

Legislative Council,

Wednesday, 27th November, 1940.

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

QUESTION—ROYAL COMMISSION, PASTORAL INDUSTRY.

As to Legislation.

Hon. C. F. BAXTER asked the Chief Secretary: In view of the findings of the Royal Commissioner on the pastoral industry, and the urgency implied in the report to give effect to his recommendations regarding secured debts, is it the intention of the Government to treat the matter as urgent and to introduce the necessary legislation?

The CHIEF SECRETARY replied: The matter is being given urgent consideration.

BILL—STREET COLLECTIONS (REGULATION).

Introduced by the Chief Secretary and read a first time.

BILLS (2)—THIRD READING.

1, Reserves.

2, Legitimation Act Amendment.

Returned to the Assembly with amendments.

BILL—MARGARINE.

Recommittal.

On motion by the Chief Secretary, Bill recommitted for the further consideration of Clause 25.

In Committee.

Hon. J. Cornell in the Chair; the Chief Secretary in charge of the Bill.

Clause 25—Control of amount of table margarine to be manufactured:

The CHIEF SECRETARY: I had intended to move the suspension of the standing orders to permit of the Bill passing its remaining stages at one sitting. Clause 25 (2) provides that the notice referred to in paragraph (a) of Subsection 1 of this section shall be published in the "Government Gazette" not later than one month before the commencement of the year to which it relates. Even if the Bill were put through its remaining stages at one sitting, there is a doubt whether the notice could be inserted in the "Government Gazette" this week, and unless it is inserted this week, the effect of the measure will be lost for 12 months. To meet the situation, I propose to amend Clause 25 (2) by deleting the words "one month" and inserting the words "fourteen days." If the amendment is agreed to, there will be ample time to have the requisite notice inserted in the "Government Gazette." I move an amendment—

That in line 3 of Subclause (2) the words "one month" be struck out and the words "fourteen days" inserted in lieu.

Amendment put and passed; the clause, as further amended, agreed to.

Bill again reported with a further amendment.

BILL—MUNICIPAL CORPORATIONS ACT AMENDMENT.

Second Reading.

THE CHIEF SECRETARY (Hon. W. H. Kitson—West) [4.41] in moving the second reading said: This is a short Bill to which I believe the House will agree. It proposes to grant authority to Municipal Councils to utilise the 3 per cent. account for certain patriotic purposes. Section 480 of the Municipal Corporations Act, which deals with the powers of a council in regard to the spending of its income, provides in Subsection (1) that a council may in any year expend out of the ordinary revenue of the municipality any sum not exceeding 3 per cent. of such ordinary revenue for any purpose connected with the municipality and for the benefit and

credit thereof, although such purpose is not within the scope of the Act. Legal difficulty apparently exists in the matter of making contributions from this account to patriotic funds, and the question has recently been brought to a head by the Perth City Council desiring to make available a contribution from its 3 per cents for the relief of persons who have suffered by the aerial raids in Britain. The council referred the matter to its solicitor, and the advice given was that before any authorisation could be made from the 3 per cent. account the council must be satisfied that such expenditure was for a purpose connected with the municipality and for the benefit or credit thereof. This is in accordance with Section 480 of the Municipal Corporations Act.

The legal opinion stated that whilst nobody could conclude otherwise than that a contribution to the relief mentioned would be for the credit of the municipality, it could not be said that such a purpose was in any way connected with the municipality. It will therefore be observed that whilst there is a humane and patriotic justification for the contribution, the relevant section of the Act does not legally justify any such payments. There is also no other provision in the Act which could give the council the necessary power to overcome its difficulty. It is proposed, therefore, to remedy the position by an amendment which provides that—

During the continuance of any war in which the Commonwealth of Australia is engaged, and for the period of six months after the termination of any such war, a council shall be deemed to be expending money for a purpose connected with the municipality and for the benefit or credit thereof when it contributes money to any fund established for any patriotic purpose connected with such war, whether such fund is so established within the State or in any place beyond the State and by any Government, society, association, corporation, or other body of persons, or by any person acting in an official capacity.

As I have indicated, the request for this amendment has been put forward by the Perth City Council. It also has the support of the Local Government Association. I move—

That the Bill be now read a second time.

HON. J. CORNELL (South) [4.47]: Before the second reading is agreed to—as I presume it will be—and before the Bill

goes into Committee, I wish to draw the attention of the House to the drafting of the measure, and respectfully to request the Chief Secretary to ask the Parliamentary Draftsman to draft Bills in accordance with our Standing Orders. This measure as drafted consists practically of only one clause, which provides that it shall operate during the continuance of any war in which the Commonwealth of Australia is engaged and for the period of six months thereafter. Standing Order 175 provides that any Bill intended to be temporary shall have its duration provided for in a precise clause at the end of the measure. I submit that Clause 2 of this Bill should begin at line three of the clause and that the other words should be deleted, and further that a clause specifying the duration of the measure should be inserted at the end of the Bill. If members will cast their memories back only a day or two to the Bill dealing with the question of 3 per cent. of tramways revenue, they will recall the remarks of Sir Hal Colebatch on a clause practically similar to this one. I then drew Sir Hal's attention to Standing Order 175, and he immediately, being an old member of the Chamber and an ex-Minister, agreed that the proper way to achieve the purpose was to conform with Standing Order 175 and insert a duration clause at the end of the Bill. The Bill as drafted represents another easy way for the Parliamentary Draftsman to do his job. I merely give an intimation that if the Parliamentary Draftsman does not make the alteration to the need for which I now have drawn attention, I shall ask the Committee to do so.

HON. J. NICHOLSON (Metropolitan) [4.50]: I am sure that the views to which Mr. Cornell has given expression will be fully appreciated by the Chief Secretary as well as by other hon. members. The purpose it is sought to accomplish by the Bill is one which should have our support. As is known to most hon. members, particularly to those who at one time or other have been identified with municipal government, the part of the Act dealing with 3 per cents. has had to receive from time to time fairly elastic interpretation by auditors, as to whether certain expenditure which was claimed to be valid expenditure was in fact valid expenditure. No one can quibble about this measure; on the contrary, it should be sup-

ported. I well remember that during the last war the question arose even then; but the risk was taken and certain contributions were made out of the 3 per cents. by municipalities. There was a little elasticity on that occasion, but it was wrong. The provision should be inserted in the Act. Subject to the amendment to which Mr. Cornell has drawn attention—and quite properly—I trust the measure will receive the support of the House.

Question put and passed.

Bill read a second time.

BILL—BUILDERS REGISTRATION ACT AMENDMENT.

Second Reading.

HON. E. M. HEENAN (North-East) [4.54] in moving the second reading said: This is a small measure which I think will receive the support of members. It is really a Committee Bill. Hon. members will recall that the Act was passed last year. Since it has been in force it has operated satisfactorily, with one exception. The exception is that it does not provide for the registration of companies, and the main purpose of the Bill is to rectify that omission by providing that companies must be registered in accordance with the Act. Since the Act came into force the Minister has attempted to cope with the situation in respect to bringing companies under the Act by making certain regulations, but these were later found to be ultra vires and were disallowed. It has therefore been found necessary to bring down this amending Bill. I have much pleasure in moving—

That the Bill be now read a second time.

HON. A. THOMSON (South-East) [4.56]: In supporting the second reading, I desire to say that Mr. Heenan has correctly outlined the purpose of the Bill. Another section of the Act, however, is causing many people anxiety. It is the provision which denies registration to builders unless they are natural-born or naturalised British subjects.

Hon. J. Nicholson: To which section are you referring.

Hon. H. S. W. Parker: Section 2.

HON. A. THOMSON: As was pointed out by Mr. Cornell recently, certain foreigners are taking control of some sections of the building industry. This means that our own people are hopelessly outclassed, because of the partnership conditions under which these foreigners carry on their work. Another point to which I desire to draw attention is the provision empowering an officer of the board to inspect building permits issued by a local authority. That is not asking too much. Secretaries of unions are to-day authorised by the Arbitration Court to enter the premises of employers and to inspect and take extracts from wages books. The measure will apply only to the metropolitan area, and so I think it advisable that the board should have that power. Most members have been circularised by a certain firm; but the provision contained in the Bill that a company must be represented by one or two persons who have received the required training in building should be agreed to.

HON. J. CORNELL (South) [4.59]: With regard to the point raised by Mr. Thomson as to the non-registration of aliens, the Bill, if passed, will apply only to an alien who is a builder undertaking the complete erection of a building. To-day the work is being parcelled out, the foundations being sub-let and the stone work also. The alien element has a monopoly of the work in the metropolitan area. Brickwork is also sub-let and I think all that is not sub-let is the carpentry. I do not think there are any unnaturalised builders operating in the metropolitan area; if there are, they are very few and the difficulty can easily be overcome. There is a provision in the Bill to which the builders object—there is some substance in the objection—and it is that a builder must be a qualified man. If, however, we are going to import that principle into builders' legislation, we should import it into all our legislation. It is not fair to single out the building trade in that respect. One of the directors of a building company is to be a qualified builder, but such a provision does not apply to other companies. We could provide that the builder in charge of the operations should be a thoroughly competent person. I understand that when the Bill is in Committee an amendment will be moved to rectify this and that is what the builders are seeking.

Question put and passed.

Bill read a second time.

In Committee.

Hon. J. Cornell in the Chair; Hon. E. M. Heenan in charge of the Bill.

Clauses 1 and 2—agreed to.

Clause 3—Amendment of Section 4:

Hon. Sir HAL COLEBATCH: I move an amendment—

That paragraph (d) be struck out and the following inserted in lieu:—“Any company or any other body corporate whose building work is managed and supervised by a person registered under this Act or exempted from the necessity of obtaining registration under this Act.”

This is not a subject I know very much about, but I have received a communication which to my mind seems entirely reasonable. It suggests that a company which at present is carrying out extensive works would, under this Bill, be unable to continue operations. The Structural Engineering Co. is the concern to which I am referring, and amongst other works it is carrying out are the recent additions to buildings for the East Perth Power House, the new building for the Kalgoorlie Ice Co., buildings for Big Bell Mines, Limited, Boulder Perseverance, Limited, and several other mining companies, steel frame buildings for Cuming Smith and Mount Lyell companies at Bassendean, North Fremantle, Geraldton and Picton Junction and many others. This is certainly not the time to run the risk of doing a great injustice to anybody.

Hon. H. S. W. PARKER: I agree with Sir Hal Colebatch that the amendment he has moved is very necessary, not only for the company to which he has referred, but for others which would be debarred from carrying on the business of building. It is wrong that we should attempt to prevent a strong financial concern from carrying on operations. All have qualified people to do the work. If I had my way I would vote for the repeal of the principal Act. Anyway, it is wrong to prevent a substantial concern which makes building its business, from carrying on that business, and their work is often of a nature that is beyond the financial capacity of private builders.

Hon. A. THOMSON: If we strike out the paragraph with a view to inserting other words we shall give the company mentioned, as well as other companies, the

right to erect buildings anywhere without being registered as builders. I am not saying that this particular company is not qualified to carry out the undertakings, but if we are going to make other builders comply with the provisions of the legislation and allow big companies to go free, that will not be right. The amendment which has been suggested has not been put on the notice paper and it is difficult to understand it by merely hearing it read.

Hon. H. S. W. PARKER: There are other companies concerned also.

Hon. A. THOMSON: If the law is going to prevent me as a builder from carrying out certain work unless I am registered, will it be fair to let a company carry on operations without registration? We should not make fish of one and flesh of another. In dealing with an individual, there is better control than is the case when we are dealing with a company, a director of which may not have a first class knowledge of the undertaking on which he is engaged.

Hon. H. S. W. PARKER: The work would be managed and supervised by a qualified person.

Hon. A. THOMSON: By one person. The company may be engaged in a dozen jobs, and one man will be expected to look after them all. I oppose the amendment.

Hon. E. M. HEENAN: I also oppose the amendment. The sole object of the measure is to secure the registration of all people engaged in the building trade.

Hon. J. J. HOLMES: That was its object when it was first introduced.

Hon. E. M. HEENAN: It is also desired to ensure that the best class of work is put into buildings, and that people who engage in the trade have the necessary qualifications. Through an omission, companies were not included in the Act itself, but the Bill seeks to repair that oversight. If the amendment is carried, the object of the Bill will be defeated because companies will not then require to be registered. Should a company commit a breach of the Act, no remedy will lie against it.

Hon. L. CRAIG: The letter we have received states that the company in question would not be eligible for registration.

Hon. E. M. HEENAN: The qualifications for registration are very simple and easy.

Hon. J. J. HOLMES: What about companies?

Hon. E. M. HEENAN: One of the directors of the company should be able to conform to the necessary qualifications.

Hon. L. Craig: Why should not an employee of a company conform to them?

Hon. E. M. HEENAN: A company is controlled by its directors, who, from their experience, should have no difficulty in securing registration. Apparently the company in question cannot as now constituted be registered.

Hon. H. S. W. Parker: It will not register.

Hon. E. M. HEENAN: Why must the Bill be framed with the object of including that company?

Hon. Sir Hal Colebatch: Why frame it for the purpose of putting it out of business?

Hon. E. M. HEENAN: If this Bill is passed, I am sure the company will soon make itself eligible for registration. It will require only to get one of its directors to make the necessary application.

Hon. J. M. Macfarlane: More than one company will be affected.

Hon. E. M. HEENAN: I understand that the Bill has the blessing of practically everyone connected with the building trade.

Hon. J. J. HOLMES: The object of the Bill was to overcome a difficulty which appeared in the parent Act, and which did not provide for the registration of companies. After it was introduced, the measure was loaded. Dudley & Dwyer, for instance, acquired a great deal of land and built a number of houses upon it. They are still pursuing their normal activities. I am told that company will have to appoint as a special director a man qualified in the building trade. Why should a company that has been engaged for many years in its present business have to comply with conditions of that kind, or go out of business? Someone in another place turned the Bill completely around with the object of blocking companies of that kind.

Hon. A. THOMSON: I do not think the Bill is loaded or aims at doing an injustice to anyone. Up to the time of the death of Mr. Franklin, M.L.C., Dudley & Dwyer had on the directorate a practical builder. In the interests of the shareholders and the clients of the company, a practical builder should be appointed to fill that vacancy. If

a company is going to engage in work of this sort, it should do so under the guidance of an expert.

Hon. J. J. Holmes: The directors only direct the policy of a company.

Hon. A. THOMSON: In that event they have no business to accept the salaries paid to them. Is it suggested that an unregistered company would be responsible for the acts of its servants?

Hon. H. S. W. Parker: Yes. An architect employed by a company would not be registered, but he would be a responsible person.

Hon. A. THOMSON: Provision is made in the Act along similar lines and the Bill will afford protection to the public as well as to builders themselves. The main reason behind the original legislation was said to be the prevention of jerry building.

Hon. H. S. W. Parker: And now you are getting at the big people.

Hon. A. THOMSON: If Mr. Parker would only read the Bill as a whole and not concentrate his attention on one clause only, he would appreciate the position. But here we have a firm which apparently has considerable influence over members of this House—

Hon. Sir Hal Colebatch: On a point of order, Mr. Chairman, I protest against a remark of that description. I do not know any member of this particular firm, nor have I seen any member of it. When I moved the amendment I mentioned the name of the firm and its letter. I regard Mr. Thomson's remark as insulting.

The CHAIRMAN: I did not hear the remark. What did Mr. Thomson say?

Hon. Sir Hal Colebatch: Mr. Thomson said that apparently this firm has considerable influence over members of this House.

The CHAIRMAN: I ask Mr. Thomson to withdraw the remark.

Hon. A. THOMSON: I certainly withdraw it, because I had no intention whatever of casting a reflection on any member of this Committee. What I was referring to was the fact that the very amendment that was requested by the firm had been submitted to the Committee for consideration. I think I am justified in saying that. I did not suggest for one moment that any undue or personal influence had been exercised, and I certainly regret that I should have conveyed any such impression to members. In

my opinion, the Bill provides all that is required, and I am afraid the proposal before the Committee will be detrimental to other firms. They will have to comply with the requirements of the Act and regulations framed under it. The only way to avoid that will be for the smaller people to form one large company; then they will be able to do as they like.

Hon. J. NICHOLSON: While Mr. Thomson withdrew his statement—

The CHAIRMAN: The statement has been withdrawn; let that close the matter.

Hon. J. NICHOLSON. The matter is closed, but while the statement made by Mr. Thomson was rightly protested against and withdrawn, Mr. Thomson proceeded to add insult to injury by suggesting that the amendment proposed was that which was suggested in the letter, a copy of which every member has received.

Hon. A. Thomson: Well, is that correct or otherwise?

Hon. J. NICHOLSON: I have received a copy of that letter, but I do not know who comprise the company.

Hon. A. Thomson: Nor do I.

The CHAIRMAN: Order! I think we had better return to the principle involved in the amendment, and leave companies and individuals out of the discussion.

Hon. J. NICHOLSON: Reference has been made to the letter each member has received and one has only to read that document and peruse the amendment suggested therein to realise the reasonableness of the proposal. I point out to Mr. Heenan as the sponsor of the Bill and to Mr. Thomson who supports the measure, that there is every justification for such an amendment and every reason why the Bill, in its present form, should not be agreed to. If we accept it as it stands, the Bill will work the greatest possible injury to many people in this State. I understand that the company that has been mentioned—I may have been misinformed, and will be glad to be corrected if that is so—employs engineers and others who have gained their degrees and qualifications at the University of Western Australia. The company has been the means of finding employment for many of our university graduates who otherwise would have had to seek employment elsewhere.

Hon. G. Fraser: Why cannot they secure registration?

Hon. J. NICHOLSON: The Bill would have the effect of debarring the company and others similarly situated, from carrying on operations under the Builders Registration Act.

Hon. G. Fraser: Why?

Hon. J. NICHOLSON: If the hon. member will peruse Subsection 2 of proposed new Section 10, he will ascertain the reason.

Hon. E. M. Heenan: If the firm employs these clever young university graduates and others, cannot they be registered?

Hon. J. J. Holmes: The company may register them to-day and they may leave to-morrow!

Hon. J. NICHOLSON: The Bill provides that at least one director of a company must be qualified and registered under the Act. As Mr. Holmes pointed out, directors deal with matters of policy and, generally speaking, are not qualified to carry out highly technical duties associated with building operations.

Hon. J. J. Holmes: If a director knows his job, he leaves that to his manager.

Hon. J. NICHOLSON: If the director is worthy to hold his position, he will take care to select as manager a man who will be fully qualified and have the necessary ability to carry out successfully the operations with which the company is associated. If the director has not nous enough to do that, he will not be worthy to hold such a position. A company that would not employ men with the highest qualifications would not continue operations very long. There is another aspect. The Bill seeks to involve not only directors but shareholders of companies. In the name of heaven, why should the latter be included? A shareholder is no more concerned with the directing of policy and controlling the business of a company than is any member of this Chamber. He has an opportunity to attend general meetings of shareholders at which he can voice his opinions. At those meetings the shareholders have the right to appoint directors; if not satisfied with them the shareholders can oust them from their positions.

Hon. J. J. Holmes: Shareholders do not elect the manager; the directors appoint him.

Hon. J. NICHOLSON: That is so. There is no necessity for either directors or shareholders to be drawn into this matter. I go further. A very interesting indication of the effect of legislation of this type may be found in connection with the building of the Sydney Bridge. Highly qualified experts had to be imported from outside Australia, men who were associated with a great firm of bridge builders. I look forward to great developments in this State and in the course of years we may be able to vie with Sydney in relation to vast works to be undertaken. It would be a reflection upon this House and upon Parliament as a whole if we were to pass legislation, the effect of which would be to debar representatives of great engineering companies from taking part in operations here and, further, debar us from being able to command the services of such highly qualified experts. The amendment is indeed worthy of consideration, and I hope it will receive the support of members.

Hon. Sir HAL COLEBATCH: I remind members that a week or two ago we passed a Bill dealing with the registration of opticians. We took special pains to enable a firm to carry on, although no member of it was an optician, so long as it employed men who were registered opticians. What difference in principle is there between that measure and what I now ask the Committee to agree to respecting the present Bill? We say these people should be capable of carrying on operations so long as they employ qualified men. I understand the firm to which reference has been made, employs half-a-dozen highly qualified and certificated men. What right have we to say that they must require at least one of those men and a director to be registered under this legislation?

Hon. G. FRASER: I agree with some of the arguments advanced by Mr. Nicholson regarding the position of directors and shareholders, but I would remind him that that is not the purport of the whole clause. There is reference to not only the director but the board of management. There is a loophole. We are dealing with people who are erecting buildings and I consider it would be a peculiar company which did not have on its board of management a man proficient enough to secure registration. Such a firm should not be permitted to build.

Hon. H. S. W. Parker: The amendment provides that they shall have a supervisor.

Hon. G. FRASER: The Bill does not need to be altered. Would the hon. member have work done by a firm that could not comply with the simple conditions set out in the Bill?

Hon. E. M. HEENAN: Mr. Nicholson said that if the Bill were carried the greatest possible injury would be done to a great number of people in this State. That is an exaggeration. You, Mr. Chairman, will agree that time and time again when mining Bills have been discussed, we have heard that members of the directorate of mining companies should be qualified mining engineers or men of some standing.

Hon. J. Nicholson: And how many of them are?

Hon. E. M. HEENAN: Too few of them are. The result has been that the public has often been taken down. Yet in the great majority of instances men chosen to become directors of companies are selected because of some special experience or knowledge. All the Bill asks is that in the event of a building company being incorporated one of its directors shall be registered. Mr. Nicholson also exaggerated when he said that under the Bill great companies such as the one that built the Sydney bridge would be precluded from carrying out works in Western Australia.

Hon. J. Nicholson: That is so, because not one of their directors would be here to fulfil these conditions. They generally send over engineers.

Hon. E. M. HEENAN: That is tantamount to saying that not one of the directors of the company that built the Sydney bridge would be qualified to register, and that is absurd.

The CHAIRMAN: The construction of the Sydney bridge is ancient history, and I do not think it is covered by the Builders Registration Act or the Bill before us.

Hon. E. M. HEENAN: I would be the last to embarrass those companies, but all companies carrying on mining or building or insurance or any other enterprise should register in accordance with the laws of the country that control the particular industry or profession concerned. If none of the three or four directors of a company is qualified to register, then the company is not going about its business in a proper way.

Hon. C. B. WILLIAMS: I have not been convinced that the letter from these people is correct. I intend to support the amendment.

Amendment put and a division taken with the following result:—

Ayes	17
Noes	5
	—
Majority for	12
	—

AYES.

Hon. C. F. Baxter	Hon. J. Nicholson
Hon. Sir Hal Colebatch	Hon. H. S. W. Parker
Hon. L. Craig	Hon. H. Seddon
Hon. J. M. Drew	Hon. H. Tuckey
Hon. V. Hamersley	Hon. F. R. Welsh
Hon. J. J. Holmes	Hon. C. B. Williams
Hon. J. M. Macfarlane	Hon. G. B. Wood
Hon. W. J. Mann	Hon. H. L. Roche
Hon. G. W. Miles	(Teller.)

NOES.

Hon. G. Fraser	Hon. A. Thomson
Hon. E. H. Gray	Hon. E. M. Heenan
Hon. W. H. Kitson	(Teller.)

Amendment thus passed; the clause, as amended, agreed to.

Clause 4—Who may be registered:

Hon. Sir HAL COLEBATCH: I wish to move an amendment to subparagraph (ii) of paragraph (b) of Subsection (2) of proposed new Section 10. If one of the directors of a company is registered and has all the necessary qualifications, I do not see why he should be prohibited from supervising the work of the company, and why it should be necessary for the company to employ a person to undertake the supervision. It has also been pointed out to me that there might be some companies which have not a local director. I am not sure as to the best way to amend the subparagraph, but I suggest that the words "and also, in addition to such director or member, when only one director or member is registered" be struck out, and the word "or" inserted in lieu. If that were agreed to, a registered director would be entitled to be supervisor if he so wished and the company would not be bound to employ a qualified person to carry out the supervision. I understand that a Bill relating to this measure was passed last session, but the matter is again under discussion because mistakes and omissions were made.

Hon. A. Thomson: That happens with regard to almost every Bill.

Hon. Sir HAL COLEBATCH: I do not think it ought to happen. I am not wedded to the exact wording of the proposed amendment, but I consider that something along those lines should be agreed to.

Hon. H. S. W. PARKER: I have a prior amendment. Provision should be made for excepting members of the Royal Institute of Architects, the Institution of Engineers and other persons who have already been exempted from the necessity for obtaining registration. I think this was intended, but to make the position clear I move an amendment—

That after the word "registered" in line 1 of subparagraph (ii) of paragraph (b) the words "or exempt from registration" be inserted.

Hon. E. M. HEENAN: I accept the amendment.

Amendment put and passed.

Hon. Sir HAL COLEBATCH: I move an amendment—

That in subparagraph (ii) of paragraph (b) the words "and also, in addition to such director or member, when only one director or member is registered" be struck out and the word "or" inserted in lieu.

Hon. J. NICHOLSON: I suggest that the words "as the case may be" also be deleted. There is no need for them. The amendment would then provide for a qualified director, a qualified member of the board of management or a person employed by the company.

Hon. Sir HAL COLEBATCH: I accept the suggestion.

The CHAIRMAN: Then the words "as the case may be" will be included in the amendment.

Amendment put and passed.

Hon. Sir HAL COLEBATCH: A similar amendment is necessary in the proposed new Subsection 3. I move an amendment—

That the words "as the case may be, and also when only one director or member is registered" be struck out and the word "or" inserted in lieu.

Amendment put and passed; the clause, as amended, agreed to.

Clauses 5 to 7, Title—agreed to.

Bill reported with amendments.

RESOLUTION—STATE FORESTS.*To Revoke Dedication.*

Message from the Assembly received and read requesting concurrence in the following resolution:—

That the proposal for the partial revocation of State Forests Nos. 4, 9, 22, 24, 25, 26, 27, 29, 35, 37, 38 and 39, laid on the Table of the Legislative Assembly by command of His Excellency the Lieut. Governor on the 26th November, 1940, be carried out.

BILL—NATIVE ADMINISTRATION ACT AMENDMENT.*Second Reading.*

Debate resumed from the previous day.

HON. W. J. MANN (South-West) [6.12]: I do not propose to occupy much time in discussing this Bill. I am quite in accord with the proposed amendments to the Act. Those of us who live in the country realise that the mentality of the natives—we are concerned mainly with half-castes these days—is not very high, but at times their guile is of considerable magnitude. I have known of occasions when a foolish white has been perhaps a little more easy-going with natives than he should have been and has been influenced by hard luck tales and placed himself in a position that has made him amenable to the law, particularly with regard to the supplying of liquor. Some natives would not hesitate for a moment to approach certain whites and suggest the procuring of liquor for them. The Bill should have a deterrent effect. If the native finds that he, too, will be held liable, whereas previously he was free to make suggestions as he thought fit, he will hesitate before coming into conflict with the law. Very few natives can consume liquor and keep their balance, and as a rule, when they obtain liquor, they become a nuisance. The Bill is justified and I hope it will be passed.

Sitting suspended from 6.15 to 7.30 p.m.

HON. F. R. WELSH (North) [7.31]: I support the Bill. Any man who has had much to do with natives knows how irresponsible they become under the influence

of alcoholic drink. Anything that can possibly be done to prevent liquor coming into the hands of natives should be done. To make it an offence on the part of a native to ask for liquor is a step in the right direction. At present a native can solicit liquor from a white man without fear of punishment. The native, and particularly the better educated half-caste in the South, at present has no hesitation whatever in soliciting drink, because he knows that he will get off scot free. Under the Police Act and also under the Native Administration Act it is necessary for the prosecution to have any drink found on a native analysed. I do not know, incidentally, of a case where a native has been found with drink in his possession. In the circumstances a conviction is almost impossible. The Aborigines Department and the police simply cannot secure a conviction because the native has no drink on him. On the other hand, if the native gives evidence against a white man, the latter is fined. Frequently the native is cunning enough not to give evidence, since at some future time he may be desirous of obtaining drink. The Bill makes it an offence for a native to solicit liquor even if he does not get it. If soliciting is made a punishable offence, natives will be chary of asking for liquor. The Bill is very necessary, and will be welcomed by everyone who has had anything to do with natives. Under the influence of liquor a native loses all sense of proportion, becomes quite irresponsible, belabours his women and children, knocks men down, and believes himself to be the equal of the white who supplied him with liquor. This applies more especially to the southern portion of the State, where the natives are more sophisticated. However, it applies also to the North, where the natives are becoming more knowing every year. Especially they have no compunction in trying to get out of punishment themselves by incriminating white men. The proposed amendment should have been made long ago. In the North it is common knowledge that to secure the conviction of a native under the law as it stands is almost impossible. The police and the Aborigines Department have been endeavouring to catch some people involved in the traffic, but they have not been able to secure the necessary evidence. The Bill has my entire support.

HON. G. B. WOOD (East) [7.36]: I support the Bill, which represents a genuine attempt to do something in the natives' own interests. An argument which has been used against the measure is that a native would not give evidence for fear that he should be convicted himself. In my opinion that is something in favour of the Bill. If the police are to be dependent solely on the evidence of a native who has been supplied with liquor by a white man, they have a poor old case. In the country recently a conviction was obtained against a man whom the police had been watching for years. They would not depend on native evidence. At last they got the man. He was convicted, and rightly too. I may add that he was a man of fairly good position in the town. A good job was made of him when he was caught. There is a definite flaw in the present Act, as the native has to be caught with drink on him, when a penalty of £5 can be imposed upon him. It is very hard indeed to catch a native with liquor in his possession.

Hon. L. Craig: You mean, visibly in his possession.

Hon. G. B. WOOD: Yes. In a country town there is often a silly young fellow, or perhaps a man not altogether right in his head, whom the native gets hold of; and some of these natives are shrewd, much shrewder than some of the young men in country towns. I have seen a good deal of this business, not only in the North-West but also in the South. In another place a Minister supported the Bill, saying he thought that if the measure would have the effect of frightening natives from going after liquor its enactment was desirable. My experience has led me to the same conclusion. Surely anything we can do to uplift the natives should be done. Certainly it would uplift them if they were prevented from obtaining liquor. A native is not like a white man, in that it takes very little drink to upset a native. Therefore I support the Bill.

Question put and passed.

Bill read a second time.

In Committee.

Hon. J. Nicholson in the Chair; **Hon. A. Thomson** in charge of the Bill.

Clause 1—agreed to.

Clause 2—Amendment of Section 48:

Hon. A. THOMSON: I move an amendment—

That the following paragraph be added to the clause:—“(b) by adding to the section after Subsection 4 a new subsection, as follows:—“(5) In any proceedings for an offence against any of the provisions of this section, any liquor mentioned in the complaint or information as being fermented, spirituous, or other intoxicating liquor shall, until the contrary is proved, be deemed to be fermented, spirituous, or other intoxicating liquor.”

I trust the Committee will agree to the amendment.

The **CHIEF SECRETARY**: I support the amendment. One of the drawbacks to the Native Administration Act as it stands is that it does not contain a definition of what liquor is. Consequently any proceedings taken against a native under that Act relative to liquor necessitate the liquor concerned being analysed, and a certificate being obtained from the analyst stating that it is fermented liquor. Therefore this amendment is highly desirable. It will prove of great assistance in the administration of the Act. With this amendment, the Native Administration Act can be used instead of, as at present, the Licensing Act.

Amendment put and passed; the clause, as amended, agreed to.

Clause 3, Title—agreed to.

Bill reported with an amendment.

BILLS (3) FIRST READING.

- 1, Employment Brokers Act Amendment.
- 2, Farmers' Debts Adjustment Act Amendment.
- 3, Profiteering Prevention Act Amendment (No. 2).

Received from the Assembly.

BILL—FISHERIES ACT AMENDMENT.

Assembly's Message.

Message from the Assembly received and read notifying that it had agreed to Amendments Nos. 1, 2 and 3 made by the Council and also to Amendment No. 4 made by the Council, subject to a further amendment.

MOTION—ECONOMIC PROBLEMS.*Commonwealth Bank and National Credit.*

Debate resumed from the previous day on the following motion by Hon. Sir Hal Colebatch (Metropolitan):—

That in view of the resolution carried in the Legislative Assembly on Wednesday, the 6th November, and ordered to be transmitted to the Commonwealth Government, regarding the use of the national credit through the Commonwealth Bank, it is desirable that the Prime Minister be informed that such resolution has not the support of the Legislative Council, and that in the opinion of this branch of the Parliament of Western Australia, national credit in the form of bank issues should be used with caution and discrimination in order that public confidence and the economic stability of the country may be maintained.

HON. H. SEDDON (North-East) [7.48]:

In supporting the motion moved by Sir Hal Colebatch, I desire to say that, with him, I feel how dangerous it is for this Chamber to be associated with the resolution passed by another place. Several features of the resolution cause me considerable concern. It says, "That in view of the deplorable shortage of money"—a phrase in itself extremely significant, but it is followed by a statement that it is impossible for our people to live at a standard approaching decency under the present monetary system. Then the resolution directs that the Prime Minister shall be requested to give immediate effect to the resolution passed last year. The resolution goes on to point out the deplorable state of our farming industry and the ever-increasing poverty and unemployment in our midst, and it requests that the national credit of the Commonwealth shall be used in the cause of defence, the primary industries and the general welfare of the people of Australia, by and through the Commonwealth Bank without inflation or any charge. During the course of this debate a remark was made that it was not intended we should embark on an academic discussion. With a view to keeping the debate on realistic lines, I say at once that in my opinion to give effect to the resolution would not be academic, it would be a financial miracle. My reason for saying so is that these experiments have been tried again and again. The nearest approach to success was the policy adopted by the German Government during

the four years preceding the war. Even so, with all the powers available to the German Government through a dictatorship, Germany arrived at a catastrophic position, and was compelled to embark on the policy that involved it in the present war. The policy that Germany adopted was that the foreign trade of the country was held by the Government. A person could not buy sixpennyworth of goods outside Germany without the approval of the Government, nor could he sell the same quantity of goods outside of Germany without obtaining the like approval. Germany introduced a foreign trade policy which compelled other countries to give Germany credit, and so Germany continued to hold the trade of those countries in its own hands by saying, "We cannot afford to meet the bills we have incurred unless you take German goods."

The goods that were sold to those countries were not always goods required by the countries compelled to take them. Very frequently the goods were of no use to the other countries, which had to arrange to market German goods in order to secure payment of the account that Germany owed them. Even then, payment was arranged only by their giving Germany further credits. That was Germany's policy with regard to external trade. With regard to the internal position, investment of capital was directed through governmental channels. All profits were taken and held by the Government. The workers were reduced to a position of virtual economic slavery; in addition, the national income was mortgaged for two years ahead in order to meet Germany's tremendous programme for the war. Things became so critical that at last the only way in which Germany could get out of the trouble was, firstly, by peaceful acquisition of foreign territory, and, secondly, by engaging in the present war. Germany has been able to do this because it has been living on the resources of the countries which it has conquered. That has been demonstrated again and again. She has taken all their goods into Germany, is living upon their wealth and has reduced them to the same slavery that formerly was imposed on her own people. The position in Europe to-day, as everybody knows, is critical. There is every possibility that we shall see

the greatest catastrophe of modern times befalling the enslaved nations, unless Germany can be defeated. Germany can only be defeated by a British victory; and a British victory can only be achieved by conserving all the resources not only of Great Britain but of the Empire, and guarding them against attack and against dissipation at the hands of those who do not understand the simple laws underlying monetary systems. In that matter Australia has a most important part to play. It is for that reason I view with grave concern the wild ideas about finance which have been steadily spreading throughout Australia, especially among the farming communities. While these ideas may have arisen through the desire of some people to endeavour to study these things for themselves, for the most part they must be regarded as deliberate and insidious propaganda influencing our workers and farmers in an attempt to undermine the financial strength upon which we must rely if we are to carry this country through and play our part in the great fight in which we are engaged.

Hon. G. B. Wood: Would you suggest there is anything wild about the resolution passed by another place?

Hon. H. SEDDON: Yes.

Hon. G. B. Wood: The resolution definitely says "without inflation."

Hon. H. SEDDON: And also "without charge." I will deal more fully with that point later. It is necessary, for the information of the general public, for us to approach the question of monetary systems and banking, and the simple laws underlying those systems. First of all, we must have some definitions. The first thing to be defined is money. Money is defined—and the definition is accepted by all students—as a medium of exchange, as machinery to enable exchange of goods and services to be carried out, and also as a means of expressing values. Those are the two main functions of money. One point that must be borne in mind by all who discuss the question of monetary systems is that money is not wealth. Money definitely is not wealth; it is an expression of value, a means of exchange. That is the beginning and end of its function. In order to be effective, a standard must be definite. It must be the same at any time, anywhere; otherwise it cannot be a standard. I realise that im-

mediately the question will be raised about the purchasing power of the pound. Therefore, it will be said that the pound is not a perfect standard. Quite true again. But on the other hand, as long as the pound is definitely related to an international standard, the variation is not only much less, but it is not so rapid as it is under the system now being adopted—frequently perforce, because of circumstances arising largely out of the present war. The standard that has been adopted down the ages has been gold. We can go back as far as we like and examine any system of government we like and we will find that the basis has always been gold. As soon as any standard of civilisation was reached, gold became the basis. There were definite reasons. The first was that it maintained a uniform value, the second that it was comparatively small in relation to its value, and the third that it was acceptable anywhere. To give gold its standard value, it was minted and stamped as tokens called coins. The coins or tokens were stamped so that the people might know that they represented a certain amount of gold; and history has shown that the gold has been more honest than governments, because the depreciation of currency, as Sir Hal Colebatch pointed out last night, began very early in the world's history. History has shown us that gold has been more honest than governments. An enterprising monarch, once finding himself short of funds, realised the possibility of taking a little gold out of the coins. What was the result? Immediately good money began to pass out of circulation and the more worthless money was used everywhere. This eventually emphasised and demonstrated the law of currency stated by a London merchant banker named Gresham, and from this came what was known as the Gresham law, which declared that bad money drove good money out of circulation.

Hon. G. B. Wood interjected.

Hon. H. SEDDON: I am pointing out that when the pound depreciates, bad money drives good money out of circulation. Some ten years ago the Commonwealth Government found that it was losing gold from the country. Why? Owing to the unbalanced external trade, the Australian pound was not worth its face value. On the face of the pound note was printed that the note could be exchanged at the Common-

wealth Treasury for one pound in gold. The Commonwealth Government immediately set to work to remedy the position and how it did that was by depriving the people of the right to exchange the note for gold, and the note became simply a fiduciary issue. People who had gold in their possession kept it, and they have kept it until to-day, proving the law which was stated in the time of Queen Elizabeth that bad money drives out good money still operates. Now, instead of finding on the face of the pound note that it can be exchanged for gold, we read that the note represents one pound in Australian currency. The position is that to-day we have a monetary system which is not tied to gold, and like any other system which departs from that principle, we find that Governments, no matter how much they may try to be honest, succumb to circumstances that are too much for them. That has been proved over and over again. Unless money is definitely tied to a base which is stable the system will fail, because men are dishonest, though not deliberately dishonest in every case. It is because men are dishonest that the basis must be gold or something possessing equivalent stability. I want to make that clear. We must get back to some standard and stick to it in order to preserve the currency. Once you get away from the guarantee, once you get on to a note issue as the currency divorced from gold, there is always the temptation to abuse it. Several countries have done that. Germany did it deliberately. Germany destroyed currency and the means of exchange and also destroyed the type of wealth that was frequently represented by currency. What was the result? Merchants simply closed right up. People were unable to negotiate real wealth that was in their possession for the things that they needed. Peasants came into the towns where they were offered valuable articles in exchange for food. The peasants did not realise the value of those articles, and would not accept them in exchange for food. So in one stroke Germany wiped out a tremendous amount of negotiable security and also struck a blow at the wages of German workmen and the incomes of people who had made provision for their old age. Before this war you could see in Germany highly educated men of science, men whose work stood out in their own field of science, men who were a long way above the average,

glad to accept work at £3 a week. As soon as the workman received his wages he shot off the shop boy to a shop to buy the goods he needed before the prices went up.

I intend to show to what extent we have exploited national credit already, and how serious it is to interfere with it. We should be very careful lest we destroy confidence. One of the symptoms of inflation is this: Immediately money is issued prices rise and more is required. We see that symptom arise. We cannot go on ignoring the national laws governing monetary systems. In this case it is known as the quantity theory of money. The quantity theory of money can be expressed in this way: So long as the money in circulation bears a constant relation to the goods and services that are produced there is stability; but immediately you inflate that money, when you put out a greater quantity of it, the value of the money in relation to the goods and services is reduced. In other words, prices rise and that is the immediate effect of embarking on fiduciary issues. As has already been pointed out, that is what happened in Great Britain. Incidentally, this law—it is a law—the quantity theory of money, demonstrates the danger that can arise from the unwise use of the currency. While the general price level rises certain commodities which are a glut on the market do not respond. They found that out in America, and they also found out there that the very industries they were trying to stimulate by increasing the currency would not respond, but the general price level all round was rising. Thus those industries were suffering because their costs rose while the value of the product remained the same under the pressure of the surplus; in other words, the explanation was not to be found in the shortage of money; it was to be found in the ill-balanced economy of the country. Let members recall the time when this country faced a crisis 10 years ago. They will remember that a great financier came out from London to examine our position. He pointed out and stressed what many people in Australia had been pointing out and stressing, namely, that the currency of the country was out of balance, and because it was out of balance, it was in a dangerous position.

Hon. A. Thomson: It is out of balance now.

Hon. G. B. Wood: Yes, because of our adverse trade balance. That is the principal factor.

Hon. H. SEDDON: It is one of the factors. We must take these laws into consideration. When these proposals are examined we must remember that these are natural laws, not laws made by members of any council chamber, but natural laws. The money token of countries varies. There is, however, one international standard, in that all are tied to gold. Because of that, one can be expressed in terms of the other. Whilst that is so, it is possible to carry on trade with a minimum of disturbance. Immediately a country varies its currency all kinds of complications arise. The man who is importing does not know what the goods will cost him when they arrive in his own country, and the converse occurs in the case of the man who is exporting. We must realise the narrow margin of profit that exists in trade between countries. We must see how easy it is to bring about serious loss and consequent disturbance of international trade. Where the currency of a country has been depreciated, exchange immediately goes to a premium. The balance of trade between countries is fixed on a relationship that is based on the value of gold. There is the cost of shipping gold from one country to another. That is called the gold point. That cost represents the difference between buying and selling gold from one country to the other in order that the relationship between the dollar and the pound remains on an equal basis. If the trade balance is seriously disturbed gold must move from the one country to the other. In Australia we have ignored that fact, and have persisted in ignoring it.

For many years the balance against this country was redressed by loans, and consequently Australia evaded the immediate effects of a third law. The third law states that to maintain trade between country and country it must balance. Although that may be obscured by borrowing sooner or later, we have to come back to our basis, that of the balance of trade. Paper money varies considerably. There is one important factor that has to be considered when we are dealing with paper money, and that is the effect of war. I pointed out where the issue of currency made the price of goods rise above the exist-

ing limits. War causes the destruction of wealth. The destruction of goods is effected by war and the power to produce goods is also affected by war. This leaves money in circulation, although it destroys the wealth under it. Prices rise because the value of money has fallen in relation to the actual wealth—the volume of goods—in the country behind it. I pointed out how through the rigid control of prices and trade in Germany that country was able to survive in the face of all these laws. But the result was that the accumulated effect of all these things drove that country to war. Unfortunately we in Australia do not appreciate these facts.

My remarks have dealt with ordinary tokens of the country or paper currency. I will now deal with banking, which is an extension of the monetary system. That extension has been adopted for two or three simple reasons. First of all it enables us to carry out our financial dealings and makes transactions cheaper, easier, and more effective. In the old days a man settled a debt of £1,000 with £1,000 worth of gold. Under the system of banking as we know it a simple adjustment is made of one account against another. Book entries are made, one of which cancels the other. All the physical labour involved in handling gold to settle accounts is therefore done away with. Banking is subject to the natural laws, just as currency is. The same laws apply. The great value of banking is the facility it provides for the granting of loans, in other words for the creation of credits.

Hon. G. B. Wood: A credit without any backing sometimes.

Hon. H. SEDDON: No. Let us examine the word "credit" from a dictionary point of view. According to the dictionary credit means to put trust in, being worthy of trust, an expectation of future payment for property transferred, amounts placed at the disposal of a person by a bank. A bank does not place money at the disposal of a person unless it trusts him. Once the principle of every-day honesty is destroyed, to that extent confidence is destroyed. Our banking system rests on a foundation of confidence and must be honest to continue. The central bank system of Great Britain is an illustration of that. During ordinary times the whole of the banking system of Great Britain converges on the Bank of England, that

bank being guided by the balance of trade, by production, by the invisible exports that bring in revenue to the country, and by regard for the general conditions controlling the monetary system of England, keeping it within fine limits by means of the bank rate which stabilises the banking policy. Business men and financiers are ever on the watch for any sudden disturbance in the financial position of the world. They know the forces that are operating. If the bank rate remains stable there is nothing for them to worry about, but if there is a variation in the bank rate immediate concern is evidenced amongst the financial institutions of the country and appropriate action is taken. The English banking system was such that not only had it the confidence of the whole of the commercial community of Great Britain, but it enjoyed the confidence of the whole world. When countries were unable to carry on their trade through their ordinary commercial channels because other countries would not trust them, their trade was carried on by bills on London. A bill on London or a Bank of England note, prior to the war was accepted without question in every part of the world, because every country had confidence in the fact that English credit was unassailable.

Hon. G. B. Wood: And what was the result, huge debts that will never be paid?

Hon. H. SEDDON: That is a consideration outside the operations of this powerful mechanism. I will deal later with that question as applied to Australia. There is one peculiar fact about the English banking system that many people do not take into account. The Bank of England is a private company, though it is regarded by many people as a national bank, and is in fact the nation's bank of Great Britain. Anyone can buy Bank of England shares, and yet the whole banking system of England is regulated by the Bank of England. The whole of the financial world of London takes its cue from that bank. In the case of the Commonwealth Bank, it is a national institution in every sense of the word, as well as an important one. This fact answers a lot of the queries and questions that are raised concerning our financial system. Credit resolves itself into integrity. One of the theories about credit to-day has been arrived at because people will not study the way in which banking operates, and the lim-

its within which it must keep itself in order that it may have continuous operation. The basic principle is this. With our ordinary currency goods and services pay for goods and services, and money is the medium by which the adjustment is made. It is just the same in banking. The adjustment or transfer is made in the same way. Wealth and services must pay for wealth and services. If this is not so, our system fails and chaos follows. Then there is the question of creating credit. That is done by means of loans against securities. The securities are of two kinds. First there is the material security, namely goods, and secondly and more important there is the personal security, the integrity of the person who is borrowing. When Pierpont Morgan, the great American banker, was called upon to give evidence before a Royal Commission that arose out of the American banking crisis in 1907 there was one portion of his evidence that shook the American nation, and did much to allay the panic and suspicion existing. He said a lot of people did not understand what credit meant. Credit was more a question of the man than the amount of security being put up. Again and again he had, he said, given large credits to a man on his word without any other security whatever. He did so because he trusted that man. Credit is confidence, and that is an illustration of it. I want to deal with the circumstances related by Mr. Wood, circumstances associated with the outbreak of war in 1914. What the hon. member said was quite correct. The outbreak of war in 1914 caused such a tremendous dislocation in London that the banks had to close their doors. Instead of closing for the ordinary bank holidays, they remained shut for four days. For that course, there were two reasons. Banking is carried out by preserving certain ratios that can only be maintained under favourable conditions, when trade is being carried out in a normal, calm, peaceful manner. War implies anything but that. At the onset of the war there arose a demand for money. For that there were two reasons. The first was that many people wanted to make sure that the money or credit they had at the time, was in their own hands; secondly, one of the first steps taken by Germany in 1914 was deliberately to exploit all possible advantages derivable from British finance. She fired

into the British market all the negotiable instruments on which she could place her hands. Germany did so in an endeavour to draw from Great Britain all the gold and all the purchasing power that she could. Those two factors, together with the circumstance that the people of Britain at that stage had never faced the menace of war—they had all the fears of war but none of the experiences of war—constituted elements that even the British banking system could not stand up against, in view of the tremendous blows aimed at it. The only way in which confidence could be restored in order to enable the system to carry on was for the British Government to get behind the banks and pledge the credit of the country in the interests of those institutions.

Hon. G. B. Wood: National credit!

Hon. H. SEDDON: The Government issued Treasury notes which were accepted and the worst panic and fears of the people were stayed. What was the ultimate effect? Prices began to rise and immediately the banks came back to the Government and said, "We cannot do any more of this. To do it will result in inflation."

Hon. G. B. Wood: You are telling only half the story.

Hon. H. SEDDON: I am telling the full story.

Hon. G. B. Wood: No, you are not.

Hon. H. SEDDON: Yes, the whole story. The result was that a policy, such as we pursued in Australia, was adopted in Britain, and the Government floated loans. Those loans were taken up through the banks, not by the banks, and by the customers of the banks. They were taken up by the nation and by America in an endeavour to find means to carry on. It was not claimed as sound finance; it was finance of necessity, the financing of a nation fighting with its back to the wall, in which everything had to be sacrificed in order to win victory.

To come back to a consideration of the position of the Commonwealth Bank. Many people criticise that institution. They have criticised the actions of Governments in dealing with the constitution of the Commonwealth Bank. I shall refer to that phase. Most of us are acquainted with the history of the Commonwealth Bank. Two Acts were passed by the Federal Parliament in 1910. One dealt with the issue of

notes. By the passing of the Australian Notes Act, the whole of the paper currency of the Commonwealth was taken over by the Federal Government on certain lines. Provision was made so that there was to be gold held in reserve and that gold had to be in a certain proportion to the notes issued. The proportion set down at the outset was 25 per cent. The proportion throughout the war period was never less than 33 per cent. There was that much gold behind the note issue of Australia. Then the Commonwealth Bank Act was passed and the bank started operations. A lot of people said that the Commonwealth Bank started without capital. True! But the Commonwealth Bank started with the advantage of two very important provisions. The first was that it was authorised to raise £1,000,000 of capital by the sale of debentures. The second was that on the day the bank opened the Commonwealth Government lodged with it £2,300,000, representing the funds to the credit of Government departments. That was the capital with which the bank commenced operations. For three years it worked at a loss, but it still did not issue debentures. It operated on the Government funds placed at its disposal and at the end of four years showed a small profit on its operations. The Commonwealth Bank demonstrated its value to the country during the 1914-18 war. During that period, in conjunction with the trading banks, it carried out the flotation of all war loans, which enabled Australia to finance its war operations. The position created in 1910 continued until 1920, in which year the note issue, which had all through that period been controlled by the Treasury, was handed over to the Commonwealth Bank. That is to say, the note issue was handed over to a board of the Commonwealth Bank. In 1924 the constitution of the Commonwealth Bank was altered. Sir Dennison Miller, who had carried the bank through all the strain and difficulty of the war period, died, and the Commonwealth Government altered the constitution of the bank to the extent that it placed it under the control of a board of seven directors, one of whom was to retire each year. The board was appointed by the Government having regard to the major industries of Australia. It was recognised that the best

way in which the banking policy could be operated to serve the interests of the country was by having the point of view of those industries upon which Australia depended, represented on the board.

Hon. G. B. Wood: Do you believe that change was the right step?

Hon. H. SEDDON: I believe it strengthened the Commonwealth Bank more than any other step hitherto taken, because it placed the bank upon the sure foundation of the prosperity and wealth of the country and in close touch with conditions in industry. The profits of the bank under the Commonwealth Bank Act were dealt with by arranging that one-half was to be devoted to the national sinking fund to pay off the national debt, and the other half was to be placed in a reserve fund. Under the 1924 Act those reserves were capitalised and the capital of the bank first came into existence as anticipated under the legislation. In 1924 the capital account stood at £2,300,000 and the reserve funds at £2,200,000. Another effect was that the Commonwealth Bank became a bankers' bank. That was most important. It resulted in all the trading banks being controlled by the Commonwealth Bank. The effect was to subordinate the trading banks to the dominating control of the Commonwealth Bank to the extent that all Government loans were arranged by the Commonwealth Bank. Australia's gold was taken over by the Commonwealth Bank. The Associated Banks settled their exchanges through the Commonwealth Bank, which was a very important provision. The Associated Banks had to supply the Treasury with quarterly statements of their assets and liabilities. In other words, there was correlated the relationship between the Commonwealth Bank—the people's bank—and the trading banks. That placed the Commonwealth Bank in control of the Associated Banks and those who carried on the ordinary trading banks were in all respects and under all conditions, dominated and controlled by the Commonwealth Bank. Let members not forget that, because it is very important. The Commonwealth Bank controlled the note issue and there could be no tinkering with the currency except with the consent of the Commonwealth Bank. Currency and the note issue were the province of the Commonwealth

Bank and that was, I think, never so strikingly demonstrated as in 1930, when a proposal was made by the then Commonwealth Government to issue £18,000,000 on the national credit. The Governor of the Commonwealth Bank said, "No." Pressure was brought to bear on him, but he stood fast. Because he stood fast in that period of trial, he did something more; he restored confidence, which had been very seriously shaken in connection with our Australian banking system. That change was apparent because people felt that here we had in the Governor of the Commonwealth Bank a man who was prepared to stand up to the situation in the light of what his banking experience had taught him. Here was a man who was charged with the duty of controlling our banking system and when he realised that the method proposed was wrong and contrary to sound banking practice, he was prepared to exercise to the full the powers vested in him by the Commonwealth Parliament. Realising that was the position, the people knew that the Governor was a man who would say, "I refuse to sanction this procedure." So long as that power is retained and the bank is not made subject to political influence, so long shall we be able to maintain a strong and well-established banking system.

The Commonwealth Bank controls foreign exchange. No trading bank can make use of foreign credits without the sanction of the Commonwealth Bank. If any hon. member tried to send money out of Australia through his private bank, that money would have to go through the Commonwealth Bank before the right to export it could be obtained. That, together with the control of the note issue, places two fundamental factors, stabilising Australian finance, in the hands of the board. The question that confronts the bank to-day is that of carrying this country through the tremendous strains and stresses created by the war in which we are engaged in our fight for existence. Banking is an art founded on scientific laws, and all the practical experience gained in the past will have to be availed of to carry our banking system through in safety. The banking people know what we cannot know, and that is why I regard motions, such as that agreed to in the Legislative Assembly, as most mischievous. The passing of such a motion must certainly tend to embarrass the operations of people whose duty is to maintain the con-

fidence of the people. The motion was a pronouncement by a representative and responsible body, and it must have a serious effect up on public opinion generally and especially that section which is now suffering disabilities and difficulties. As Mr. Cornell pointed out last night, the only tribunal to discuss the question would be the Federal Parliament, and even that body could not know the whole of the factors associated with the use of national credit.

Many people labour under the impression that we do not use the national credit. As a matter of fact we are using it all the time. Let me point out that under normal conditions a certain amount of real wealth is conserved every year. In no country, unless it is in a very bad way indeed, is all the population living beyond its means. Consequently there is a certain limit within which a country may utilise the national credit, and that is in relationship to the value of the wealth conserved. How is that value to be ascertained? There is one indicator, and that is that the general price level remains steady. I wish to refer to several matters of which the Chief Secretary spoke last night mainly regarding our debt position. The debt position is simply a demonstration of the extent to which we have utilised the national credit during the 1914-18 war and since. When we realise the degree to which that credit has already been used, we must appreciate that it could be a very serious matter to ignorantly carry that practice further.

The Commonwealth Government war debt to-day is very much less than it was in 1918. The amount owing to-day is £263,750,000. The Commonwealth war debt for the present war to the 30th June last was £52,500,000. The Commonwealth debt for works was £199,000,000. Thus the total Commonwealth debt was £453,333,333. The total debts of the States to the same date was £905,750,000. So when we talk about using the national credit, even without taking into consideration the burdens of the war, the Commonwealth Government has not used the national credit to one-half the extent that the States have done. There is a sinking fund in operation. Last year the contribution from the Commonwealth alone was £4.4 millions, and that sinking fund has been devoted to reducing the debt of the Commonwealth. As I have pointed out, the

old war debt of the Commonwealth has been steadily diminishing year by year. The interest on the Commonwealth debt for the year ended the 30th June, 1940, was £13.5 millions and on the States' debts £33.9 millions, a total of £47.2 millions. That amount has dropped considerably; it was over £50 millions prior to the big conversion, so that as far as the Commonwealth is concerned, it has not encroached upon the national credit to the extent the States have done.

What is the present position? It is very interesting. When we examine the balance sheets of the private banks, we find that Government loans held by them in 1937 totalled £39.5 millions and in 1940 £81.7 millions. Taking the Commonwealth Bank and the general banking department controlling the general banking and the Rural Credits Department, the amount was £27.5 millions in 1937 and £22.5 millions in 1940. In the Note Issue Department, debentures and other securities totalled £38.5 millions in 1937 and £54.3 millions in 1940. Savings Bank, Government securities totalled £91.8 millions in 1937 and £107.6 millions in 1940. Public authorities, which would be local authorities, totalled £31 millions in 1937 and £33.7 millions in 1940. Members will therefore see that the national credit has already been used by the Commonwealth Bank Board and the bankers of this country, firstly to assist to overcome the disabilities being suffered by the primary industries and, secondly, to meet the claims occasioned by the onset of war. Of notes issued by the Commonwealth Bank Board, those held by banks totalled £14.4 millions in 1937 and £13.9 millions in 1940. The notes held by the public totalled £35.1 millions in 1937 and £46.9 millions in 1940, an increase of £11 millions in the note issue held by the public from 1937 to 1940. That is a very important indication; certain of the people have started to hoard wealth.

When I started my address, I endeavoured to drive home the point made by Sir Hal Colebatch that the confidence of the public has been shaken. That is the danger I fear from the resolution of another place. That is why I add my voice to that of Sir Hal Colebatch in asking this House, at any rate, to dissociate itself from the terms of the resolution and show the Commonwealth authorities

that we are prepared to recognise that the issue of national credit must maintain the confidence of the public, whereas the resolution of another place can only have the effect of destroying public confidence. The Chief Secretary, in the course of his very interesting remarks made some points to which I wish to refer. He pointed out that the policy of his party in regard to the use of national credit is the nationalisation of banking and credit; national control of interest, national direction of investment. The full statement of the Minister was—

National control of credit to ensure its adequacy in putting to work the idle hands that the Commonwealth Government failed to employ in peace-time and in using the full physical and manpower resources of the nation to carry on the war. National control of interest rates to keep to the minimum the monetary and capital costs of the war and production and industry generally. National direction of investment.

I want to say that if these powers were exercised, we would need to have very capable and thoroughly experienced banking people in control. National control of credit, if it means anything at all, means the placing of the control of credit in the hands of one institution. The position regarding credit to-day is that we have the trading banks, which arrange individual credits, and also the Commonwealth Bank, and we have the advantage of competition. There can be no question of one credit authority closing its doors and saying, "You shall not have any credit." If the individual could not get accommodation at one bank, he would have a chance of getting it at another.

Hon. G. B. Wood: Did not you say that the Commonwealth Bank practically controlled the Associated Banks?

Hon. H. SEDDON: Yes.

Hon. G. B. Wood: You are saying something quite different now.

Hon. H. SEDDON: I am not. I say the Commonwealth Bank practically controls the policy of the trading banks.

Hon. G. B. Wood: You just spoke of competition.

Hon. H. SEDDON: Yes, there is room for competition between the banks. The hon. member should not forget that competition has to be carried on under certain rules. When an individual bank allows its cash reserves to fall below a certain proportion of its deposits, it is in danger and

must take steps to restore the balance. The position might be concealed for a time, but eventually it becomes known, and immediately it is seen that the ratio is below the danger mark, the bank knows that its credit is in danger. It knows that its depositors will lose confidence in it, and that is the last thing a bank can stand. Regarding the banking ratio we have a definite value, and this controls the amount of credit that a bank can issue.

The Minister spoke of the control of interest rates. This control has been practised for quite a long time, with the result that the natural price of money—interest—is kept pegged at a certain figure. The effect of this has been that a certain amount of money has been made available for loan investment in Government securities, and a very much larger amount has been invested in industries. As a result, industries in Australia have benefited accordingly. Investors have been able to receive better returns for their money by investing in industrial concerns. There has been a lot of criticism of some of those concerns. I did not want to mention the name of any of them, but there is one that I will mention because it is the subject of much criticism, and that is the Broken Hill Proprietary Co. Ltd. If there is one thing that Australia has reason to be thankful for to-day, it is the fact that there is a Broken Hill Proprietary Co. operating in Australia that had the courage and foresight to establish steel works and secure teams of experts who knew how to work steel and enable this country to be independent of the position it was in during the 1914-18 war. During that war we had to depend on the efforts of great Britain and other countries, hard-pressed though they were to meet their own war requirements, to make available supplies to us.

Hon C. F. Baxter: Do not forget that that concern is very well protected by the tariff.

Hon. H. SEDDON: This was due to the ability, courage and foresight of the people who established the industry and embarked on the manufacture of steel at a time when steel was being made in the Old Country at a figure with which we could not possibly compete.

Hon. C. F. Baxter: It is a well-protected monopoly here.

Hon. H. SEDDON: Yes, and it was protection that enabled those people to establish their machinery and provide their equipment.

Hon. A. Thomson: And under Australian conditions.

Hon. H. SEDDON: So much for the institution. The third matter I wish to refer to is national investment control. In time of war a certain amount of control is necessary, but I would be very sorry to have to submit my investment programme to Government control. I bear in mind that Western Australian Governments for years past, and the present Government particularly, have had annual amounts of as much as £3,000,000 made available to them for loan works investment. Each year the loss on the works constructed out of loan funds has steadily increased. With that example before me, I shall be indeed sorry to see the Government take control and direct investments even at a time like this. I have pointed out the conditions under which the Commonwealth Bank was established. I have answered criticisms of the alteration made in the constitution of the Commonwealth Bank. I have shown that the bank was placed in a far more stable position, one in which it could bestow greater benefits on Australia than under its previous constitution. I also contend that I have demonstrated that the use of the national credit is being carried out, and has been carried out, with highly beneficial effects upon the price system of this country. Although the war has now been going on for 15 months, the general price level has risen very little indeed. That is due to the great ability with which the board controlling the Commonwealth Bank has carried out its functions, quite regardless of what the Minister referred to as the battle between the Loan Council and the Commonwealth Bank Board. As long as those conditions are maintained, we can ensure that the banking policy will be operated in the best interests of the people. In conclusion, it is my intention to give my hearty support to the motion of Sir Hal Colebatch, because I feel that a motion such as he has moved is warranted by the public interest and will support those whom the nation has entrusted with the task of handling our wealth and credit through the war crisis.

Question put and division taken with the following results:—

Ayes	..	..	..	12
Noes	..	..	..	6
Majority for	..	..	..	6

AYES.	
Hon. C. F. Baxter	Hon. H. S. W. Parker
Hon. Sir Hal Colebatch	Hon. H. Seddon
Hon. L. Craig	Hon. A. Thomson
Hon. J. J. Holmes	Hon. H. Tuckey
Hon. G. W. Miles	Hon. F. R. Welsh
Hon. J. Nicholson	Hon. W. J. Mann
	(Teller.)

NOES.	
Hon. J. M. Drew	Hon. W. H. Kitson
Hon. E. H. Gray	Hon. G. B. Wood
Hon. V. Hamersley	Hon. G. Fraser
	(Teller.)

PAIRS.	
AYES.	NOES.
Hon. J. M. Macfarlane	Hon. C. B. Williams
Hon. J. A. Dimmitt	Hon. T. Moore
Hon. H. V. Plesse	Hon. H. L. Roche
Hon. L. B. Bolton	Hon. J. Cornell

Question thus passed.

House adjourned at 9.9 p.m.

Legislative Assembly.

Wednesday, 27th November, 1940.

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

QUESTION—DAIRY PRODUCE IMPROVEMENT FUND.

Mr. McLARTY asked the Minister for Agriculture: 1, What amount of money has been collected each month by the Agricultural