 1923-24 to the present year, requests have been received for substantial increases in the grants for the next financial year. When the Budget was brought down last year, I made the following statement on this subject:—

The Government considers that these large grants are justified only because of the difficult and special circumstances now existing, and that grants of such magnitude cannot be taken as a basis for permanent or long-term release. It is, however, undesirable that annual application should be necessary from the States for Commonwealth assistance, and the Government is convinced that, as soon as normal conditions return, some definite plan must be adopted for determining what grants should be made to the States over a period of years.

That was the view expressed by the Prime Minister when this legislation was introduced. It will be noticed that he said they had no proper system of determining the grants, and that they had been determined in a more or less arbitrary manner. Anybody reading the No. 2 report must come to the conclusion, as I myself have done, that they did determine this in an arbitrary manner, because there is no really sound basis. Again, it was the intention that there should be some definite plan laid down. Admittedly, during the last two years there has been some more or less definite plan, but it does not provide either a solution or any permanency as to what the future may hold in store. The present State Government have budgeted in the belief that they were to get the same grant as they got last year, and so it is now clear that there must be a deficit of £300,000 for the year. I do not see how any State Government can carry on in those circumstances. It is only reasonable that we should make an emphatic protest to the Federal Government. May I point out that, while the Prime Minister was speaking on page 1572 of Volume 139 of the Federal Parliamentary Debates, Mr. Gregory made an interjection which elicited a significant statement. Mr. Lyons had said that a comprehensive investigation should be made, whereupon Mr. Gregory interjected, "It will

be comprehensive in one sense only, that is as to the amount of money that shall be paid, and not as to the disabilities of the State." In reply Mr. Lyons stated:—

The hon. member may rest assured that any State that makes application for a grant will also submit the grounds of its application, so that the whole subject will be inquired into by the Commission. If a State feels that as a result of, say, the operation of the tariff it is suffering disadvantage, there will be nothing to prevent it from not only putting that to the Commission as a reason why it should be assisted, but also assessing the value of that disadvantage. If that is done, the Commission must of necessity inquire into and report upon the amount that ought to be contributed by the Commonwealth to compensate for the disadvantage.

In the Commissioners' report very little consideration has been given to that aspect, notwithstanding that the promise was made by the Prime Minister to Mr. Gregory that consideration would be given to it. The basis of the computation is not any fiscal policy of the Commonwealth, but is on the budgetary deficit. I want to point this out so that we might get some idea as to where they start off from, and what were the views of the Commonwealth Government when they introduced this legislation. The Commission in its second report, on page 20, said this:—

On the whole there was a general and reasonable willingness on the part of the claimant States to accept the methods of the Commission as being satisfactory under the conditions ruling during the present abnormal and difficult period.

Despite statements we see in the newspapers occasionally, it is definite that this State never agreed as to the basis on which the Commission's finding was arrived at. The Deputy Premier has pointed that out and I remember that the ex-Premier, Mr. Collier, sent a telegram to the Eastern States complaining of the methods that were used, although at the time this State was receiving an increase of £200,000 on the amount of the previous year. The Commission departed from the principle adopted when assessing the grants for 1935-36. Last year New South Wales was left out of comparison in arriving at the normal standard. On page 142 of the third report, paragraph 388, we find these remarks:—

If there were a large number of States in the Australian Federation their average might be regarded as a fair normal standard, but there are only three non-claimant States, and their financial positions show great variation.

New South Wales, for example, has so many abnormal features that it is left out of the comparison. We regard the financial results of Victoria and Queensland as of equal value, and take a simple average of these as the normal standard. Our judgment is that on a broad survey of all the items entering into the financial position, this average may be taken as normal.

As I stated previously, they rejected New South Wales from the comparison because of what they call the many abnormal features of that State. However, I believe there is only one feature in New South Wales that could be taken as abnormal, namely, the child endowment, which is not to be found in the other States. In arriving at the severity of taxation New South Wales was included in the reports numbers 1 and 2, but excluded from the third report. If we turn to page 73 of the second report we find this—

The average severity of Victoria and Queensland is 103, and the figure for New South Wales is the same. We take this as the normal standard for taxation.

They excluded New South Wales, but at the same time they said it would not have made much difference had they included that State. The report continues—

This standard, however, we are varying for the different States according to our judgment as to the responsibility of the States for its financial position. We have carried out the principle of expecting every claimant State to make some effort above the normal standard, by taking for all of them a standard of social services about 6 per cent. more severe than the average of Victoria and Queensland, which is our ordinary standard. Now we are making the discrimination between States in respect to causes.

On page 117 of the third report, paragraph 294, we find that the Commissioners deal with the same position. They state—

We have now to determine the amounts to be added to or subtracted from the deficits on account of severity of taxation. This involved more than adjustment to a common standard. We are requiring claimant States to make an effort which will vary with the cause of their financial embarrassment, and expressing this in terms of taxation. This in addition to the common effort expressed in terms of social expenditure which we have already brought into the account. No special effort was required of Tasmania, but for South Australia we judged that it should be 7 per cent. of normal taxation, and for Western Australia 5 per cent. For normal severity we take the mean of Victoria and Queensland, which is 101. The standards of taxation are, then, 101 for Tasmania, 108 for South Australia, and 106 for Western Australia.

By excluding New South Wales they reached the figure of 101. They then arrived at these adjustments, South Australia standard 108, actual severity 112, and Western Australian standard 106, actual severity 101. For Tasmania the standard is 101, and the actual severity 99. If they had included New South Wales at the outset this State would have had the benefit of at least another £120,000 over and above the £500,000. The severity of taxation in New South Wales was lower last year than it was for the two previous years, and the average for the three non-claimant States would therefore have been proportionately lower. The average taxation figure was lower in New South Wales last year than it was in the year before. For example, the average which has been taken as being the Australian average, that is, the averages of Victoria and Queensland, is 101, but including New South Wales we find it is reduced to 96.

The Minister for Agriculture: They discarded Victoria and Queensland.

Hon. C. G. LATHAM: If the Commission had followed the methods adopted in its two earlier reports, instead of excluding New South Wales, the severity of taxation in Western Australia (even after including the 5 per cent. penalty) would have been on a par with the normal standard, and our grant would have been increased by £120,000. It is true they gave us a rebate of 3 per cent. owing to the disabilities of the North. Then we had the other item on which they determined the grant, in arriving at the normal standard for social services, the simple averages for Queensland and Victoria only were ascertained. Western Australia therefore was penalised to the extent of £188,000. This amount was deducted from our grant because of extravagance in respect of social services above the normal standard. Had the previous method been adopted, the expenditure of the three non-claimant States would have been 61s. 9d., compared with 59s. 1d. expended by Western Australia on social services. I will now turn to page 109 of the third report, paragraph 271. This is somewhat illuminating. At the bottom of the page there is a table dealing with the net cost per head of certain social services for the year 1933-34. If we take that year with 1934-35, and include all the non-claimant States we find that the figure works out

at 61s. 9d. If we take Queensland and Victoria by themselves for those two years we arrive at a figure of 50s. 7d. I should like to read paragraph 271—

We have thought it best, as explained in Chapter VII., to express our conception of the minimum standard in terms of social services expenditure, because that was the element of cost on which the data for comparison were most satisfactory. Variations in the standard, however, on account of the cause of financial inferiority will be expressed in terms of taxation. The normal standard for social services, i.e., the simple average of Victoria and Queensland, in 1933-34 was 52s. 5d. per head, and we take for the minimum standard 49s. 3d., or about 6 per cent. below the normal. The normal standard for 1934-35 was 55s. 4d., and the minimum standard 52s. For the reasons explained in paragraph 267 we take the mean of two years, 1933-34 and 1934-35, viz., 50s. 7d., as a fair basis. The mean expenditure of the three claimant States for 1933-34 and 1934-35 was—South Australia 50s. 7d., Western Australia 59s. 1d.

It will be seen that they deducted 6 per cent. from the averages of Queensland and Victoria, and brought them down below normal. Why did they not do the same for Western Australia? Instead of doing that they left the Western Australian figures as they were worked out, and did not make any deduction.

The Minister for Agriculture: That included miners' phthisis also.

Hon. C. G. LATHAM: Yes. That is not chargeable against any other State. When one takes into consideration the cost of social services, we find that generally speaking we are much lower than they are in the other States. Let me take education, for instance, and compare the cost with New South Wales. In that State for 1933-34 the cost was 28s. 8d., and in Western Australia 28s. 2d., and for 1934-35 the figures were, respectively, 30s. 6d. and 29s. 10d. If they had allowed us the same 6 per cent. reduction that was allowed to other States the adjustment would have been more in our favour. On page 128 of the third report, paragraph 332, the Commission states:—

It cannot be said that Western Australia has made any special sacrifice to put her finances right. During the eight years prior to 1934-35, her taxation had been lower than that of most other States.

I wish to quote a statement made by Senator Pearce, when the grant of £450,000 was made to Western Australia. He was opening his ministerial campaign in this State

during the 1925 Federal election, and made the following statement:—

The amount was not granted for the purpose of being splashed up in State enterprise or political adventures, but that the Commonwealth Government expected it to be used to give relief in the directions indicated by the Commission to those industries which it has been proved are suffering from the tariff, and from the other conditions of Federation that adversely affect Western Australia. One of these disabilities the Commission points out is the present high rate of State income tax, particularly on the higher incomes, which is undoubtedly driving capital out of the State.

Mr. Marshall: He ought to be an authority on political adventures.

Hon. C. G. LATHAM: I remember the Premier of the day (the member for Boulder, Hon. P. Collier) bringing down legislation providing for a reduction on the income tax because of the grant made by the Federal Government. The Commission now states that the rate of taxation in Western Australia has been very low. We were given the grant at that time to enable us to reduce taxation, so that there is no consistency about this action.

Hon. P. Collier: Our rate of taxation is not lower than the average for other States.

Hon. C. G. LATHAM: We are the third highest.

Hon. P. Collier: Yes.

Hon. C. G. LATHAM: I do not consider that is a very good reason.

The Minister for Agriculture: This State has the least capacity for high taxation.

Hon. C. G. LATHAM: It is interesting to read more of Sir George Pearce's speech when opening his campaign in this State. He said:—

The Commonwealth Government after fully considering the position, has decided to ask Parliament for authority to make a special grant this year of £450,000, which will be inclusive of the grant now paid. Although this proposal is for this year only pending the holding of a conference with the State Government on Federal and State relations, it is a recognition and an admission by the Commonwealth Government that the findings of the Royal Commission justify Western Australia's received that amount of financial compensation, and it therefore establishes a basis upon which any decision as to future financial relationships shall rest.

That was the intention of the Government. I contend the Commission is not carrying out those intentions. It is true the Act gave the Commission a great deal of freedom, but the promises made to Western Australia ought to have been taken into

consideration. Members may think that the grant made to us was £500,000. Actually the amount was £456,000. Owing to the very serious drought from which the State had been suffering the Commission decided to increase the grant to £500,000. The difference, £44,000, was to be regarded as an advance on account of the year 1936-37, and will be automatically taken into account when a grant is recommended for that year. Evidently the Commission anticipated the trouble that was likely to occur for the State Government this year. If the members of it are estimating the cost of that trouble at £44,000, they have no knowledge of the disability that the State Government is going to encounter.

Mr. Warner: They have a full knowledge of it.

Hon. C. G. LATHAM: I am referring to the Commission. To-day we are asking the Commonwealth Government not to accept the report of the Grants Commission, but to give consideration to the real disabilities from which the State is suffering to-day. The sum of £44,000 will not nearly cover those disabilities. I doubt if it will cover the amount of which we relieved the pastoralists the other evening, when making remissions on land rents. I estimate these remissions at roughly £40,000. Some of the pastoralists will have only temporary relief, and will be asked to pay the rents at a later date. That was the intention of the Bill. The measure gives the Minister the right to remit the whole rent, but it also enables him to fix a period over a number of years when the arrears will be paid.

The Minister for Agriculture: The amount will be over £40,000.

Hon. C. G. LATHAM: The whole of this money is given to relieve the pastoralists. When we consider the position of the agriculturists, we hardly yet know what will be required in the way of finance. I do not intend to say all I should like to say on that point because the member for Mt. Marshall (Mr. Warner) intends to have something to say about it himself. It is a responsibility of the Federal Government to do something to assist the State Government to meet their financial obligations. Our loan funds are limited. We are, I suppose, committed to the expenditure of all the loan funds we have for this year. I do not suppose there is much in the hands of the Treasury that has not been allocated.

The position in the agricultural areas is desperate from Geraldton to Moora, and out in an easterly direction, as well as in the North-Eastern wheat-belt, and coming south in the most southerly portion of the wheat-growing area running out to Newdegate. Even along the Great Southern line we find that the paucity of rain this year is causing a great deal of concern, as far as Katanning. The rainfall so far is well below the average. We must incur a big deficit this year unless we get financial assistance from the Federal Government. Either they must give us additional loan funds, or provide a sum equal to what they gave us last year. There will be a greater demand on the Treasury than there was last year. The right thing for the State Government to have done last year was to fail to balance the Budget. From the point of view of the State it was a very desirable thing to balance the Budget. The Government, however, could have spent the money very wisely in assisting our industries, and in giving more relief to the unemployed. Had they done that they would have been applauded by the Grants Commission, and more money would have come to us. This is no reward for good Government. The South Australian Government gave their farmers £101,000 out of revenue.

The Minister for Works: That State was not penalised. They had a bigger surplus than we had.

Hon. C. G. LATHAM: They budgeted for a surplus, and we budgeted for a deficit of about £246,000.

The Minister for Works: They had a bigger surplus than we had.

Hon. C. G. LATHAM: We had better not discuss the other States too fully. It will take us all our time to determine what is best to do for our own State. Whatever assistance we can give to the Government to obtain recognition of Western Australia's disabilities—not her needs—I can assure the Government we will give. I am sorry the Commission did not do what I believe the Commonwealth Parliament intended it should do—give consideration to the disadvantages of the State due to Federation and Federal policy. I regret the necessity for having to endorse the motion moved by the Deputy Premier, but we are justified in sticking to the Government in this respect. I am only sorry he did not frame his motion a good deal more strongly.

HON. N. KEENAN (Nedlands) [5.47]:

On behalf of all the members who sit on the cross benches on this side of the House I desire to say that we concur with the motion submitted by the Deputy Premier and with the indulgence of the House I shall take an opportunity later on of stating our reasons for so concurring.

MR. WARNER (Mt. Marshall) [5.48]:

I have pleasure in supporting the motion of the Minister. I am very much disturbed about the amount of which this Government has been deprived by the Federal Government. It is particularly disturbing that the money should have been taken away at this time. Last year the drought throughout the Eastern districts was very severe. The Federal Government deemed the sum of £40,000 to be a reasonable amount to make available to this Government for necessitous farmers who had suffered as a result of the drought. If they thought that last year, what do they contend the amount should be this year? It should be more. We are faced with even greater hardships and they take away from us £300,000. Following the disastrous season last year farmers in the eastern wheat belt—I take it that other members will have something to say about the districts with which they are familiar—were left in a deplorable condition and had to ask early for assistance. So seriously did the Commonwealth Government regard the situation that they sent Mr. Thorby over here. He paid a special visit to the wheat belt and I was with him for two days. He led us to believe that he was going to be very sympathetic and would put up a case for us to the Federal Government. Some naughty people suggested that he was only here for propaganda purposes. I do not know about that. I believe he was here to take a view of the situation and report back to the Federal Government. I do not know what report the Minister gave, but the outcome was that the grant to which we were justly entitled was reduced by £300,000. I was under the impression that his report would have been a reasonable one, but apparently it was not; otherwise we should have received some sympathy. Great demands for assistance for the farmers will be made this year to the State Government, but the attitude of the Federal authorities will tend to rob this Government of the power to meet the requests. The drought this year is a good deal worse than that of last year, but in

addition to that we are faced with a locust pest that has caused and will cause very serious losses of crops. Water supplies are necessary in the farming areas. It is pleasing to note that the Minister for Water Supplies has announced that he intends to spend £50,000 in this connection. The money has to come from somewhere, but I do not know where it will come from if the Commonwealth Government continue unrelenting. A meeting was held at Kununoppin on Monday consisting of representatives of road board, Wheatgrowers' Union, primary producers and individual farmers. These men came not only from my district, but from the areas represented by the members for Avon and Yilgarn-Coolgardie. Following that conference, I received a telegram which reads as follows:—

Representative meeting of wheatgrowers Wyalkatchem to Westonia and northern areas held at Kununoppin to-day gravely concerned at critical position. Following message received from combined meeting of traders in these areas: In view of disastrous failure of present crops and unsympathetic treatment of country traders in past by the Government, traders reluctantly decided to discontinue all credit. Your immediate action to ensure future supplies imperative. H. Leslie, Secretary.

I have another telegram which was received this morning. It reads:—

Conference of wheatgrowers at Kununoppin yesterday demands that you move adjournment of House and place before it serious position of industry through pestilence and drought. Imperative that Government declaration of intentions to meet position be obtained; also that you move that money be made immediately available for drought areas. Conference resolved you use every weapon you can command to secure money distribution, even offering to support Government on quid pro quo basis. Bank advises farmers' final sustenance cheque now being issued.

The members for Avon and Yilgarn-Coolgardie can be called upon to have a word to say on this matter. Assistance must be given to farmers in these particular areas this year. From every part, reports are to hand that the position is infinitely worse to-day than it was at the same period last year. Twelve months ago we called upon the Government to give all that they possibly could to help the people through, and even with the small grant obtained from the Commonwealth Government, there was not sufficient to enable the farmers to obtain the required quantities of foods and clothing for themselves and their families.

Now, above all the distress that has been suffered we find that the Commonwealth grant has been cut down. From which source can we hope to obtain that help which is so urgently needed? When Mr. Thorby came over here to review the position, he sought information and got it from everywhere, and those with whom he came in contact were led to believe when he was leaving the State that he intended to make a sympathetic recommendation to the Commonwealth Government. What do we find? That the grant has been ruthlessly cut down by £300,000. The position is such that money must be found from some source, otherwise the exodus from the farming areas will be greater than that which we have already experienced in the past two years. The outlook is a very sorry one indeed. I thought that with rain there might be a chance of recovery of the crops in some of the districts, but I venture to say that even if an inch of rain fell in some districts, the position would still remain hopeless, for no more wheat than was garnered last year would be the position in the northern areas. There might be a little more feed, but the water outlook is likely to be worse. I do not for a moment believe that the Government will allow many more farms to be abandoned. A demand must be made by this Parliament for the money the Commonwealth Government intend to deprive us of. The Commonwealth collects taxes from many sources over which the State does no exercise control, and therefore we must insist on assistance being rendered from the Commonwealth for the drought-stricken areas. Let members consider the enormous amount of money that was spent last year in carting water, money which could have been spent in better ways. It has been suggested to me that I should move the adjournment of the House in order to permit of this matter being discussed. The motion moved by the Deputy Premier has given me an opportunity to submit a statement of the case, and I see no reason why I should move the adjournment of the House. I believe that the inspectors of the Agricultural Bank know the position as well as I do. I have heard it mentioned by a Minister that the Agricultural Bank Commissioners have the requisite information to guide them in the event of a catastrophe occurring. I realise what a serious step it is to move the adjournment of the House; it has the effect of holding up Gov-

ernment business, but I trust that the Minister will understand my object in labouring somewhat this afternoon the position of the drought-stricken farmers. I believe that the Minister will do all he possibly can to help them, and I sincerely trust that the House will prefer a demand for the amount of money of which we are being deprived by the Commonwealth in a year 'when we are facing a far greater catastrophe than that which confronted us last year. We must look beyond the possibility of many farmers leaving their holdings and of our losing the value of the products they would raise. We must realise the disaster that would occur if the whole of the north-eastern wheatbelt were deserted and the farmers were compelled to come to the city. If those men are forced off their holdings, we have to consider not only the abandonment of the area but the number of additional families who would be forced on to sustenance where at present we have too many to provide for. I know it is not the intention of the Government to permit that to happen; the amount of money being made available for water supplies proves that. Having directed attention to the position of the wheatgrowers, not only in my own district but in other parts of the wheatbelt, I shall content myself with supporting the motion.

THE MINISTER FOR AGRICULTURE

(Hon. F. J. S. Wise—Gascoyne) [6.3]: The Deputy Premier dealt very fully with the matter, particularly from the point of view of the insufficiency and inequality of the grant as applied to this State. I desire to show, by an analysis of the report of the Commission, how weak are the arguments used by the Commission to arrive at the sum they decided to allocate to Western Australia. I desire to show from that angle that, in spite of the close investigation which the Commission claim to have made, in the application of the formula that they claim to have adopted, they had no formula at all. Very early in the report, on page 9, it will be found that the Commission got out from under, as it were, by stating that no fixed formula would be suited or could be applicable to the disabilities of the States. They claimed that it was necessary to have some elastic formula. I submit that to the formula they have adopted might very well be applied

the description of "elastic." On page 12 the Commission particularly refer to the mistakes and extravagances for which reductions are made. If the Commonwealth Government were penalised for their lavishness, I submit that the States would be eased of many of their burdens. If we could blame them and penalise them for financial incapacity, we should certainly obtain relief from some of our responsibilities. The Commission admit early in the report that some redistribution of revenue is inevitable in any federation, and they state that a government is not truly responsible if the normal exercise of its powers gives it more money than it needs. That is exactly the position in which the Commonwealth Government find themselves. Although we sought a review of our position because of disabilities suffered, those disabilities have not been taken into consideration at all. That disabilities would be suffered by some of the States was taken into consideration when the Constitution was framed. As a matter of fact, Section 95 of the Constitution was inserted for the especial benefit of Western Australia, to give this State some redress owing to the disabilities under the tariff. On page 12 of the report, after dealing with the amounts of special grants sought by the States, the Commission stated—

Generally speaking, the amount claimed was to enable the State to balance its budget.

That statement is wrong. It was never suggested by the State that the grant was sought in order to balance the budget. It was never suggested that the £1,500,000 shown to be the extent of our disabilities on account of the tariff and in other ways had anything whatever to do with the balancing of the budget. The budgetary position, so far as we were concerned, was not under review in any part of the submission of our case. Although the Commonwealth Commission quote very fully some remarks made by the Federal Treasurer, in connection with the shifting of the ground for granting the money for disabilities, they excuse the Commonwealth Government fully on page 13, paragraph 18. It is a matter of making excuses one for the other. The State was concerned with the measure of the extent of the disabilities we suffered because of Federal policy. We were mainly asking for the return to us of some monetary benefits which passed into the pockets of people in other

States because of the incidence of the Federal tariff, from which we suffered and from which they benefited. It is extraordinary that the Commission should postulate something not submitted by the claimants, and then build up a case in defence of it. That is exactly what they have done. It will be found on page 44 that the Commission admit that the tariff contributed greatly to the failure of some of our marginal settlement. They said—

Successive increases in the tariff by the Federal Parliament intensified the clash between primary and secondary industries, and no doubt led to the failure of some marginal settlement.

Then, a little later on, the report bristles with penalties because of the failure of marginal settlement. They penalised us for it and still advanced the argument that the tariff contributed to the failure. It will be found that we are allowed 2 per cent. reduction of taxation because of disabilities under the tariff. On page 67 the Commission go very fully into the burden of the tariff and state that whatever the burden may be it is much greater on Western Australia than on any other State. Having admitted that, the Commission say that after listening fully to the claims of the State on account of the tariff burden, which they admit and accept tentatively, £1,188,000 is the net disability to Western Australia. Then when it comes to using that as a basis of allocation or compensation, they ignore it entirely. Hence the Commission start out to attempt to measure the burden of the tariff, and having accepted a measure, call it "the adverse effects of Commonwealth policy," whereas that is only one of the adverse effects. Although perhaps it is the major one, they disregard it when it comes to making an allocation. Then the Commission set out to analyse how many benefits we have received from Commonwealth administration. A table is set out on page 34 which forms a remarkable memorial to the Commission. It will be seen from the table that the Commonwealth Government had a total annual revenue of £67,151,000, of which £4,545,000 was received in Western Australia. When it comes to an allocation of the expenditure by the Commonwealth, we find some very remarkable figures. Of the £67,151,000 received, we are told that £6,099,000 has been spent by the Commonwealth in Western Australia. Well, the Commission themselves cannot seriously believe that that is so. Cannot members

imagine what the condition of mind of the Federal Treasurer would be if he found that £6,099,000 of Commonwealth revenue had been spent in Western Australia? I commend that table to the perusal of members. It shows also that for defence and war interest we are supposed to have enjoyed an allocation £1,281,000. I would ask any member to say where any fraction of the one and a quarter of a million pounds, even admitting that it takes £1,000,000 to pay our war interest, could be accounted for by expenditure on defence. Yet the amount is set down at £1,281,000. There is shown also a departmental expenditure of £214,000, and of other expenditure £468,000. It would be interesting to know how those sums are made up. When it comes to the matter of post office revenue, Western Australia is charged for the service given by the Commonwealth, but no account whatever is taken of the money received from that source. For defence we are debited with £1,281,000, the major portion of which has gone to Eastern States manufacturers for the quota of munitions produced in those States.

Sitting suspended from 6.15 to 7.30 p.m.

THE MINISTER FOR AGRICULTURE: Before tea I was indicating that the Commonwealth had quoted £6,099,000 as the sum expended in the interests of Western Australia, and that of that sum £1,281,000 was apportioned for our share of the Defence Vote and war interest. The whole sum is, of course, ridiculous, and utterly out of proportion to the amount with which this State should be debited under that heading. We have always had an inconsiderable amount of Defence establishment in Western Australia, but apparently we are expected to pay our share of the cost of upkeep of Defence in other States. That share of upkeep for the army and navy, particularly, means a great deal of trade for the business people of other States who, in paying taxes to Eastern States Treasurers, are giving certain benefits in that direction. Our share of war interest, of course, is quite unavoidable; but we find that if we analyse the table on page 34 we are charged with £214,000 in respect of Commonwealth departmental expenditure. That figure includes all Commonwealth departments, and we are allotted £77,000 for our share of the profits of the Post Office. If it is fair to apportion to us the excessive charge of £1,281,000 as the cost of Defence,

it is quite fair that we should share as a credit our proper proportion of the earnings and profits of the Commonwealth Post Office. Under that item, it will be found, New South Wales is credited with £794,000, Victoria with £618,000, Queensland with £391,000, and the rest of the States with only £200,000 between them. If we are to be saddled with a proportionate part of the liabilities of every State of the Commonwealth, we should be credited with our fair proportion of the profits of other States, no matter what Commonwealth department or institution is concerned therewith. Under the argument put forward by the Commonwealth, it would be quite possible for the Defence Vote to be so increased that it would wipe out absolutely any grant for any purpose whatsoever. That is the position which could be arrived at. Why not divide the earnings in any case, wherever they are earned? But let us for a moment accept the Commission's claim that Western Australia gains from the allocation benefits to the extent of £1,117,000. This compares with the Defence benefits of £1,188,000. They accept that, and admit it as a basis from which they make one start in the application of the formula they apply. When that position is reached, capitalised on that basis the net burden of Western Australia is £71,000. Taking what they claim as their contribution in benefits from what they admit as our disabilities, we have £71,000 less, South Australia £20,000, and Tasmania £29,000. On page 61 of the Commission's report will be found those tables set out in detail. It will also be seen that the Commonwealth Commissioners are basing their figures on assumptions. They cannot in any way co-relate the result and the amount they apportion with the figures by which they strive to prove their answer. That is on page 68, where the Commissioners say—

We are taking these tariff costs tentatively as measuring substantially the net adverse effects of Commonwealth policy so far as the States themselves are able to estimate them.

They go on to say—

It follows that no substantial part of the special grant was made necessary by the effects of Federation.

That immediately follows their first admission that the States are suffering disabilities because of Commonwealth policy. They continue—

We may conclude that these States, unfederated, would have been in at least the same financial difficulties as at present.

That is their assumption. No matter what the difficulties may have been, they wipe them right out by saying that we would not have been in any other position had we not federated. So that the total benefit received from the Commonwealth leaves a balance of £71,000 in our favour. It will be found that although this is approximately the 2 per cent. which the Commission caused to disappear on account of tariff, they take no notice whatever of it when it becomes a credit for Western Australia. It will be found that the Commission set out a whole chapter on what they call "Principles." It is pleasing, of course, to know that they have principles on which they have based their report. The whole of chapter 6 deals with this aspect. In chapter 5 they make some splendid admissions, saying very distinctly that up till then they had accumulated figures from which they would make a rough balance. So far as Western Australia is concerned, it is a very rough balance indeed. The whole of chapter 6 deals with the principles, and on page 75 the Commissioners say that they have adopted tentative principles and concluded that the relative financial position of the States, when analysed, was the only basis on which special grants could be made. They go on to say that special grants are justified when a State through financial stress from any cause is unable efficiently to discharge its functions as a member of the Federation. That is the airy way in which they cast aside the claims of Western Australia based on disabilities. The figure arrived at by a great deal of research of many officers, the figure of £1,500,000, is cast aside, and disabilities do not matter at all. That decision, of course, made it possible for the Commission to disregard all the evidence put before them. That is simply one of the admissions, one of the deductions, at which they arrived after analysing through very many pages of the report. Then they say it does not matter at all. They give no reasons for arriving at that conclusion. They set about reckoning just what sum we are entitled to: and, as I have indicated before, we must suspect that the answer book was very close at hand. But I ask, what right have the Commission to come to such a decision? The facts show that the Commission went beyond their rights and beyond their instructions. As the Leader of the Opposition stated earlier in the debate, we would suggest that Mr. Lyons should be his own judge in the matter. There is not the faintest shadow of doubt

that the Commission was set up as a Disabilities Commission. On the 19th May, 1933, Mr. Lyons made it very clear that the Commission was set up as a Disabilities Commission. The debate which then took place showed there was much hostility to the manner in which the Commonwealth went about this matter. It was suggested by one hon. member for New South Wales that this was simply an offset to the Secession referendum that had taken place a little while before in Western Australia. Mr. Lyons concluded his speech by saying—

I anticipate that the States will welcome the appointment of a Commission in order that their disabilities may be dealt with.

He said that on the 19th May, 1933. That is exactly what this State has asked for, and it is exactly what the Commission side-tracked. There is not the slightest doubt Mr. Lyons intended the Commission should be a Disabilities Commission, a Commission set up to examine exactly how Commonwealth policy had acted detrimentally to the three claimant States. But as soon as the Commission got going, in their second report, they made it obvious that they were going to change at least the channel along which they travelled. Instead of measuring the comparative budgetary positions of the States as they previously did, they made no attempt on this occasion to assess the amount any State was entitled to upon the disabilities of that State. On page 137 of their report the Commissioners say—

The case of special grants rests on inherent financial inferiority, but the cause of the inferiority is important.

They admit in various parts of the report that the tariff has had a greater adverse effect on Western Australia than on any other State. They go to a great deal of pains to state that and to prove it. They admit in Appendix V., which will be found at the end of the book, that the net burden per head on Western Australia is more than twice what it is for South Australia and Tasmania. Our own investigation showed our net burden to be £1,188,000. That investigation was entirely disregarded. They admit very definitely in Appendix V. that Western Australia is entitled to £1,350,000 on their own adjustment, and after certain corrections. They admit, also, that in two particulars our estimate was too low. They also acknowledge that we supplied the only reliable data on which to base that sum.

They admit that those who gave evidence on behalf of Western Australia submitted the only case put before the Commission. The position is that Western Australia claimed £1,500,000, and South Australia £2,000,000. They admit that the adjustment on these figures is—South Australia £2,250,000, Western Australia £1,350,000. But they also say that they see no way of harmonising the results. What do they do? They make certain corrections, and admit in paragraph 14 that those corrections are mere guesses. They say so. It will be found on page 188. They state:—

We see no way of harmonising these two results. The data for the Western Australian inquiry are better, and the result should be technically better. Allowance has been made for the various corrections detailed above, and though some of these are little more than guesses, it does not seem likely that any amendment would bring the total figure appreciably above the £1,350,000 arrived at.

So they take it as the most probable figure. With regard to the net burden under which the State suffers, they entirely disregard it, and set up what they claim to be a normal standard. They say, "Western Australia claimed £1,500,000. We correct that figure to £1,350,000. We compare it by saying that although South Australia claims £2,000,000, we will give her £2,250,000." So they discard the whole thing entirely. Then they set up what they call the "normal standard," which is the mean between Queensland and Victoria. I draw members' attention to page 90 of the Commission's report. I would like to ask in what way there can be any comparison between the two States of Queensland and Victoria. I submit that if the Commission desired to get a reliable mean for the Australian standard, New South Wales would not have been disregarded. New South Wales represents approximately one-third of the people of the Continent, and if a normal standard is to be set up, surely, even though the social standard of the people in New South Wales should be slightly higher, their conditions may be regarded as normal, seeing that that is the standard of one-third of the people of the continent. However, the Commission carefully weighed the evidence before them, and then they airily cast it aside and summarily set down their judgment. We find this on page 90 of their report:—

There are only three States not asking for special assistance and they show very wide

differences in deficits per head, in economy of administration, in scale of social expenditure, and in severity of taxation. In these circumstances, no mechanical formula can give a satisfactory normal standard. It must be determined from a broad survey of the operations of government in these three States. We have given this matter much careful thought, but can here only summarily set down our judgment.

After a careful examination, the Commission entirely disregard the carefully prepared and reasoned case, the furnished facts and figures and the carefully weighed evidence supported by those who put up the case for Western Australia, and then summarily they set down their judgment. So that at least the Commission make that admission, and thus it appears there can be very little value placed on the formula on which they have based their deduction. I intend to show how ridiculous that formula actually is. I have asked just in what way Queensland and Victoria may be said to have identical interests. It may also be quite pertinent to ask just in what way either of those States have any interests in common with Western Australia. If those two States are to be taken for the purpose of setting up a normal standard, they should have something in common with those States with which they are to be compared. Queensland is a State of great natural richness, and, with the exception of certain of her district roads, can in no way compare with the development or activities of Western Australia. Her primary producers are within a day or two of two capital cities, in each of which there reside over 1,000,000 people. Many of her products enjoy an Australian monopoly. So in no way can Victoria or Queensland, socially or economically, be said to be comparable with the difficulties under which we are labouring. There is this, too, that Victoria to a greater extent and Queensland to a lesser degree, are enjoying the benefits of the protective tariff, the incidence of which has been so harshly burdensome on this State. If there is to be a normal standard set up, I submit that at least three States should be included, which are the non-claimant States—and most certainly New South Wales should not be disregarded. On the other hand, it would not have suited the Commission's case if New South Wales had been included, because it would have meant that the amount of grant for Western Australia would have been appreciably increased.

Hon. C. G. Latham: It would have represented £634,000.

The MINISTER FOR AGRICULTURE: On page 94 of their report the Commission sum up the position in this way:—

It will be remembered that we have taken as the normal standard the simple average of Victoria and Queensland. It may be objected of certain items that this average has little claim to be called normal.

It will be seen that they anticipated objection being taken to that basis, or those words would not have been written. They conclude with this statement:—

Our judgment is that, on a broad survey of all the items entering into the financial position, this average may be taken as normal. A bias one way in respect to one item is balanced by a bias the other way in respect to some other.

That assertion is comparable only to the ridiculous statement the Commission made last year when they found it was impossible for them to measure the tariff burden, and so they said that whatever it was it was balanced by the benefits of Federation. They do not know what the bias may be, but they suggest that whatever it is, the bias one way is equal to the bias the other way! There is nothing in that sort of reasoning at all. It will be found that while they admit on almost every page of their report that the tariff has meant that Western Australia has suffered much greater disabilities than any other State, it is an admission that is never allowed for. That is all it amounts to. The Commission cover many pages of their report to sum up our difficulties and disabilities under the tariff, but the utmost we receive is 2 per cent. by way of taxation. When we find such statements as these recurring frequently, it is difficult to take the Commission seriously. Unfortunately, we are forced to regard them seriously, and on page 97 of their report they show that they decided to make their recommendations with direct reference to 1934-35, and say:—

In the method used many approximations and judgments on minor details have to be made by the Commission where complete data do not exist or are not available. Our conclusions may, therefore, be considered rather rough.

They admit there that the base on which they arrived at their conclusions were rough approximations. Therefore the Commission simply set up one standard and when it was found to benefit Western Australia to such a degree that the sum that we would have received would be greatly exceeded, the

Commission entirely disregarded that standard. They set up a basis on which we were to be entitled to a very large sum. Then they entirely disregarded their own basis, and apportioned a smaller amount, which I feel they were told they should apportion to Western Australia. If the Commission were sincere in their remark that even if it were found that this year's allocation did not deal with the position fairly, it was something that would rectify itself later—they do say that—how could they make such a statement when they knew that there would be a change to the extent of two-thirds in their personnel when their report was concluded? How could it be assumed by the Commission that someone else, when assessing our disabilities, would follow the same line of reasoning. It would be a case of the pendulum that they used being rehung and swung in a different arc. There could be no comparison whatever. Whatever the future assessments were to be, it was a matter of imagination that enabled the Commission to say the position would be counterbalanced later on. There is a rather compelling reflection in the amounts that the States asked for, and the sums they actually received. Tasmania asked for £800,000 and received £600,000, representing 75 per cent. of the amount requested. South Australia asked for £2,000,000, and was allowed £1,333,000, or 66½ per cent. of what was sought. Western Australia asked for £1,500,000, and was granted £500,000, or 33½ per cent. of the amount requested. Even if the amount to be granted were based on the budgetary position, they have to admit that that was not to be the basis, and even if it were so, we find Tasmania over a period of five years had deficits that totalled £764,000, whereas Western Australia, during that period, had deficits that aggregated £5,250,000. How can there be a basis of allocation that gives Tasmania £100,000 more in such circumstances? It is quite apparent that the amount granted varied inversely with the distance the State was from Canberra. That seems to be the position without doubt, and it may have been that the percentage of the grant was apportioned according to the measure of representation that the claimant State had on the Grants Commission.

Mr. Boyle: This is a fine secessionist speech that you are making.

The MINISTER FOR AGRICULTURE: It has nothing to do with secession; it

has to do with a question that we can discuss without violating our allegiance to the Commonwealth, although we can stress the disabilities we suffer under the Federal regime. I would direct the attention of the House to page 132 of the Commission's report, where the Commission commence a summary of the report in general. The Commission state—

After a close study of the public finances of the Commonwealth and the States and of the general economic conditions of Australia, the Commission feel that neither a constitutional amendment nor an automatic formula could really solve the basic problems which govern the financial relations of the Commonwealth and the States.

So the Commission decided at that stage that no automatic formula could solve the problem. Having adopted that point of view, they set up and applied a distinct formula of their own. It had this advantage, that if the formula worked out at too low a figure, they could just make a certain adjustment and rectify the position.

Mr. Stubbs: It was a case of heads they win, tails we lose.

The MINISTER FOR AGRICULTURE: On the other hand, if the formula worked out at too high a figure, they applied what they called their "corrections," and so the position was rectified. There appears to be no other reason why the Commonwealth abandoned the idea of rectifying the disabilities under the tariff, and they evidently decided that no mechanical formula could apply equally to each State. It is remarkable that for their first year they operated on quite a scientific investigation, and recommended the same grants should be paid as the Commonwealth had made available in the previous year, but which had been stated formerly to be unsatisfactory. From that first year's operation, they deduced that in three States the Governments were entitled to certain sums, and they found, by means of their scientific investigation, that they arrived at exactly the same sum as the Commonwealth had previously made payable. So it was a very elastic formula that they applied. Let us follow the Commission in their progress towards correcting the answer they had to give. First of all, the Commission took the published deficits of the States, added the grants, and then made what they called "corrections," finally reaching their decision on the deficit per head of the popula-

tion, which, in the case of Western Australia, represented £2.042 per head. Let us examine these so-called "corrections." The Commission compared many items in each State Budget and used those items to make the corrections. They used figures for the States that are not used by those States. They used figures for our railways and other expenditure in this State that are not applicable to other States. So the Commission make one of their easy corrections on page 100 of their report, and they say—

A complete adjustment on account of these activities would be a long and involved process. Of course it would. So they pass over their corrections on State activities and they do not bother to go into the involved process of ascertaining how the State is affected. They go on to say—

Happily, the need for it is largely eliminated by the consideration that these activities in general tend to be self-balancing and show no very great profits or losses to affect the Budget position.

That is very easy to say, but I do not think it is very satisfactory. Let us examine that basis before they wiped it out. They give details as to how they arrive at the figures in Appendix No. 15, which shows on the results with regard to water supplies, harbours, tramways and electricity supplies, that Western Australia was committed to a loss of £205,000, South Australia to a loss of £256,000, and Queensland to a loss of £227,000. I will just compare those figures. They say that because Western Australia loses £205,000 she must be debited with the whole amount. And we find that because South Australia has not any tramways or electricity losses they actually incur the losses on that account. That is a matter of very clear assumption on their part. It is idle to assume that because the State does not control some activity that fact does not affect the Budget position. Yet they quite airily dispose of those facts and they say that no matter what they are, they are counted out. I have mentioned that the normal standard they set up is subtracted from comparable deficits per head and the consequent amount per head is then plussed up back to a total figure. This in Western Australia has cost Western Australia £744,000, in South Australia £1,196,000, and in Tasmania £546,000. Those figures are interesting, for they represent so far as Western Australia and South Australia are

concerned, roughly half of what those States asked for by way of grants, and as far as Tasmania is concerned, more than one half. The Commission then proceed to compare varying standards of maintenance of various States setting out that railway equipment is the most important item in this category. The Commission find no difference whatever between the standard railway maintenance in Tasmania which has 645 miles of railways, South Australia which has 2,529 miles of railways, and Western Australia which has 4,278 miles of railways. This is extremely interesting, but no matter what the losses may be in regard to railways, one cancels out the other. In this category come also roads and bridges. I know a road that leads from Perth to Wyndham, and the continuation of which leads from Perth to Eucla. In length it is a fair comparison with the whole of the main roads in the other claimant States and also of the main roads of the States used by the Commission as a mean. Yet the Commission decide that no adjustment is to be made on this heading. This is the one heading in which any adjustment made must have been overwhelmingly in favour of Western Australia with its huge territory and distributed population. Nevertheless we are penalised. The next heading under which adjustments are made is that of costs of administration. In appendix 10 it will be found that the cost of administration in Western Australia is 47d. per head of population and in South Australia 41d. and for all the States 34d. Here it might be expected there would be opportunity for some deduction, but the Commission realises that cost increases as population gets smaller, and so under index costliness Western Australia emerges in reasonable comparison. In this section the Commission went to the bother of giving the State some acknowledgment of its small population and large area to administer. Had that same policy been adopted throughout the formula, we might have approached more nearly an equitable grant. Under this heading both Western Australia and South Australia received a plus of £20,000, while Tasmania received £70,000. On the next item, the measure scale of social services, this State received a bump, while both the other States escaped without reduction. The better to understand the position, I should like to direct the attention of members to appendices 16 and 17. It will be found in point of edu-

cation South Australia and Western Australia are almost identical and both States are a bit above the Australian average. As for the care of the sick and mentally afflicted, child welfare and matters of that nature, South Australia spends £250,000, Western Australia £240,000 and Tasmania £103,000. Western Australia has a separate item of £41,248 for miners' phthisis. I do not know upon which item the Commission would base a finding, but because we look after our sick and mentally afflicted, they impose upon us a monetary penalty. And in arriving at the average for this figure, New South Wales is excluded. They excluded New South Wales when striking an Australian average because of the expenditure on maternity and child welfare of a tremendous sum. Yet no allowance is made for an item which occurs only in Western Australia and Victoria, namely, miners' phthisis, which makes a difference of 1s. 10d. per head out of a total of 8s. 6d. per head, which is the amount for which they give us a debit and impose a deduction of £188,000. So it will be seen that because of this State's endeavour to do the right thing by its people and in spite of its being below the Australian average it has to accept a deduction of £188,000. Under the heading of severity tax, this State suffered a further reduction of £120,000, while Tasmania's total was reduced by £18,000 and South Australia was plussed to the extent of £115,000. The taxation collections per head in Western Australia are £5 10s. 7d. as against £5 10s. 3d. in South Australia. Yet the difference costs Western Australia £120,000 and benefits South Australia to the extent of £115,000. That is clearly set out in the Commission's report, and it is based on a reckoning which they give striking an Australian average. They did not bother to take in Queensland and Victoria, but took the Australian average because the other did not suit them in view of the Queensland taxation of £7 6s. 5d. per head and the Australian average of £5 14s. 3d. per head. So as soon as it becomes a question whether the formula is to be decided on a basis quota between the States, they discard the very formula which they previously applied, and the difference of course penalises this State £120,000. So no matter how we analyse it, the Commission applied the very elastic formula which they mentioned early in their report. On that basis, of course, any calculation or any allocation becomes quite easy and it is quite right. In

this House I once accused the members of the Commission of being biased. But I would rather lay the blame at the door of the Commonwealth Government, because after all it does not matter how we analyse the report of this Commission, we can only come to the conclusion that if they worked it out on the basis of disabilities, on a basis of budgetary position, or on a basis of social services, Western Australia would have received a grant far in excess of £500,000. In conclusion, I can only say that this State has suffered greatly by the allocation of the amount the Commission have seen fit to recommend, and so far as I can see, the only merit contained in their report is the merit of ingenuity.

MR. LAMBERT (Yilgarn-Coolgardie) [8.10]: I listened very carefully to the analysis of the report made by the Minister for Agriculture. It would appear that we shall go on year in and year out haggling over the amount of the disabilities suffered by this State under Federation until we get down to some solid foundation as to where we stand. Unless we can bring our finances into alignment with those of the Commonwealth Government, we shall never get anywhere. It is absurd to say that any set formula can give clear expression to the disabilities, direct and indirect, suffered by Western Australia. How is it possible to lay down a formula on a foundation of quicksand, the quicksand representing the changing ability or inability of Western Australia to meet its financial commitments? In view of the seasonal disadvantages confronting us, and seeing that the Commonwealth Government have not given us all we expected, the State Government need to be very careful as to the commitments they enter into, particularly for expenditure in the metropolitan area. Much criticism has been levelled at the Government for their proposal to instal a trolley bus service on the Claremont route. While, under normal conditions, action of that sort might possibly be justified, I should say that the Government would be well advised to stay their hand in regard to this and any other metropolitan expenditure which could conveniently be postponed until we have overcome the difficulties of the present season. I have received distressing telegrams from the country embracing portion of the district I represent. I do not propose to read them because other members have done so. I hope

the Government will stay their hand in regard to all possible expenditure in the metropolitan area that can conveniently be postponed. As to our relationship with the Commonwealth, until this Parliament is prepared to take a strong hand in urging on the Federal Government and our representatives in the Federal Parliament the need for coming to our aid financially, we shall not get anywhere. I do not know whether it was the intention of the Minister for Agriculture to close the debate, even though the Deputy Premier moved the motion.

The Minister for Justice: He could not close the debate.

Mr. LAMBERT: I only wish that country members whose districts are affected by the drought would join with me in urging upon the Government the seriousness of the farmers' position, and also in urging upon representatives in the Commonwealth Parliament the need for exercising their full influence. As I said the other night, the present Commonwealth Government could not last 24 hours without the support and concurrence of the Country Party in the Federal Parliament. Therefore it will be idle for members of the Country Party here to come along in a few months' time and blame the State Government for what they have not done.

Mr. Thorn: That is all very fine, but why not send a copy of your wires to Jack Curtin?

Mr. LAMBERT: No doubt a copy has been sent to Mr. Curtin, but all that Mr. Curtin could do in the Federal Parliament would be of little effect in comparison with what members of the Country Party supporting the National Party could do if they felt inclined. Country Party members here blame the Government for what they have not done. The people should be given to understand that it is the responsibility of Country Party members in the Federal Parliament to give attention to anything amiss in the matter of financial assistance which the Commonwealth should afford us. I am afraid this will not prevent many country representatives, when they appear before their constituents, from blaming the State Government for things which have not been done when it is the responsibility of the Commonwealth Government to do them.

Mr. Thorn: You were criticising the State Government a few minutes ago over their proposal to instal trolley buses on the Claremont route.

Mr. LAMBERT: I was not criticising; I was sounding a note of warning, and asking the Government to stay their hand in regard to any unnecessary expenditure proposed in the metropolitan area.

Mr. Doney: Such as?

Mr. LAMBERT: Expenditure that could reasonably be deferred. At the same time we cannot foist the whole of our financial responsibilities on the Commonwealth Government.

Mr. SPEAKER: The motion is all the hon. member is entitled to discuss at the moment.

Mr. LAMBERT: I hope that assistance will be given and that members opposite will not indulge in carping criticism and endeavour, by half truths, when they meet their constituents—

Mr. Sampson: Which side?

Mr. LAMBERT: I do not want any piping from the hon. member. Let members opposite go to their constituents and tell the truth. Let them point out to their constituents the great burden resulting from the amount we get by way of revenue and the amount received by the Commonwealth Government, and tell them frankly that unless the Commonwealth give us a larger allocation, we shall not be able to assist those in distress in the farming areas.

MR. SAMPSON (Swan) [8.19]: I have a few figures which show the progressively bad conditions which farmers in this State have to face, and which, in my opinion, would have justified the Commonwealth Grants Commission in giving more reasonable consideration to their needs. No doubt the necessitous conditions of the farmers is a very real menace to the prosperity and progress of Western Australia. Indeed, every day serves to emphasise those difficulties and show how hard it is for the farmers to continue on their holdings. Western Australia has special difficulties to contend with. It is a young country. Farmers have to make their arrangements for plant and equipment, and the country, being young makes demands upon the individual who has not the funds with which to do all those things that are necessary. Consequently, the need for a reasonable view being taken of the disabilities under which this State is working is essential. In the "Quarterly Statistical Abstract" for the three months ended the 30th June

of this year, some interesting particulars are given concerning the various kinds of crops in Western Australia. These figures show that the area under crop has decreased since 1932 from 3,158,000 acres to 2,538,000 acres last year. The position is likely to be worse next year. In 1932 the wheat yield was 41,521,000 bushels, and last year it was 23,289,000 bushels. The average wheat yield per acre in 1927 was 12.08 bushels; in 1932 it was 13.40 bushels; in 1933 it was 12.33 bushels; in 1934 it was 11.72 bushels; in 1935 it was 9.76; and for 1936 it was 9.17 bushels. That is a very illuminating statement in respect to the steadily declining yield, and goes to show the difficulties confronting both the Government and the individual farmer. I hope the Disabilities Commission will give further consideration to this question. The Government should receive fairer treatment than they have had. If they did receive fairer treatment they would get at least the grant which was made last year. As a matter of fact, the amount would be increased.

[Resolved: That motions be continued.]

MR. MARSHALL (Murchison) [8.23]: I support the motion. As food is to the physical body, so is finance to the body politic. One cannot live without its substance any more than the other can. Until recent years there has not been an acute wrangle between the State Governments and the Commonwealth Government with respect to the right to tax and the distribution of taxation when collected. Some years ago, when the Bruce-Page Government proposed to alter the system of per capita payments to this State, it was forcibly argued that it was incorrect for the Commonwealth Government to collect taxes, and return them to the States. It was to get over that obviously wrong procedure that the per capita payments ceased. I respectfully suggest that ever since that date the system whereby the Federal Government imposed taxation, collected the money, and repaid it to the States piecemeal, has been enacted in a more aggravated way than was ever the case prior to the Bruce-Page alteration with respect to the per capita payments. We can look at the matter from any angle we like. Up to recent years the burden of taxation has not been so acute. We could manage to struggle along. In 1911 and 1914 this State experienced two successive

droughts, which materially affected our land settlement. The Government could then exploit other avenues of revenue with a view to paying interest on borrowed money, and to alleviating the troubles created by the drought. Over the years we have borrowed to that extent that the amount which, taken from taxation, goes away in interest, has become burdensome upon the people, and we can exploit no further avenues of taxation. The Federal Government find themselves in a like position. How long this procedure of exploiting avenues of finance, and imposing taxation, will be tolerated by the people when they fully appreciate the invidious position into which they are drifting, I am not sure. It is obvious from the debate that the sooner people of this country are made aware of the fact that out of every pound collected from taxation 10s. goes away to pay those who live by usury, the better will it be for them. It is true that those who occupy the Opposition benches are never short of an argument to set forth the deplorable conditions in which the wheat producers find themselves through circumstances over which they had no control. I remind the Deputy Premier, who several times has referred to the deplorable position of the wheatgrowers, that the woolgrowers of the State have never been in a more deplorable condition. They have had two successive years of drought.

Mr. Patrick: Three, I think.

Mr. MARSHALL: Two years, as the last rains occurred two years ago last March. I remember the occasion because I was hung up for 13 days beside a river in the North-West. What are we going to do for the wool producers? I am justified in reminding the Deputy Premier that, although this House recently passed a measure of relief from the payment of pastoral rents, that will not get the pastoralists very far. In the main the industry has been developed by the initiative of private enterprise. The pastoralists have called upon the taxpayers to do very little to assist them in developing their areas. They have now become burdened with taxation and have this additional serious handicap of two years of drought in succession. The Deputy Premier is justified in pointing out to the Federal Government that the £300,000, which is the cause of the argument and the substance of the motion, will be an infinitesimal amount compared with what the State Government will have to find to assist both the wool and the

wheat growers. I hope to hear an announcement in the immediate future that the State Government will be willing to haul breeding stock from various parts of the State to the nearest port or railway terminus for those who have to replenish their flocks and herds. Their breeding herds are gone.

Hon. P. D. Ferguson: And they will have a job to rebuild the herds, too.

Mr. Doney: Breeding stock are unsecurable.

Mr. MARSHALL: We are hopeful that there will be early rains, that rains will fall in November. If the Government are prepared now to announce that they will do what I have suggested, the woolgrowers will prepare to purchase stock.

Hon. P. D. Ferguson: It will not be possible to get the stock.

Mr. MARSHALL: I am referring to stock from the Eastern States. The Government will have to finance the purchases, and this will mean heavy responsibility. They will be justified in calling upon the Federal Government at least to leave the amount of the grant at what it was last year. Pastoralists cannot remain on their holdings much longer unless they receive increased assistance from some source. The transportation of breeding stock to pastoralists requiring to build up their herds again, will have to be considered. I hope the Government will consider it favourably, with a view to alleviating the position of the woolgrower. In conclusion I reiterate emphatically that the State and the Commonwealth cannot continue much longer to pay one-half of the money raised in taxation to those who make a living by exploiting the development and the generosity of the people. Those persons will have to do with less. Otherwise their own volition and their own greed will lead them to suicide, for we shall be compelled sooner or later to repudiate those heavy liabilities. Our people are gradually awakening to the fact that there are methods by which we can finance the State and its industries without borrowing money. The sooner that question is discussed, the sooner will motions of this kind be unnecessary and unwarranted.

THE MINISTER FOR JUSTICE (Hon. F. C. L. Smith—Brown Hill-Ivanhoe) [8.33]: I support the motion. While we are haggling from year to year with regard to whether £500,000 or £800,000 is to

be paid to us by way of a disabilities grant, we are apt to lose sight of the underlying causes which give rise to the disabilities in question and make it necessary for us to fly to the Commonwealth Government for grants. So far as I see, Western Australia's position within the Federation, taken in conjunction with the existing Federal Constitution, is such that so long as the Constitution remains in its present form, with our position of divided authority, with conferred and reserved powers, Western Australia will continue to suffer disabilities that will never be reflected in her budgetary or financial position. The Federal Constitution is such, and from the beginning has been such, as to stabilise in the first instance the inequalities existing between the States with regard to wealth and material resources and the conditions of industrial development. In the process of time the result of having to work under that Constitution has been to accentuate those inequalities. To me it seems extraordinary that Western Australia was ever cajoled into Federation under existing conditions. I recollect that Sir George Grey, speaking at a National Convention held in Sydney in 1891, strongly urged upon that Convention the adoption of a Constitution which would give the central authority the right to legislate upon any subject it elected to legislate upon. He urged the convention to adopt a constitution such as that of New Zealand, where any subject which the Parliament elects to legislate upon is a subject properly within the authority of Parliament. My personal view is that as a result of the Federal Constitution, and of the absolute freedom of trade which is established between the various Australian States, no financial consideration can compensate Western Australia for the loss of the right to foster secondary industries within the State and thus maintain a well-balanced production and development. I consider that a well-balanced development both on the primary and the secondary industries sides is a most essential requirement, not only for Western Australia but for the Commonwealth as a whole. The picture to be seen in present-day trends is merely an enlargement of the policy that was pursued in the various Australian States prior to Federation—a policy of centralisation. We know that that policy was pursued

in this State. We know, too, that in all probability, had it not been pursued here, Western Australia would never have got up a vote in favour of Federation. In point of fact, about 25,000 votes of the 29,000 majority were secured in the goldfields district, because of resentment felt against the centralising policy pursued in Western Australia by the refusal to open up the natural port of the Eastern Goldfields.

Mr. SPEAKER: I do not think the Minister is applying himself very closely to the motion.

The MINISTER FOR JUSTICE: I am trying to show that we are entitled to a much larger grant than we get under existing conditions.

Mr. SPEAKER: The Minister may connect his remarks up with the question before the House, but I think he is a long way from it.

The MINISTER FOR JUSTICE: Perhaps I had better not carry out my proposal to give some striking examples of centralisation which have occurred in various States of the Commonwealth. I think, however, that I may be permitted to draw attention to the fact, for purposes of comparison, that in 1862 the Western District of Victoria sent Home a petition for separation because the policy then being pursued by the Government of the Colony was such as to make for primary development in all the country districts of Victoria and to concentrate all secondary industries in the metropolitan area. Not only was it concentrated there naturally, but it was concentrated artificially by the use of railway freights and special concessions that led to the establishment of industries in and around Melbourne. I know that Sir Graham Berry was opposed to this policy of centralisation and by the provision of tapering freights on wheat favoured the provision of mills in the country districts. But when Sir Thomas Bent became Premier, he reversed the tapering process and now the flour mills are located around Melbourne. That is a very limited picture of the policy of centralisation that has obtained not only in Victoria, because instances can be quoted regarding all the States to show the effect of that policy must be to centralise the prosperity of the country within a given area, and make for well-balanced development around the metropolitan area at the expense of the country districts. That is what I visualise in the existing trend of the

policy throughout the Commonwealth as a whole. There is a definite trend to centre well-balanced prosperity in the more advanced States of Victoria and New South Wales, at the expense of the weaker primary producing States. The report of the Commonwealth Grants Commission bears that out and on page 41 of their second report they say:—

Western Australia, South Australia, and Queensland, under this system, specialise in primary industry, particularly pastoral and wheat farming. This was financed largely from the eastern centres of population. When discoveries of gold and other valuable minerals were made, the management and financial control were centred to a very great extent in Melbourne and Sydney, though, in the case of gold, Adelaide was a centre of great importance. All colonies had tariffs which, although designed to produce revenue, had a considerable protective effect. These tariffs, however, did not prevent a growing concentration of secondary industry in Victoria and later in New South Wales. The tariffs of the various colonies indeed checked what would have been an overwhelming trend to concentrate manufactures in the south-east.

At the present time we find that under the tariff there is the possibility of imposing charges that tend to concentrate manufactures in the south-east of the continent. That trend has become more definitely established as time has gone on. Then the Commission proceeded to state:—

With Federation this barrier was abolished by the enactment of a common Customs tariff for the whole continent and the establishment of interstate free trade. There were then no obstacles to the development of a single economic unit for the whole continent, except such as were imposed by the remaining political powers of the States, which were not of great importance in comparison with the tariff. This establishment of a single unit for economic affairs for the whole continent has been the determining condition of economic development since Federation. It has led to a more complete concentration of management, and financial control, and of manufactures, and therefore of population in the Eastern States, while the other States have increasingly specialised in the type of primary industry to which each is best suited.

That quotation from the Commission's report definitely establishes that they have a full knowledge that this particular State, and the weaker States generally, are compelled to turn more and more towards primary production, while secondary production will be fostered more and more in the Eastern States. The result of that concentration and better balanced development in those States is reflected in the

amounts that are received by way of Commonwealth income taxation in respect of the various States. We find that for the year 1933-34 the income tax collected by the Commonwealth Government in New South Wales was 21s. 5d. per head; in Victoria it was 21s. 5d.; in Queensland, 11s. 7d.; in South Australia, 12s. 1d.; in Western Australia, 13s. 8d.; and in Tasmania, 9s. 6d. That is a very good test for the purpose of ascertaining the wealth resources of the various States. The trend of development is reflected in the percentages of primary and secondary industries. These percentages, which I propose to quote, tend to indicate those States where there is well-balanced development as against the States where there is not that well-balanced development. In New South Wales primary industries represent 54 per cent., and the secondary industries 46 per cent. In the other States, the relative figures are: Victoria, 45 per cent. and 55 per cent.; Queensland, 69 per cent. and 31 per cent.; South Australia, 62 per cent. and 38 per cent.; Western Australia, 76 per cent. and 24 per cent.; and Tasmania, 64 per cent. and 36 per cent. Allowing that these figures represent a definite indication of the trend of development that is taking place as the result of the centralising policy, it seems to me that the Federal Grants Commission, in effect, state that the retardation of development in this State, its lack of secondary industries, its slow growth, its use as a dumping ground for Eastern States manufactures, its handicap in the race of progress under Federation, are not grounds for Federal assistance. They seem to indicate that no matter how backward our development may be, how slow the growth of our population, or even whether it remains stationary or declines, the fact that it even did decline would not, in their opinion, entitle the State to receive any grant. They say the test irrespective of our population must be: Are we attaining budgetary equilibrium? As I see it, under the present trend, and under the present Federal policy, particularly if they subscribe to the condition that the Grants Commission laid down that the test for assistance must be dire necessity, irrespective of the effect that Federation is having on the growth of our population, and irrespective of the effect Federation is having on the development of the State, we in Western Australia are to be condemned to be the wood and water carriers for the rest of the Commonwealth.

Mr. Marshall: We will be too weak to do even that.

The MINISTER FOR JUSTICE: It seems as though their policy is directed towards establishing a peasantry in Western Australia, and confining our activities to primary production, while the Eastern States, under the existing Constitution, are centres of well-balanced development and consequent prosperity.

MR. CROSS (Canning) [8.51]: For a good many years prior to 1933 it was obvious in this State that the time had arrived when there should be an adjustment in the financial relations between the State Government and the Commonwealth Government. I believe that was largely the cause of so many people in this State supporting the secession movement. Not only did that position obtain in this State—I refer to the dissatisfaction with the financial relationship between the smaller States and the Commonwealth—but the same feeling existed in other States. This pronounced dissatisfaction was the cause of the large vote registered in support of secession, numbers of people considering that in this way they would express their disgust regarding the inequalities. Most of those people did not think there was any possibility of obtaining secession and I do not think they desired it. I heard it expressed during the election campaign—

Mr. SPEAKER: I hope the hon. member is not going to discuss secession.

Mr. CROSS: I will connect it up with the motion we are discussing. People did feel dissatisfied and considered that they could express their disapproval by voting in favour of secession.

Mr. Thorn: You have no right to say they were not sincere.

Mr. CROSS: The hon. member knows—

Mr. Thorn: I don't know anything.

Mr. Marshall: Those are the truest words you ever spoke. You don't know anything at all.

Mr. CROSS: Later, as a result of the vote taken, the Commonwealth appointed a Disabilities Commission. It is apparent that the policy of the Commonwealth Government has been that while the people were discontented, they should be made a fairly large grant. It is equally obvious that now that they think dissatisfaction is dying down, and that they have met the wishes of the people to some

extent, they are devising ways and means of reducing the grant.

Mr. Thorn: Start another secession campaign. You benefited by the last one.

Mr. CROSS: I believe that that is the position. The special disabilities suffered by this State should be obvious even to the Commonwealth Government, particularly when cognisance is taken of the commitments of the State. I refer to such schemes as the group settlement scheme which was entered into by this State in conjunction with the Commonwealth and Imperial Governments. This State has wider spaces than any other, a longer mileage of railways and roads to maintain, with a very small population. The disabilities grant ought to be based upon the needs of the State.

Hon. C. G. Latham: But the roads are provided for separately.

Mr. CROSS: They may be, but some consideration should be given to this matter because even if roads are provided for separately, the Leader of the Opposition knows very well that there are areas, particularly in country districts, which cannot be said to have adequate roads. We should get special consideration from the Commonwealth Government on that score. The people of this State should not have received such niggardly treatment as they have at the hands of the Commission. It is the duty of the Commonwealth Government to review the position with the object of giving us a substantial increase. I do not believe that either this State or any of the smaller States will receive satisfaction until there is an adjustment in the financial relations between them and the Commonwealth because, as members know, almost every field of taxation has been exhausted by the Federal Government and the State has to go round and get whatever funds it can from most unlikely quarters. There should be a readjustment so that some of the avenues of taxation which are at present controlled by the Commonwealth could be handed to the State in order to enable it to collect sufficient revenue to obviate the need for going cap in hand to the Commonwealth every year. I propose to support the motion and hope that when it reaches the Commonwealth Government they will take it seriously. It is regarded by the people of the State as a strong protest. I should like to see it couched in stronger terms because I

consider that the State has been dealt with harshly by this Commission.

Question put and passed.

BILL—STATE GOVERNMENT INSURANCE OFFICE.

Second Reading.

Debate resumed from the 24th September.

MR. BOYLE (Avon) [9.0]: In rising to oppose the Bill I offer no apologies. Had this measure been brought forward five years ago, I would have been found largely in favour of it. Let me give the reason for my view. On page 22 of the report of the Royal Commission on disabilities affecting the agricultural industry of Western Australia we find this, under the heading of "insurance"—

One of the chief grievances of the farmers is the high rates of insurance, and the fact that it is compulsory on many to insure at the high rates increases their displeasure. The number of companies operating, namely 62, as given in the evidence of Mr. G. L. Bowman, who tendered evidence on behalf of the insurance companies, seems an overweight on a community of 400,000, and coupled with this fact is the high rate of commission paid to the agent; it is felt by the producers that the duties of agents could be considerably curtailed, and the farmers thus obtain a corresponding benefit in premium. Mr. Bowman in his evidence stated that the overhead expenses of 62 companies were not taken into consideration when assessing the rates of premium for insurance, but this statement is hard to understand; the patent fact is, however, that the farmer must obtain relief in the rates of insurance. There are two methods open, in the opinion of your Commissioners—either for the companies to co-ordinate to reduce their expenses by the elimination of canvassers with their cumulative expenses, or for the farmers to pool arrangements in their various districts to effect their insurances, and by so doing obtain lower rates by forcing a reduction of the expenses of insurance companies. The Commissioners are of the opinion that the Underwriters' Association could co-ordinate in a pooling arrangement, otherwise it may become compulsory on the Government and all secured creditors to protect their clients against high insurance rates. Surely the insurance companies have sufficient capital at stake in the State to assist under the present distressful circumstances of the farmers in deciding on a reduction of premiums. The various insurance companies should formulate some scheme for the harvest of 1931-32. If present conditions continue, the insurance companies must expect adverse criticism and further agitation for State insurance.

That was the finding of five men who were not interested but were rather opposed to the extension of the State insurance facility. But we found that the companies took no action whatever to bring about that state of affairs. It pressed very hardly on the farmers, 80 per cent. of whom were under lien and were compelled to insure their crops at exorbitant rates. The organisation of which I was leader at the time took up the fight on behalf of the farmers and incidentally on behalf of the whole of the people of Western Australia, and we succeeded in forcing a reduction of insurance rates. But in order to do that it was necessary to bring to Western Australia a non-combine company. Out of about 70 companies operating in Australia there were only three non-combine companies. And the company that we induced to come to Western Australia, the Federation Insurance Ltd., succeeded in establishing itself in this State. I say the extension of the State Insurance Office is unnecessary, because there is provided in the State, and particularly for the farming areas, a non-combine company which is doing the business to-day and has forced down the rates by at least 33½ per cent.

The Minister for Mines: Will that company take Third Schedule risks in the Workers' Compensation Act and miners' complaint?

Mr. BOYLE: That has not come within the purview of this company, but no doubt they would do the same as they are doing in other directions.

The Minister for Mines: Not one company has agreed to take that business.

Mr. BOYLE: And when I have read certain figures perhaps you will not be so enthusiastic about it. The operations of the State Insurance Office regarding employers' liability and miners' phthisis do not make pleasant reading for the taxpayers of the State. We also succeeded in putting a termination to what was known as the franchise for crops, which meant a deduction of £20 for a hail claim or one bushel to the acre. That meant that no claim would be paid which did not exceed £20. This company succeeded in doing away with that oppressive condition. In 1934-35, the total amount of revenue from premiums in Western Australia was £964,000. And that in a year of depression. The losses amounted to £454,000 or less than one-half the amount of premiums paid in. There we have a total of £964,000 with losses

totalling £454,000, cost in commission £112,000; and other expenses £241,000; so the cost of running the business amounted to £353,000 and the losses to £434,000. That is why I say I do not support the second reading of the Bill, namely, because we have succeeded in eliminating the agents and most of the other expenses, and to-day the farmer in Western Australia can obtain his insurance at the rate of 13s. as compared with 20s. in 1930-31. The Minister said that no protection was given in general assurance. I can assure him that he is incorrect in that. General cover can be obtained in any type of insurance, employers' liability, marine insurance, or any other type, with the possible exception of the point raised by the Minister. Because the bonus system has been introduced, in this attack on the combine companies, whatever profits are made are returned at the rate of 20 per cent. to the farmers concerned. I understand the operations of the State Insurance Office have been quite illegal. One does not quarrel too much with that; I would not make that a fatal objection, because many good things have been illegally introduced and subsequently legalised. I presume this is the objective of the Bill. But to reverse the position regarding workers' compensation insurance and the State office, we find that in the nine years 1926-35, premiums paid for industrial diseases amounted to £405,684, for general accident insurance £482,957, a total of £888,641, or a grand total of £1,154,158. The interest for the nine years was £22,521. The losses for the whole period were £804,975, leaving a credit balance of £349,183. That credit is offset by payments as follows:—Payment to Treasury in respect to payments previously made under the Miners' Phthisis Act, 1935-36, £25,000; outstanding claims, miners' diseases, 1935-36, £68,000; expected claims, miners' diseases, 1936-37, £56,250; and reserves for claims already admitted, 1926-35, miners, £229,374: or a total debit of £378,624, leaving a debit balance on the operations of £29,441. Dealing now with workers' compensation insurance for the years 1926-36, we commence with a debit of £47,127. Nine years' general accident premiums, 1926-35, total £482,957; one year's general accident premiums, 1935-36, £131,219; nine years' general accident claims, £466,164; one year's general accident claims, 1935-36, £121,368. Administration expenses, 1926-36, are shown as

£31,479, and the interest deducted, 1926-35, £22,521, leaving a debit of £29,441. The position as I see it is that the State is not effecting general insurance for the protection, shall we say, of its mills, hotels, etc., but is giving the business to private insurance companies. The Treasury is paying into a reserve account at the rate of £2,000 a year and there is standing to that account an amount of £49,000. Operating expenses are debited almost entirely to the Treasury. The 1.5 per cent. for administration expenses is, as the Minister admitted, absurdly low. This is the difficulty with a department of that kind, and it is one of the reasons why I am opposed to the Bill, namely, that the ratio of expenses is never brought properly into play, but is thrown back on to the Treasury. If the State Insurance Office were a competitive department, perhaps one could look a little more kindly upon it. Only by competitive effort will we be able to get these particular costs down. My grievance against the companies was that they would not compete. They would compete for business, but they would not compete to the extent of lowering rates. In the circumstances I regret I cannot assist the Minister with this Bill, as I am fully convinced that the State Insurance Office will ultimately become a charge upon the resources of the State. Therefore I oppose the second reading.

MR. FOX (South Fremantle) [9.14]: I intend to support the second reading. I am surprised at the opposition that has come from Country Party members. The member for Avon (Mr. Boyle) said he believed that competition was a good thing and that it could only be brought about by putting the office on a competitive basis. The only concern of the private insurance companies is that of profit, and quite a lot of the profit made goes in the payment of directors' fees. If all the private insurance companies were cut out—the Bill does not propose to do that—insurance rates would be better for the people represented by members opposite. I can quite appreciate the attitude of the member for West Perth (Mr. McDonald) in saying that the State Insurance Office should be terminated. I believe that the scope of the office should be extended, and that workers' compensation at least should

be made the monopoly of the State Insurance Office.

Mr. Seward: Then God help us!

Mr. FOX: No imagination is required to realise that insurance is a very profitable business. That is borne out by the presence in all the principal cities of the Commonwealth of the palatial buildings erected by insurance companies. My chief concern is to know whether the general run of workers would be better off if workers' compensation were in the hands of the State or whether we should leave them to the tender mercies of private companies. During the last 10 or 11 years I have had a considerable amount of experience of insurance companies dealing with workers' compensation claims on behalf of workers injured in industry. After that experience I have no hesitation in saying that I prefer to deal with the State Office. The claims are adjusted more expeditiously and the State office does not stoop to the questionable practices in which many of the private insurance offices have indulged.

Mr. Sampson: I think we should have evidence of that.

Mr. FOX: I do not propose to mention any names, though not because I am afraid to do so. I intend, however, to refer to certain firms operating in Fremantle, and if anything I say be wrong, they will be able to reply to me. I can, however, substantiate any statement I make. When I say that the State Insurance Office is better to deal with than private insurance companies, I do not wish it to be inferred that we get everything we want from it. Very often we have to fight the State Office just as hard as the private companies. Let me refer to one or two instances that have come under my notice during the last few years. When a worker has been injured and has been drawing compensation for a few weeks, it is a custom of some employers, on his drawing the last payment, to place a form in front of him and ask him to sign it. Quite a number of workers do not understand the Act and do not appreciate what they are signing. Some of them make representations to the union secretary and are put on the right track. Some of the men, however, sign the settlement freeing the employers from any future liability in connection with the claim. This means that if the worker suffers a recurrence of the disability due to the former accident, he is debarred from receiving further compensa-

tion. His claim is completely cut off. I might mention a case that occurred six or seven years ago. If the member for Nedlands were in his place, he would recall it because he appeared in the Supreme Court for the other side. A worker had drawn about six weeks' compensation, and when he went to draw the final week's compensation, one of the lump-sum settlement form was placed in front of him. He signed the settlement and it was registered in the court. That was supposed to debar him from receiving any further payment. About a month after that he had a recurrence of the complaint. I made a claim on his behalf against the company which had previously employed him. They rejected the claim. I was away on holidays when this man signed the agreement relieving the company of any further obligation otherwise he would not have signed it. The company refused to give him any compensation, and we took the case to the local court. We lost the claim there, and then appealed to the Supreme Court. We won the case there, and the company appealed to the High Court, where the case went against the man in question. It would have taken a large sum of money to appeal to the Privy Council, so the case was dropped. If the man who put that document in front of the worker to sign received his due, he might have gone to gaol. I told him that myself. If ever a confidence trick was played in this world it was played then. There is another claim in connection with a shipping firm in Fremantle. Every time I went to that office I had an argument with the officials. Eventually, however, we generally got the best end of the stick. In one case the manager got a disabled workman into his office, where he also had the manager of the insurance company. They made an offer of a settlement, and told the man that in no circumstances should he have any dealings with the union, that he should keep away from such organisations. They told him that if he went to the union it would cost him a great deal more money. The worker in question had sufficient confidence in his union to know that he would get a better deal from that source than he would from the shipping company which employed him. When he told me what he had done I got him to sign a document authorising me to act as his agent. When I went to the company's office the officials told me they would not deal with me. A summons was issued on behalf of the man concerned, and

he took the matter to court. He got a verdict for nearly £200 in excess of what the company wished him to accept. A similar thing happened in another case with the same company. The man was offered £150, and when he said he would have a word with the union officials they replied that they would not deal with the union and would give him £150 and no more. When a summons was issued, they did not allow the matter to go to court, and despite the fact that I had asked for £460 on his behalf they agreed to pay £430. I advised the man to accept that amount, rather than go to court and run the risk of losing the case altogether. These are two cases, and I would have no trouble in substantiating both. If I were to mention any names I do not think there would be any repercussion in the matter. Another case happened a few weeks ago. The worker called at the office of a company to see what he would receive for the loss of two joints of a finger. The company offered him £100. When he went along later they paid him £120, but they did not forget to tell off the people at Trades Hall, Fremantle, who had advised him, on the ground of interference with their business.

Mr. Seward: How will this Bill affect that sort of thing?

Mr. FOX: I have said that the State Insurance Office would not stoop to the objectionable practices so often found in connection with private companies.

Mr. Seward: You have to prove that.

Mr. Hughes: Have you heard that men on the Fremantle wharf have been refused work because of the number of accidents that happen to them?

Mr. FOX: I do not think that is correct.

Mr. Hughes: I will give you the name of one man.

Mr. FOX: I know of one man the hon. member might mention, but that man is working there now.

Mr. Hughes: Only after a fuss was made.

Mr. FOX: I have not often found that sort of thing. At present the State is forced to insure workers in the mining industry where the greatest amount of risk is experienced, and to take on all classes of claims for miner's phthisis. The waterfront at Fremantle is another industry to bear in mind. At one time practically all the insurance there was taken by private companies. At present with the exception of three companies it is all taken by the State

Insurance Office. Only about three firms there are now insuring with private companies. I support the second reading of the Bill, and hope it will be carried.

MR. STYANTS (Kalgoorlie) [9.26]: I support the Bill for two special reasons. It provides for the enforcement of the compulsory provisions of Section 10 of the Workers' Compensation Act, and I support it also for the reason that the State Insurance Office undertakes insurance at much cheaper rates than is the case with any private company. To hear the stubborn resistance put up by the Opposition to the legalisation of the State office, one would imagine that this was something new in Australia and in the world in general. That is not the case. Government insurance is in operation in most of the States of the Commonwealth, and in New Zealand. In the Dominion of New Zealand an Accident State Office has been in existence for 35 years, and a State life insurance office has been operating since 1869, a period of 67 years. The profits of the New Zealand State office have during the period amounted to over £350,000, and it is in open competition with all other classes of insurance companies. The State Insurance Office in Victoria has been in operation since 1914. It conducts workers' compensation business in competition with private companies, and since its establishment has shown a profit of over £200,000. Government insurance offices are operating in the United States, and one could quote many other countries where the same thing is going on. The Minister when moving the second reading of the Bill dealt briefly with the reasons for the inauguration of the State Insurance Office here. Briefly, it was due to the fact that the private companies refused to quote for miners' diseases under the third schedule of the Workers' Compensation Act. If they did quote it was at an exorbitant figure, and one that could not be accepted.

The Minister for Mines: They refused to quote, and will not take on the business at any price.

Mr. STYANTS: I accept that assurance from the Minister. A committee was then appointed, and recommended that the State Insurance Office should quote for the business at £4 10s. per centum. That was really the reason why State insurance was

introduced into Western Australia. The Government of the day considered it absolutely essential that those men should be covered by insurance. As the insurance companies refused to accept the risk, the only thing to be done was to introduce State insurance, which I claim has up to the present proved a distinct success.

The Minister for Mines: The office has £316,000 trust funds to its credit now.

Mr. STYANTS: The outstanding merit of the State Insurance Office is that no money was taken from Consolidated Revenue for the purpose of starting it. Neither has any Government assistance been sought since. The office has paid its way, and has provided cheap insurance for the class of men it was intended to cover. It shows substantial reserves for future claims from those who unfortunately will have to call upon it because of injuries suffered on account of the nature of their occupation in the goldmining industry. Although there are between 62 and 68 private insurance companies operating in Western Australia, there is little or no competition. It has been proved conclusively that the rates charged by those companies are altogether too high. Again, their operating costs are in the neighbourhood of 40 per cent., whilst the operating costs of State insurance throughout Australia on the average range slightly under 15 per cent. Whilst the inauguration of the State Insurance Office met with severe criticism from certain sources, and the operation of the office since its inauguration has had some criticism levelled at it, we find that after a change of Government the new Administration did not interfere with or cancel the operations of the State Insurance Office. Successive Governments have not attempted to abolish the office, simply because they realise that it fills a long-felt want. They realise that it provides cover for this particular risk at cheap rates. My contention is that State insurance has come to stay in Western Australia as in other Australian States. That being so, the office should be placed on a satisfactory basis. I am not particularly concerned as to whether the office extends its operations, but I am specially concerned that the office should be legalised and that all employers should be compelled to insure their employees. A highly important provision of the Bill is the enforcement of compulsory insurance under the Workers' Compensation

Act. Section 10 makes it compulsory for every employer to insure his employees with an incorporated insurance company approved by the Minister. The incorporated insurance companies have not received the Minister's approval for the simple reason that they do not provide for full covering for employees. Under Clause 8 of the Bill, if passed, the State Insurance Office will be deemed an incorporated insurance office, and in a position to permit of enforcement of the compulsory provision of the Workers' Compensation Act. That is a most important point. In the gold mining industry it has been found that some employers are unscrupulous enough to take advantage of a weakness in the Workers' Compensation Act not to insure their employees. I want hon. members to realise what that means to the average worker. If he is not insured by the employer—and frequently he does not find out until after he has met with an accident that the employer has not provided insurance—the wherewithal to provide his wife and children with the necessities of life is not forthcoming. In the case of a fatality, it means that the widow of the worker who was not insured is deprived of the benefits under the Workers' Compensation Act. These serve to keep the wolf from the door for two or three years, and in many cases provide the necessary finance to establish a home for the widow and children. She may also be enabled to set up in a small business which will provide a living for herself and the children. I agree with the member for South Fremantle (Mr. Fox) as to the experience one gains in dealing with claims under the Workers' Compensation Act recoverable from the State Insurance Office and private insurance companies, respectively. I have found that the State institution gives much greater satisfaction. The State office does not adopt the questionable methods frequently resorted to by private insurance companies in the settlement of claims. Only a week ago there was finalised a claim in which I took a prominent part. The claimant was the mother of a young man who was killed in a mining accident in Kalgoorlie. The mining company was insured with a private insurance company, which, because of the fact that the mother had another son, refused to pay the full amount under the Workers' Compensation Act. On the advice of the union's solicitors the case was taken to court. The insurance company, knowing quite well the justice of

the claim, bluffed up to within three days of the case being heard, but then decided to pay the full amount of compensation. Such tactics are not employed by the State Insurance Office. If one has a just claim against that office, one obtains a settlement without any great difficulty. Another matter I have to call attention to—and this applies to the State Insurance Office as well as to private insurance companies—is that fortnightly or weekly payments to injured workers have not been made promptly. In some cases this is due to the person making the claim not filling in the necessary documents correctly, or perhaps not filling in the right document. In some cases these circumstances explain delay in payment. However, dissatisfaction is being created with all classes of insurance offices by reason of the fact that weekly or fortnightly instalments are not paid regularly. The Act should provide that the payments be made by the employer to the employee, the employer recouping himself from the insurance office later. That system would do away with all the dissatisfaction now prevailing. Men who have been off work for six or eight weeks have, in some cases, returned to their work without having received any of the instalments which should have been available to pay household bills during the six or eight weeks the breadwinner was disabled.

Mr. Hughes: Is not that the law to-day?

Mr. STYANTS: Yes, but resorting to the law means that one has to prosecute the employer, who often is not the person in fault. Under the system I propose, once the doctor's certificate and other necessary documents are put in showing that the man actually received his injury at his work, the employer should pay the instalments due to the man, and later obtain a recoup from the insurance company. I hope the Bill will be passed for the reasons I have outlined, and so that justice may be done. Owing to the operations of the State Insurance Office not having been legalised in the past, men have suffered injustices. I can cite four instances where men have found to their discomfiture after injury that the mining companies that had employed them were not insured, and consequently they were not able to collect from them. In two instances, the companies went into liquidation, and the men could not successfully prosecute their claims.

Hon. C. G. Latham: The Bill will not improve that position.

The Minister for Mines: Yes, it will.

Hon. C. G. Latham: How will it do so?

The Minister for Mines: We will have the power to impose compulsory insurance.

Mr. SYANTS: That is the position. At present we cannot compel an employer to insure under the Act because the State Insurance Office has no legal standing. Then again, the State Insurance Office will provide cheaper insurance for the employers than is available from private insurance companies, particularly in connection with the mining industry.

MR. HUGHES (East Perth) [9.43]: I will not support the Bill, and I make no apology for my attitude. Some members on the Government side of the House must have had a much better experience of the State Insurance Office than I have had. I have handled quite a few of the workers' compensation claims, and I have not been able to find any difference between the attitude adopted by the State Insurance Office and that extended to workers who seek compensation from private companies.

Mr. Tonkin: I thought you were a socialist!

Mr. HUGHES: I did not think the hon. member could think.

Hon. C. G. Latham: It gives him a headache, sometimes.

Mr. Fox: Would you put it in the same category as the Queensland Insurance Office?

Mr. HUGHES: I can cite one instance in which the State Insurance Office took a despicable point of law to prevent a man from securing the benefit of his insurance. Under the law before it was amended, the practice had grown up of getting miners to refer their applications direct to the board. Workers were induced to sign an agreement to go over the head of the referee direct to the board. After having set up the board and been examined, the worker in one instance secured a finding that was tantamount to saying that he was suffering 100 per cent. permanent disability. We submitted the claim to the State Insurance Office and pointed out that according to the finding of the board, the man was entitled to compensation on the basis of 100 per cent. permanent disability. The only way of upsetting the claim and to get a new board was to find some technical point of law to upset the decision, and this is what the Crown Law authorities did. They said, "All right, if you make that

claim we will take the point that this finding of the board is invalid, and we will start *de novo*." By taking that fine legal point against the worker, the Crown Law authorities were able to get rid of the decision of the board that had virtually given the man a verdict of 100 per cent. permanent disability, and they set out to get a fresh finding with the knowledge of what the previous board had determined.

Mr. Fox: How long ago was that?

Mr. HUGHES: You know the case. The result was that the worker did not receive compensation on the basis of 100 per cent. permanent disability. He was offered £110 in full settlement. After negotiations had proceeded for a year, he got an offer of another £100, but eventually, when the matter went before the court, he obtained another £250. That shows that the State Insurance Office is prepared to take fine legal points, just as the private companies do.

Mr. Fox: I think I have said that we have had to fight the State Insurance Office at times, but still I prefer that office.

Hon. C. G. Latham: It may be all right, if you are on the Government side.

Mr. Fox: No, that applies to when your Government was in power, too.

Mr. Hegney: And they were hard enough.

Mr. HUGHES: The figures quoted by the Minister prove, as far as statistics can prove anything, that there is no difference between the State office and the private companies. According to the figures quoted by the Minister, in 1934 the State Insurance Office paid in claims 86.3 per cent. of the total premiums received, whereas the private companies paid 81.2 per cent. For that year, therefore, the position was in favour of the State Insurance Office by 5 per cent. In 1935, however, the figures were reversed. The State Insurance Office for that year paid 85 per cent. as against the private companies that paid 89 per cent. Taking the two years together, the State Insurance Office paid in claims 85.9 per cent. of the total premiums received, whereas the private companies paid away 85.3 per cent., a difference of .6 per cent, or six-tenths of a unit. If the State were more liberal in paying claims, it would have manifested itself in the percentage of the claims paid to the premiums received. That is the best evidence, because it is in accordance with a mathematical table that depends upon pure science. There is no room for prejudice or speculative opinion; it is a matter

of the purest of all the sciences, pure mathematics. Thus on that basis for the year 1934-35, the ratio of payments to premiums was exactly the same in respect of the State Insurance Office and the private companies. If I did not know from personal experience that the attitude of the State office is the same as that of the private companies, those figures would be conclusive; but I know from my own experience that until the State Insurance Office adopt a better attitude towards the injured workers, and are not merely content with saying that they are doing as well as the private companies, I shall not be prepared to give the State Insurance Office any support. If the office were to set the example and could indicate to Parliament how liberal they were in dealing with the workers and could show that their payments were 10 per cent. more favourable than those of private companies, there might be something in it, but the State Insurance Office authorities are not in that position. The member for South Fremantle (Mr. Fox) complained about agreements being put before the workers with a request that they should sign them. I have had experience of that being done. I know that the employees in the State Insurance Office advise the workers to sign those agreements. Day after day the workers are advised to sign away their rights to a medical referee, and to go direct to the medical board.

Mr. Fox: But they understand the position.

Mr. HUGHES: Many of them have told me that they did not understand the position. There is not one in ten, I venture to suggest, who signs away his rights to a medical referee and understands what he is doing.

Mr. Fox: That is not as important as some other things.

Mr. HUGHES: I always advise a worker never to abandon one of his lines of defence. I would like to see a table prepared showing the percentage assessments of the employer's doctor and the corresponding percentage assessments of the State Insurance Office's doctor. In nine cases out of ten the State doctor's assessments would be lower than those of the employer's own doctor.

Mr. Fox: Have you ever seen any higher?

Mr. HUGHES: No. I have never heard of one case.

Mr. Fox: I have.

Mr. HUGHES: I have seen any number of cases where the percentage was much lower.

Mr. Fox: Have you ever heard of a case where the insurance doctor's percentage was higher than that of a man's own doctor?

Mr. HUGHES: No. As a matter of fact it is pathetic at times to see the unfortunate wrangling that takes place in assessing the disabilities of an injured worker. He gets one assessment, then goes to another doctor and gets another assessment. I can call to mind a case in which a man started with an assessment of 75 per cent. in respect of a loss of the use of an arm. He then went to the insurance company—I think it was the State Insurance Office—and it was assessed at 25 per cent.

The Minister for Employment: You are not sure?

Mr. HUGHES: There was a splitting of the difference, and he was assessed at 50 per cent., and ultimately the matter was finalised at 33 per cent.

The Minister for Employment: Doctors certainly disagree.

Mr. HUGHES: Yes. There was an extraordinary thing about the figures supplied by the Minister. He asked me if I was sure of what I was saying. I hope he is sure of his figures. He showed that the State Insurance Office in 1934 paid out £111,000, omitting certain other figures, and their administrative expenses were £2,000, so that to earn £128,000 they paid out in claims plus administrative expenses £113,000. Private companies collected £143,000, and paid out £116,000 in claims, and £52,000 in administrative expenses. I am seeking to show why we should not interfere with the private companies on these figures.

The Minister for Justice: One company might get all the claims, and another not get any.

Mr. HUGHES: The Minister will realise that the law of averages generally works out. If that were not so we would find repeatedly one company failing, but insurance business is based on the law of averages. Insurance companies very seldom fail because the whole business is based on the law of averages, and, on the average, the law of averages is never wrong. That is one thing that is reasonably certain: that the law of averages generally works out correctly. It is worked

out on scientific, mathematical tables from years of data, and why should it not be worked out to a fine art? In 1934, according to the Minister's statement, £143,000 was collected in premiums. In claims £116,000 was paid, and in administrative expenses £52,000 was paid; so that payments plus administrative expenses totalled £168,000, and only £143,000 was collected in premiums. Insurance companies operating workers' compensation thus lost £25,000. If there are people so willing to spend money for providing work for insurance offices, why should we stop them? In the following year the complaint became progressive. For 1935 the State office collected £174,000. They paid £148,000 in claims, and their administrative expenses were £3,000, making a total of £151,000. So the State showed a profit on premiums over payments plus expenses of £23,000. The private companies, on the other hand, collected £153,000 in premiums and paid out £136,000, and their administrative expenses totalled £57,000, making a grand total of £193,000 paid out as against premiums of £153,000. So that payments plus expenses amounted to £40,000 more than premiums, and the companies were £40,000 to the bad again in 1935. According to the Minister's figures the private companies in two years went to the bad to the extent of £65,000. It could only be found from one source; it must come out of the shareholders' capital. Why should we stop these philanthropic people from doing this service for us at such an enormous cost to themselves? As a matter of fact I do not think for a moment that the insurance companies lost £25,000 in one year and £40,000 in the next. If I might offer an opinion I think there is something wrong with these figures.

Hon. C. G. Latham: Of course there is.

Mr. HUGHES: I would like to tell members what I think is wrong. The administrative expenses are given for the State Insurance Office, which is doing two classes of business: industrial business, and workers' compensation. The private insurance companies probably are doing quite a number of classes of insurance, and instead of taking out the proportion of their administrative expenses properly chargeable to the workers' compensation branch of their business, the Minister, I am inclined to think, has taken their total administrative expenses. I do not think for a moment that any of those insurance companies would

carry on a class of business that was costing them so much per annum.

Mr. Marshall: I remember that when the State office was first started, they did claim that all employers' liability business was a loss.

Mr. HUGHES: But they were still going on, losing £65,000 in two years. So if those figures are correct, why not let the companies go on providing that insurance? In respect to this aspect there is the same argument to be put up against the Bill as the Fremantle members put up against the introduction of bulk handling.

Mr. Fox: Oh no, there is not.

Mr. HUGHES: Yes, there is. The sound argument against the introduction of bulk handling was that when you introduced machinery that was going to displace labour, you ought to take steps to see that the displaced labour is reabsorbed. If you do not do that it is very doubtful whether the machinery will be beneficial in its effect upon the community as a whole. If you are going to abolish the insurance companies the same question arises: What are you going to do about all the people employed in those offices, and about the dividends that go to the shareholders annually? Why not let the insurance companies go on providing all these things, because if the figures are right it will not be for long that they will be able to carry on.

Mr. Styants: Why should not the State do the job? Would you leave it to the Federal Government?

Mr. HUGHES: No, it is not a job for the Federal Government, but a job for ourselves. We should forget about this twopenny-halfpenny tinkering with the problem and establish a system of insurance under which the worker contributes a certain amount, the employer contributes a certain amount, and the injured man gets his payments irrespective of where his illness or his accident has taken place. One of the most pitiful circumstances about workers' compensation insurance is this: A worker is injured and immediately a first-class battle starts on legal technicalities as to whether the accident happened in and arising out of his employment. And on a fine technical argument frequently the worker gets no compensation at all. What we want is a system under which, when an accident happens, no matter whether it happens on the job or off the job, the worker is sure of his compensation. Insofar

as the liability may rest on his employment the employer, of course, should stand the risk and pay his share, and, insofar as it may happen outside his employment, that should be provided for by himself. I happened to be secretary of an industrial union that tackled this problem. We had this question frequently arising: A man was injured sometimes before he got to work, sometimes at work, but the injury was not such as could be brought under the Workers' Compensation Act; and so in order to ensure that a man could have something on which to keep his wife and children while he was ill, we established a provident fund. We raised the union subscription and we earmarked 50 per cent. as a fund from which to give half-pay to a man who was getting less than half-pay as the result of sickness or accident. Whether the injured worker sustained an injury on the job or anywhere else, he came within the legal definition of being entitled to workers' compensation. So we solved the problem of putting the worker in the position of having half-pay to draw when he met with an accident.

Mr. Fox: You would not have too many accidents, would you?

Mr. HUGHES: No. What I suggest that we want is not to tinker with a problem like this but to establish an insurance scheme for ordinary insurance with workers' compensation, and by means of contributions from the workers they can be assured of getting the amount that is due to them, irrespective of where the accident happened. Of course it is not a proposition that will benefit every section of the community, because there would be no legal arguments under a scheme of that sort as to whether the accident came under the provisions of the Act. The fact that the man had met with an accident would be sufficient. If we are going to deal with insurance, let us deal with it in a comprehensive way and relieve the worker; because I know of nothing that is so agonising to a worker as to find himself the victim of an accident and then go through months of anxiety wondering whether or not he is going to get his compensation. And frequently he is ruled out on a technical point and receives nothing. We can solve all that by tackling the proposition in a businesslike way.

Mr. Styants: You do that by extending the operations of the State office and making it a national scheme.

Mr. HUGHES: Yes, as a competitor with the insurance offices already existing to-day. The point raised by the member for Kalgoorlie is another unfortunate aspect of insurance, namely, that frequently when a man is injured it is discovered that his employer is not insured, but is a man of straw, and so the employee gets nothing. We do not want this Bill to remedy that, for a slight alteration of the Workers' Compensation Act to provide that the man must insure with some company would get over that difficulty. And it is not certain that that would solve the difficulty, because that type of employer would not insure but would take the risk, as to-day he takes the risk of escaping the penalty. The only thing would be that he could be mulct in a penalty for not having insured. But that would not help the injured man who had lost his compensation; the knowledge that his employer had been fined £10 would not bring him much satisfaction. If the employer is a man of substance, there is a remedy against him to-day. The member for Kalgoorlie, I think, is wrong in suggesting legislation to enable the employer to pay compensation and then recover from the insurance company. That is the law to-day. The employer is primarily responsible to the employee. All that the employer gets under the insurance policy is an indemnity for that which he has paid. The employer is bound to pay.

Mr. Fox: He need not pay unless he is prosecuted and that makes it very awkward for the worker.

Mr. HUGHES: He has the remedy.

Mr. Fox: It is not worth while.

Mr. HUGHES: How would the proposed alteration affect the position? The employer is responsible for the half pay, and if he does not pay, he may be sued. The insurance company hides behind the employer.

Mr. Styants: The worker wants his sick pay regularly.

Mr. HUGHES: The employer is bound to pay him.

Mr. Styants: But he does not do so.

Mr. HUGHES: If the employer does not make the regular payments to-day, that is the fault, not of the insurance company, but of the employer. The remedy is against the employer, not against the insurance company. If an employer continues to pay the worker his compensation, the employer in turn can recover it from the insurance company, but

there is no relationship existing between the employee and the insurance company. Nor will this Bill provide any relationship. I do not propose to support the Bill. The State Insurance Office should adopt a better attitude to injured workers and say it is not prepared to regulate its conduct by the standard of conduct set by the private companies, but that it is going to set its own standard. If it were able to show that its ratio of claims to premiums was not the same as that of private companies, but was much greater, it would not be tinkering with the question. If the Government wish to do something of real value and service for the workers, they will bring down a Bill to provide for a scheme of insurance which will ensure that workers receive their compensation irrespective of when the accident happens, by means of a payment apportioned between the employer and the worker on an actuarial basis. I propose to vote against the second reading.

On motion by Mr. Marshall, debate adjourned.

House adjourned at 10.14 p.m.

Legislative Council,

Wednesday, 30th September, 1936.

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

BILL—WOOL (DRAFT ALLOWANCE PROHIBITION).

Read a third time and *passed*.

BILL—CUE-BIG BELL RAILWAY.

Second Reading.

THE CHIEF SECRETARY (Hon. W. H. Kitson—West) [4.35] in moving the second reading said: This is a measure which I hope the House will deal with as expeditiously as possible, consistent with members having a full knowledge of what it contains. It is a Bill to authorise the construction of a branch railway line from Cue to the Big Bell Mine. It also ratifies an agreement made on the 6th March of this year between the Premier and the American Smelting and Refining Company of New Jersey, whereby the company is required to put up a bond of £50,000 as a guarantee that it will proceed with the development of the mine when the proposed line is completed.

Hon. J. Nicholson: Are these people contributing anything towards the cost of the line?

The CHIEF SECRETARY: No. The agreement had its genesis in representations that were made to the Minister for Mines when he was visiting England last year. He was then approached by the chief representative of the company (Mr. Guest), who at that time was interested in the Big Bell Mine, through Premier Gold Mines Ltd., a company of which he was chairman of directors. Mr. Guest intimated that preliminary testing at the Big Bell had proved satisfactory, and that his principals were then prepared to develop the mine, on condition that the Government proceeded with the construction of a spur line from Cue. Mr. Guest was informed by the Minister that the application made to the Government would receive sympathetic consideration. As the result of that interview the company's Western Australian and Australian representatives received immediate instructions to submit the proposal to the Premier for consideration. At the same time the company proceeded with the work of developing the mine. When the Minister returned from abroad the company again pressed the proposal, whereupon the Government decided to carry out a test of the mine, that being a preliminary to any Government being prepared to agree to a proposal of this kind. The State Mining Engineer was instructed to proceed to the Big Bell, where he checked exhaustively the samples which had been taken by the company. The company had already taken samples of the drive and cross-cuts, which had shown an average value of