

Instead of my submitting it as included in our annual loan programme, the Commonwealth finds the money.

Hon. W. D. Johnson: And then it becomes our State debt, and on it we shall receive the 5s. per cent. and pay the 5s. per cent.?

The PREMIER: It is a State debt, the Commonwealth finding the money. Insofar as we spend such money on the new scheme outside migration, the expenditure will not be cheap money. The cheap money will be available, as I have said, for expenditure on railways, water supplies, roads, and other public purposes. However, the scheme will involve Agricultural Bank funds and other expenditure which will not come in our annual loan programme. All migration money will be outside the Financial Agreement altogether.

Hon. W. D. Johnson: One could never gather that from the Financial Agreement.

The PREMIER: No, because the matter is provided for in the migration agreement. In order to obtain that information one would have to read the migration agreement which this State has signed with the Commonwealth and British Governments.

Hon. Sir James Mitchell: But all the States have the same right in that respect.

The PREMIER: Certainly they have. I am still convinced, having regard to the position in which we shall be left without some agreement, that it is essential for the security of the State for us to have some binding agreement with the Commonwealth, so that we may not be left at the whim of any Federal Government from year to year to cut off financial supplies, as it were. It is essential that this State should have some binding agreement which will give stability to our finances and enable us to know, down the years ahead, where we are. The next question is whether it is reasonably possible for us to get a better agreement.

Hon. G. Taylor: I believe it is.

The PREMIER: If the hon. member thinks that, he is entitled to vote against the agreement; and so is any other hon. member who holds that opinion. Personally I believe that having regard to the fact published in this morning's newspaper, that the Commonwealth Government are in a different position from that which they held 12 months ago, when the agreement was drawn up, we should accept the agreement. At that time the Commonwealth Government

had a surplus of £2,000,000, and they had had surpluses for some years. This year the position is changed, there being a Federal deficit of £3,000,000. Having regard to the fact that the Commonwealth is faced with a deficit, and having regard to the fact that 12 Houses out of 13 have adopted the agreement, I do not think this State would be justified in standing out in the hope of getting a better agreement.

Question put and passed.

Bill read a third time and transmitted to the Council.

ADJOURNMENT—SPECIAL.

THE PREMIER (Hon. P. Collier—Boulder) [5.44]: I move—

That the House at its rising adjourn until Tuesday, the 3rd July.

Question put and passed.

House adjourned at 5.15 p.m.

Legislative Council,

Wednesday, 27th June, 1928.

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

ADDRESS-IN-REPLY, PRESENTATION.

The PRESIDENT: I desire to inform hon. members that in accordance with their resolution I presented to His Excellency the Deputy Governor the Address-in-reply passed by this House, and received from him the following acknowledgment:—

Mr. President and hon. members of the Legislative Council, I thank you for your expressions of loyalty to His Most Gracious Majesty the King, and for your Address-in-reply to the Speech with which I opened Parliament. (Sgd.) R. F. McMillan, Deputy Governor.

QUESTION—JETTY ACCOMMODATION, ROEBOURNE.

Hon. G. W. MILES (for Hon. Sir Edward Wittenoom) asked the Chief Secretary: 1, Has it been decided by the Government to erect jetty accommodation for the Roebourne district? 2, If so, at what locality? 3, Have any steps been taken to put the work in hand? 4, If not, when will the work be put in hand?

The CHIEF SECRETARY replied: 1, The matter is under consideration and a report is being awaited. 2, 3, and 4, A survey has been made of King Bay. Drawings and a definite estimate are in hand for a jetty at Port Phillip, and a report will shortly be put up.

COMMITTEES FOR THE SESSION.

On motion by the Chief Secretary, Sessional Committees were appointed as follows:—

Standing Orders—The President, the Chief Secretary, Hon. J. Cornell, Hon. A. Lovekin, and Hon. J. Nicholson.

Library—The President, Hon. J. Ewing, and Hon. A. J. H. Saw.

Printing—The President, Hon. W. H. Kitson, and Hon. A. Lovekin.

Joint House—The President, Hon. J. Cornell, Hon. E. H. Gray, Hon. G. A. Kempton, and Hon. Sir E. H. Wittenoom.

BILL—FINANCIAL AGREEMENT.

Second Reading.

Debate resumed from the previous day.

HON. A. LOVEKIN (Metropolitan) [4.37]: I have written so much on this subject that it was my intention to make my remarks in this Chamber very brief, and try to get to the kernel of the nut as quickly as I could and to ask hon. members to form their opinions upon the case that I present and to exercise their votes accordingly. But since I came to that determination there have been two happenings. One is that, as usual on great subjects, the newspapers have issued how-to-vote cards. When the Bill was before the Legislative Assembly, on the eve of its being put for second reading, the "West Australian" issued to hon members of that

Chamber a leader telling them what was the best direction in which to exercise their votes; and on the eve of the Bill coming forward here we also had a leader directing us as to what the issue is and indirectly suggesting how we should vote. Now, as it happened that last night I was the unfortunate delinquent who was flagellated by the Chief Secretary, so in this article poor Lovekin again comes in for the criticism. I do not know why I should carry all the odium of this matter, but still I suppose that being here in the political arena one must take the knocks that come along. I just want to refer now to both these matters. One of them is the article in the "West Australian," and the other, to which I shall allude very shortly, is the criticism made by the Chief Secretary last night. The "West Australian" writes thus—

It is pretty safe to predict that although the Financial Agreement has run the gauntlet of 12 out of the 13 Houses of Parliament in the Commonwealth, there will be objections raised in the Legislative Council of Western Australia which have not been advanced in any one of them.

The preceding paragraph suggests to hon. members that the arguments which I advance, although they may want looking into, are fallacious. This little paragraph, without stating what is fallacious, goes on to insinuate that arguments will be put up here which have never been dreamt of in the other States, which are quite new, and which are more or less fallacious.

Hon. H. Stewart: That is a tribute to this Chamber.

Hon. A. LOVEKIN: That is what I was about to point out. Obviously, arguments that may be well founded in one State may not be so in another State. Necessarily, different principles must be applied to the different States. For instance, the Chief Secretary belongs to a party which has as its objective socialism—that everybody should be equal, and all alike. That is quite contrary to nature. For example, Mr. Seddon could not put on Mr. Holmes's trousers, and that would have to be done under socialism.

Member: You could do that, but not the other way about.

Hon. A. LOVEKIN: In Mr. Holmes's garb Mr. Seddon would not look so smart as he usually does in this Chamber. The positions, however, could not be reversed, because it would be impossible to think of

Mr. Holmes getting into Mr. Seddon's trousers. It is impossible that the same views should be applicable to all the States, and therefore it is quite necessary that different arguments should be put up in the different States. Just as one could not successfully grow tulips at the Equator or gather bananas at the North Pole, so in a country as huge as Australia there must be different conditions prevailing, and different methods of governing and developing must be applied. Therefore any argument that differs from what has been put up in the Eastern States may be quite well justified here, without its being anything in the nature of a fallacious argument. If one wants fallacious arguments, one need only read the debates that have taken place in other Houses of the Australian Parliaments on this subject. In one State an argument in favour of the Bill—call it an argument—was that the Lower House being charged with the finances, it was not part of the province or duty of the Upper House to interfere, and that therefore the Bill must be supported. I cannot conceive that as a good argument for an Upper Chamber to advance in favour of a Bill like this. If it is an argument at all, it is in the direction of showing the uselessness of an Upper Chamber and the advisableness of abolishing it as soon as possible.

Hon. H. Stewart: Was that in New South Wales?

Hon. A. LOVEKIN: In Victoria, I think. Another member said he had not given very much attention to the Bill, but that as the Prime Minister, Mr. Bruce, had recommended it, he would support it. That, again, is an argument which does not appeal to me. I hope I shall give some better arguments than that. Another gentleman—and this was in the Legislative Assembly of New South Wales—adopted a peculiar attitude. There were two speakers for the Bill and two speakers against it; and so little interest was taken in the measure there—which shows the Bill to be a very good thing for New South Wales—that a quorum had to be called for three times. The Assistant Treasurer, Mr. Stevens, introduced the Bill; Mr. Lang spoke, and a gentleman named Major Jarvie supported the Bill from the Government side, and Dr. Evatt opposed it from the other side, and the Bill was carried by a majority of six. Major Jarvie said he would advance five good reasons—and he set them out categorically—why the Bill should not be

passed, but that as the Bill had been introduced by his side of the House he must vote for it and support it. He went on to say—

But when I go to the electors I am going to strongly advise them to throw it out.

That is the sort of argument which has been used in the other House, and which perhaps it is suggested by the article we should use in this House. I am not prepared to use arguments which have been used in the other Houses, and which perhaps it is suggested by the article we should use in this House. I am not prepared to use arguments of that kind, and I hope I shall put before hon. members arguments which are much more substantial. Then the "West Australian" goes on to say that the real issue is not my fallacious arguments, but whether there will be any possibility of securing anything more favourable to Western Australia. I will deal more fully with that phase in due course, but for the moment I will reply to the query by saying that whether or not there is any possibility of securing something more favourable cannot be ascertained until we try. We have not done so up to the present.

Hon. J. J. Holmes: But the "West Australian" has written a later article. They are now ready to call upon the other side. Have you not read that article?

Hon. A. LOVEKIN: No.

Hon. J. J. Holmes: They have counted heads.

Hon. A. LOVEKIN: The leading article in the "West Australian" contained the following statement—

... it is well to recall that when the agreement was negotiated, the Commonwealth had an overflowing Treasury, and it had just faced the unanimous rejection by the States of a scheme far less favourable to them. Because Commonwealth Ministers were in a chastened frame of mind, and because their finances were flourishing, they were disposed to be generous to the States.

Generous with whose money? Obviously, with the States' money! The Chief Secretary declared that the Commonwealth was in a worse position now, as it would have to face a deficit of £3,000,000. As to that point, first of all I would remind hon. members that a serious drought was experienced in the Eastern States and that had the effect of diminishing the purchasing power of the people. That diminished purchasing power necessarily reacted upon the Customs revenue. Then, again, the Commonwealth Gov-

ernment recently issued a conversion loan for £26,000,000. A lot of that money was found from trust accounts by the Commonwealth Government themselves, but there was left in the hands of the banks that underwrote the loan not less than £10,000,000. That £10,000,000 had to be drawn from the banks' customers, and there was, therefore, less money available for purchasing goods. Here, again, the position reacted against the Customs revenue. It shows how stringent the position was at the time, when we find that the Commonwealth Bank, which institution had charge of the underwriting of the conversion loan, offered bonds at a discount over counters at various branches. These are naturally temporary matters, and they do not connote a permanent decrease in revenue. If we are to continue to borrow, as we must do, at the rate of £40,000,000 per year—that is Australia's borrowing programme—it is as well to remember that we do not import money, but goods. Those goods must go through the Customs and, as our population increases, the demand for goods will be greater and the Customs revenue must be inflated accordingly. It may be that the rates of duties imposed will be reduced, but that will not affect the volume of money that flows to the Treasury from that source.

Hon. G. W. Miles: Under the present 18 per cent. increase each year, the Commonwealth collect £7,200,000 in that way.

Hon. A. LOVEKIN: Quite so. Then the leading article in the "West Australian" goes on to say—

Have we any reason to hope that we should be able to induce the other States to consent to a readjustment of the amount to be apportioned, so that Western Australia would receive more and some of the other States less?

No one has contended that! All we contend is that the other States shall have what they are apparently satisfied with, but let us be satisfied also that the amount allocated to us will be sufficient to enable us to develop our territory. The present allotment is monstrously unfair as between States because, and as I shall endeavour to show, when other States arrive at a period when their population doubles, it will mean a return to the State Governments concerned of an amount equivalent to the present per capita payment of 25s.—that is, 12s. 6d. per capita—then we shall receive about 6s. per head.

However, I will deal with that phase presently. The article continues—

There are two ways of adjusting the financial relationships—one by an agreement—

I do not admit that the Financial Agreement before us is an agreement, but for the moment I will designate it as such—

—negotiated between the six States and the Commonwealth, and the other by a determination of the Federal Parliament. If we reject the first, we are thrown back on the second.

If there is any argument that is fallacious, it is the one used by the "West Australian" and also that which was used last night by the Chief Secretary. Both the "West Australian" and the Minister regarded the Commonwealth and the States as separate and different entities. That is not so. There is one entity only. The Commonwealth is the creation of and the creature of the States.

Hon. J. Nicholson: It is an aggregation of States.

Hon. A. LOVEKIN: Yes. The Commonwealth cannot be the monster whose ire may be roused, as the Chief Secretary suggested. If that were so, it would mean the States raising their own ire against themselves. That must be so, because in the aggregate the States themselves are the Commonwealth. It is unthinkable that they will establish a monster, in the shape of the Commonwealth, in order to strangle themselves. That argument is not sound. The Chief Secretary stated that I had nothing to offer in place of the agreement. I shall show presently that there is a great deal to be offered in its place. I stated just now that I did not regard this document as an agreement and I will indicate why. If a person has £100 in his possession and a burglar should happen along and say, "Here, give me that £100," that person may resist the burglar as far as he can. He may refuse to give up the money, and then the burglar, after putting his hand in his pocket, may produce a revolver and peremptorily say, "Give me the money!" After the person has given the money to the burglar, the latter may turn round and say, "Look here, we want to be friendly about this matter; I will keep £95 and will give you back £5 and that will settle the whole matter." The person robbed may say, "That is not a fair deal at all. You have

no right to the money." The burglar may retort, "But I have the money now, and you can have that £5 or nothing." The individual, having handed over the money, may go away and contemplate the position. He may say to himself, "I cannot do anything to that burglar. I cannot prosecute him because I made an agreement with him to let him take the £95 in consideration of his having given me £5."

Hon. A. J. H. Saw: The person gave it because of the revolver.

Hon. A. LOVEKIN: The money was forced out of that individual's possession.

Hon. J. Nicholson: But coercion is a good defence.

Hon. A. LOVEKIN: The episode with the burglar just about sums up the position regarding the Financial Agreement. Six needy Treasurers were puzzled as to how to balance their finances. They saw the Commonwealth octopus coming along and the Treasurers heard him say, "You are here to-day and gone to-morrow. This money that I offer you will enable you to have a good time during your term." The Treasurers recognised the immediate benefits to be derived from the Financial Agreement.

Hon. E. H. H. Hall: You do not suggest that the position was that we had to give up the £95 or get shot.

Hon. A. LOVEKIN: The Chief Secretary, following along the lines adopted by the "West Australian"—it is marvellous to contemplate how the Chief Secretary is in accord with the "West Australian" at the moment—

Hon. J. J. Holmes: And the paper has dropped poor old Sir James Mitchell altogether.

Hon. A. LOVEKIN: In common with the "West Australian," the Chief Secretary has advanced the argument that we must have the same principle applied in different States. As a matter of fact, that is one of the fundamental objections to Federation. All the States are confronted with different situations. Some States have coal, and some have not; some are suitable, more or less, for dairying, while others are adaptable for tropical culture; some are suitable for wheat growing and the production of wool, while others are more suitable for production of other descriptions. They are all different and, therefore, cannot have the same treatment meted out to all alike.

If that were done, what would be good for one State, would be found disastrous for another. Therefore, we must have something different, particularly so far as Western Australia is concerned. Here we have a large State that has to be developed and we must be accorded somewhat different treatment, from that extended to another State that represents a decimal point of the area of the Commonwealth, and whose territory has been favoured by nature so that it is suitable for intense culture or the development of secondary industries. On the other hand, all States are to be treated alike and that is one of the objections I have to the Financial Agreement. Then again, the Chief Secretary stated that I apparently considered that the Surplus Revenue Act had been repealed and he said that that was not so as Section 3, which repealed Section 87 of the Constitution, remained and therefore the whole of my argument had fallen to the ground. At the time the Chief Secretary made that statement, I interjected, "Read on." The Chief Secretary did not choose to read on, so I propose to read the whole of the paragraph for the Chief Secretary. Hon. members will remember that I made available to them a printed copy of some observations made by Mr. J. G. Latham, K.C. In the course of his expressions of views Mr. Latham said—

It is quite wrong to allege that the Surplus Revenue Act, 1910, was repealed: certain sections of it were repealed, but the provisions which put an end to the Braddon clause were expressly retained. Mr. Lovekin is aware of this, because he has already cited the text of Section 2 of the Act of 1927.

So the Chief Secretary was not quite right when he said that I missed the reference to Section 3 and that in consequence my argument fell to the ground. I did not miss that reference; on the contrary, I answered Mr. Latham on that point. In my reply to him I told Mr. Latham that I was quite aware of the facts he stated and I proceeded to show him that Section 3 of the 1910 Act was of no value whatever in that the subsequent sections that provided the 25s. per head was to be returned to the States, had been repealed. In other words, while the Federal Parliament had power to make provision for the distribution of the surplus revenue under Section 87, it had no power whatever to repeal the Section, because Section 128 of the Federal Constitution

stood in the way. That section sets out that the Constitution shall not be altered except in the prescribed manner and only with the approval of the people at a referendum. I will refer to that point later on, because it will arise again when I make suggestions regarding a proposal that I think will be much better for Western Australia. I would remind hon. members that the Chief Secretary occupied some time in going through a table that appears in an historical record to which I am not entitled to refer during this session. Perhaps I shall have to ask hon. members to wait until the next session of Parliament and then to look up the table which will be found on page 25 of "Hansard" for this session. The Chief Secretary read down the last columns of it and said, "Look at the immense benefits we are going to derive under this agreement." I have a table, which I will not read to the House, prepared by Mr. Simpson, the Under Treasurer, for the Premiers' conference in Melbourne, the figures on which Mr. Collier signed the agreement. It was signed on a table showing an average increase in population of 2 per cent. and borrowings increasing from 4½ millions to 6 millions a year. That table contained an additional column which showed how, as the borrowings increased, the indebtedness per head would increase. That column, however, is omitted from this table. In the last column of the present table are shown the gains, and the gains are due to the alleged contribution of 5s. per cent. by the Commonwealth on new borrowings. Those were the gains given, in place of some other gains to which I shall refer presently. But they are not of benefit to us. The very 5s. will be paid by each of the States themselves and, in addition, we shall be loading ourselves with an extra amount of interest on every £100 we borrow, due to the fact that the Commonwealth taxes interest on loans. Therefore a higher rate has to be paid and the State has to pay it. In fact, therefore, the 5s. that the Chief Secretary says will be of great benefit will be contributed by the State itself. The Chief Secretary further says that this agreement does not in any way infringe the sovereign rights of the State. I suggest that we, as a sovereign right, are entitled to the surplus revenue of the Commonwealth. I put it up to Mr. Latham that we are entitled to it for all time, and he, while not admitting that we were entitled to it, said it was a question on which there was much to be said on both

sides, but he claimed that it did not arise at present, as the Commonwealth law provided for all the surplus revenue, if any, to be paid to the States. To that I replied, "That is all right until this agreement operates, and then it will be gone." The amendment being put up by the Commonwealth to the people says that Section 105 (A) shall not be limited by Section 105. Section 105 declares that the surplus revenue which is payable to the States shall be applied as far as it will go to the payment of interest on the debts taken over by the Commonwealth. Therefore, when the Commonwealth put up this amendment to provide that the new provision was not to be limited by the previous provision in Section 105, they practically repeal that portion of Section 105, which gives us the right to the surplus revenue. For it they substitute the £473,000 for 58 years, but obviously that is not the surplus revenue. The Chief Secretary then quoted a number of newspaper extracts showing that a good many London papers had given approval to this agreement. Why did those London newspapers express themselves in that way? We must look for an explanation. When we make a little investigation, we find that all the news from Australia goes to news agencies, and is distributed to the newspapers on what are known as flimsies, a sort of tissue paper. The London papers do not keep staffs to any extent as we do here. Their chief staff is in the sub-editorial room. All those flimsies go into the sub-editorial room, and are there cut down and put into shape as the staff think best, and are published in that way. That is how they obtained their news from Australia about the agreement. Part of the news that was sent through was that the effect of the Loan Council would be to entail the borrowing of Australia. That is the news those London papers received, and that is what they commented on and approved of. I do not know what they would say if they knew that the agreement would mean increasing the borrowing of Australia, as the Chief Secretary suggested last night. They were inclined to favour the Loan Council because it would tend to reduce borrowing. In the matter of borrowing we are getting a long way ahead of ourselves and of our production, but if the agreement is not going to have the effect of curtailing borrowing, it will be of no use at all. That is what the writers had in mind when they wrote those articles from which the Minister quoted last

night. It is also what they had in mind when dealing with a pamphlet on Australian finance, which caused a great stir when I was in London in 1926. I shall refer to that presently.

Hon. W. T. Glasheen: If we are over-running ourselves in the matter of borrowing, how do you account for our securities being regarded with favour?

Hon. A. LOVEKIN: Are our securities as good as those of, say, New Zealand or South Africa?

Hon. W. T. Glasheen: Our rate of interest is not higher, so they must be.

Hon. A. LOVEKIN: But those countries get money on much better terms than we are able to borrow, and it is one of Mr. Bruce's objectives that we shall get on to a par with New Zealand and South Africa. Mr. Bruce said that we were much behind those countries, and he was quite right, too. The Chief Secretary, in effect, said that we must not blame the Commonwealth too much, because they have to look ahead and allow for another war. If we are unfortunate enough to be involved in another war, the Commonwealth will have recourse to direct taxation, which they should have resorted to in the last instance. They have unlimited opportunity, and it seems to me that that is what they should resort to. The more money they distribute among the States now to assist in populating the States, the better prepared we shall be for any future war, more so than if the money gets into the Federal chest and is thrown away or wasted as it has been at Canberra and in other directions. The Chief Secretary also said, "We cannot hope for anything better." I say, "You can never get anything until you try." When Sir James Mitchell first brought his migration agreement to this State, some of us dared to criticise it and said it should be improved upon. We were told that it was the last word in agreements of that kind and the most that could be obtained. Some of us held to our opinions. A change of Government occurred; the present Government came into office and did not take very long to improve that agreement. I have no doubt they could have improved the migration agreement to a far greater extent if they had not been handicapped by the first agreement. Therefore I think that when Mr. Bruce is here we can find some means, by a select committee, to put up the case for Western Aus-

tralia under this agreement. We may be able to improve it or get something definite in matters over which we are left in the clouds at present, in the matter of the disabilities grants, for instance.

Hon. C. F. Baxter: Would you get the other State Parliaments to agree to it?

Hon. A. LOVEKIN: The answer to the hon. member is that whatever agreement is arrived at, the Federal Parliament has to ratify it. This agreement is not yet Commonwealth law. The preamble sets out that the Constitution does not permit the Federal authorities to enter into such an agreement; they must get authority from the people to make such an agreement. When that authority is obtained, it will be for the Federal Parliament to ratify the agreement. I cannot see why we, as a branch of the Legislature, cannot do here what was done by the Government of New South Wales. Before the Bill was introduced into the Federal Parliament, the New South Wales Government pointed out that they wanted certain amendments. The Federal authorities acceded to those amendments and incorporated them in the Bill that was presented to the Federal Parliament. It is the agreement as thus amended that has been adopted by all the other States. If New South Wales can put up something it wants, there is no reason why we cannot put up something we want and get the Federal Government to agree to it when ratifying the Bill and, if necessary, get the other States to assent to it, bearing in mind that anything we may put up will not injure the other States one whit.

Hon. C. F. Baxter: But each and every Parliament has to agree.

Hon. A. LOVEKIN: I think the other Parliaments would be sufficiently Australian to agree to something which would benefit Western Australia and which, at the same time, would not injure them a tittle.

Hon. C. F. Baxter: I wish I had your confidence in that direction. Experience has taught me just the opposite with regard to the other States.

Hon. A. LOVEKIN: My experience has been that New South Wales has put up many things to the Federal Government and has got them. With the exception of Western Australia, New South Wales was the last State to enter the Federation. On behalf of that State it was said, "We will not go into the Federation, although our dele-

gates at the convention have agreed to do so, unless we get the Federal capital and other things." And the other parties bowed down and gave those things to New South Wales.

Hon. C. F. Baxter: They had the strength and numbers. It was practically a matter of men.

Hon. A. LOVEKIN: They may have had the strength for their own purposes but, if they are at all reasonable, that strength would go to assist us, especially when our wants would not hurt them. I should think they would be sufficiently good Australians for that. In this world nothing is ever accomplished except by attempting and striving.

Hon. J. J. Holmes: Mr. Bruce wired to Sir William Lathlain the other day that we must not dot an "i" or cross a "t."

Hon. A. LOVEKIN: What Mr. Bruce said was that, if we altered the agreement, it would go; but we know that we can alter the Bill. The agreement and the Bill are two different things. The agreement is a schedule of the Bill and we are at liberty to alter the Bill itself as we please. Whether the alterations we make will have an effect upon the agreement or not, is quite another thing. I wish now to deal with the agreement itself. I do not propose to traverse the terms of it, because the Premier and the Chief Secretary have done that sufficiently well. The agreement can be put in a nutshell. We get £473,000 add in lieu of our per capita payments of 25s. We get £12,000 odd extra on transferred properties, and some £76,000 on our existing debts at 2s. 6d. per cent. We have a Loan Council established, which will control the borrowings, so that one State may not compete against another, and we also get 5s. per cent. on all new borrowings. We get a National Debts Commission, which takes charge of the payments contributed by the States and the Commonwealth, and which pays off loans when they mature the best way it can. That is the substance of the agreement, and I need not dwell upon it. Nor need I dwell upon what happened at the genesis of Federation. As everyone knows, at the Conventions, all the delegates without exception were agreed that in order to preserve the solvency of the States they must have a large share of the Customs and Excise revenue. That was put into the Constitution. There was an exception at the time in the case of Western Australia, be-

cause it was admitted that her disabilities, even with the proposed share of the Customs and Excise revenue, would be so great that they said, "You can have your own Customs for five years, diminishing pro rata per annum." In 1910 the Surplus Revenue Act was passed. This computed the return per capita to 25s. It was said then that this should be the method of distribution, and the method of distribution was the principal hurdle the framers of the Constitution had to get over. I have never thought that the per capita return was a fair method of distribution. Some of the States are manufacturing centres. They have been so ever since Federation. Workmen have been employed there manufacturing goods which we consume, and those particular States have necessarily been drawing per capita moneys for those workers and their families, and all who are directly and indirectly connected with them. We have simply consumed the goods, and paid. Another factor not taken into account was that some of these States were highly developed. They had all their own locomotives, rails, etc., admitted free of duty, whereas under Federation this State was called upon to pay. In another place the other day I think the Treasurer gave figures showing that this State had directly paid into the Federal Customs Department the sum of £600,000 for duty on goods which this State had imported. There are other papers which have been prepared in Melbourne, but which we have not had made available to us. These show a still greater amount paid by Western Australia, due to the importations through the other States, for consumption here. All the money the Commonwealth derives from this State is from money we have borrowed, and upon which we must pay interest until the loan is liquidated. Up to 1927 we received the 25s. per head of the population. I am not at present touching on the legal aspect of these payments. In that year, however, the 25s. per head payment was terminated by the States Grants Act. Here again I can show how we are groping in the dark. I do not think half a dozen copies of that Act can be found in this State. I had great difficulty in procuring one, and even now I have only a very loose proof copy of it. That Act provides that the 25s. per head shall go by the board, and that there shall be a grant to Western Australia of £300,000 for five years. There will be another grant to Tasmania for two

years, and the rest of the money, it says, shall be distributed amongst the States on a per capita basis. That deals with the first five sections of the Act. Then we come to the nigger in the woodpile. Section 6 says, "Subject to any agreement being made by the States and the Commonwealth, then the amounts set out in the schedule shall be the amounts payable to the States." It sets out practically the equivalent of the £473,432, to which, under the per capita system, we were entitled at the 30th June, 1927.

Hon. J. Nicholson: There is some slight difference in the amount.

Hon. A. LOVEKIN: Yes. One amount is £473,000 odd and the other is £483,000. I take it that this is inserted as a lawyer would insert it. There is some consideration for the renunciation of these grants which are provided for in the previous sections, because "subject to any agreement being made by the States and the Commonwealth" means that these sections stand, provided that, if an agreement is made, the other sums mentioned in the schedule shall be payable. I say that is to be read into the Act. I do not think the Commonwealth or anyone else would take away those grants within the period mentioned in the Act, but as for renewing them, that is another matter, especially as New South Wales has already intimated it will not tolerate any differentiation in the treatment of the different States. We must, therefore, realise that in two or three years' time our disabilities grant will cease, and we should now endeavour to make it as permanent as is the rest of the agreement. I want to get at the kernel of this nut from the financial point of view, and ascertain how this agreement will operate as against the per capita payments that we have been in the habit of receiving. I do not suggest that these per capita payments will be revived, but the Chief Secretary and others have all followed that line of reasoning, as to how this agreement compares with the per capita payments. In this House in August last I stated that I had always considered the per capita methods of distribution unfair. I suggested that other factors than population should be taken into consideration, namely, area and indebtedness. Indebtedness means the efforts we have made to develop the country. I take a departure or a starting point. We start at midnight on the 30th June, 1927. Under that agreement we get this result. I have only a few figures to quote, the only ones I intend to use in this

discussion. We get £473,432 in lieu of the 25s. We next get £12,152, the increased interest on transferred properties.

Hon. J. J. Holmes: We should have had that 20 years ago.

Hon. A. LOVEKIN: Yes. We also get £76,323 (at 2s. 6d. per cent.) on existing debts. That makes a total of £561,907. That is what we are to get from the Commonwealth. This shows that we would get £561,907 as against what we would have received per capita £473,432. At the start, therefore, we gain £88,473. I bring down the £88,000 again, and add to it £426,000. That is made up of the two amounts the Chief Secretary referred to last night as being the payment of interest and sinking fund in respect of the sinking fund. That is the saving the Government will make in not having to pay this amount in future, because the sinking fund, if this agreement operates, is to be scrapped. That amounts to £514,475. Against that there is an amount of £19,037,000 which should carry sinking fund, and which has not yet carried sinking fund, but which will have to carry sinking fund when the debts are taken over. I use the figures £19,000,000, but as a matter of fact I think the amount is more than that. We do not, however, want two sets of figures. I am accepting the Premier's figures, £19,037,000, on which in future the Treasurer will have to provide five shillings per cent. towards a sinking fund.

Hon. J. J. Holmes: The Chief Secretary last night said £31,000,000.

Hon. A. LOVEKIN: I am not taking that figure. There is something to be said for both sides. I am taking the Premier's figures, and those which have been put up for the Premier by Mr. Simpson. The Under Treasurer was kind enough to write me a note to say there was a sum of £5,000,000 more coming in, but I am sticking to the £19,000,000 so that I can keep in line with the Premier's figures. On the £19,037,000 the sum of £47,592, 5s. per cent. will be payable annually. If we subtract that from the £514,000, the Treasurer will have, to start with, a net gain of £466,883. That is a starting point. Of course, the Treasurer, with that, will this year be able to show a surplus, or will be able so to manipulate, or handle the accounts of the State—I do not make use of this expression in any wrongful sense—

Hon. J. Nicholson. You mean adjust them.

Hon. A. LOVEKIN: Yes. He will be able to show his skill as a financier and produce another surplus, and probably a still further surplus in the following year, which will get him into the good graces of the electors when he next appears before them. I desire to analyse these figures, though not elaborately. At 25s. per head the £466,883 immediate gain will require 374,308 more people to wipe out that amount. If hon. members will look at the table they will find that in 1949, that number will be reached, so that in 20 odd years hence, the present gain will be wiped out, and for the next 33 years, by general consent, it is admitted, there will be a drift down. We shall be better off than the other States in that respect by not drifting down as rapidly as the other States. Those States would begin their turning point at anything from five to 10 years, but having this gain for 1949, the Treasurer will have at his disposal the sum I mentioned, of course diminishing year by year as the population gradually increases. Of that £466,883, most of it—£426,000 of it—will be derived from the gain accruing to the Treasurer from the scrapping of the sinking fund, and that is the point that I shall deal with presently. Omitting for the moment the £426,000, if the initial gain were only £88,000, no one would dream of looking at it, because if you take a 3 per cent. increase of population, by 1932 the 25s. is wiped out.

Hon. H. Stewart: It has been wiped out already.

Hon. A. LOVEKIN: We have less than five years purchase. For the remaining 53 years we go on making leeway until the States arrives at a position that must be more or less disastrous. It only wants 70,780 more people to make good the £88,475. I have said before that at the Premiers' Conference the table submitted was on the 2 per cent. basis of increase. The Premier was good enough to tell members that if they would like to ask questions of the Under Treasurer, Mr. Simpson, he would ask that officer to attend at Parliament House and answer those questions. I was one of those who accepted the Premier's invitation and I put it to Mr. Simpson that if the agreement was advantageous on a 2 per cent. basis, it would be less advantageous on a 3 per cent. basis, and still less advantageous on a 4 per cent. basis. To that proposition

Mr. Simpson agreed. I then put it to Mr. Simpson that the increase for the 11 months was 3.63. The Chief Secretary, however, has since given the figures as 3.54. So that, if it was a good thing to sign the agreement at the time it was signed, obviously it may not be such a good proposition on a basis of $3\frac{1}{2}$ per cent.

Hon. J. Nicholson: I think the Chief Secretary said 2.91 was the increase.

Hon. A. LOVEKIN: If the hon. member will look at the Minutes, he will see that I asked the Chief Secretary a question as to what was the increase for the 11 months, and in his reply he gave me the figures I quoted—3.54.

Hon. J. Nicholson: I thought you were referring to the figures he gave in his speech.

Hon. J. J. Holmes: What is the increase for the whole of Australia?

Hon. A. LOVEKIN: I have not those figures.

Hon. J. J. Holmes: Less than 2 per cent.

The Chief Secretary: For the last 20 years, 2.01 per cent.

Hon. J. Ewing: The figures given by the Chief Secretary were based on a 3 per cent. increase.

Hon. A. LOVEKIN: I think that is a fair basis to take. It is under-stated if anything, but one does not want to put up a basis that cannot be sustained. Three per cent. is a fair basis to work on.

Hon. A. J. H. Saw: It is not fair to take it on a spurt in the population.

Hon. A. LOVEKIN: Certainly not. We must take a reasonable average and that is why, on Mr. Wickens' table, I guarded myself against taking one year's figures: I asked for five years or seven years and he gave me the five years which I put up for the information of the Council. This increase of population is a very important factor in considering the agreement. Hon. members will remember that I distributed amongst them some calculations based upon the figures supplied to me by Mr. Wickens. If members take the trouble to peruse that paper, they will find that, taking a five years' average, he showed that New South Wales would double its population in 35 years, Victoria in 38 years, Queensland in 26 years, South Australia in 30 years, and Western Australia in 26 years. Tasmania is omitted because that State has been losing population. I made some calculations on these figures based on the 25s. per capita payment, and from

these calculations it appears that if we start off with 25s. per head on the existing population, then at the period at which we double it, we shall be receiving at the rate of 12s. 6d. per head, and then we get this result: when New South Wales is still getting 12s. 6d. we shall be receiving 7s. 2d.; when Victoria is still getting 12s. 6d. we shall be receiving 6s. 7d.; when Queensland is receiving 12s. 6d. we shall be getting 12s. 6d.; when South Australia is getting 12s. 6d. we shall be receiving 8s. 4d. Again, I do not include Tasmania. If hon. members want a ready method of finding out how long a population will take to double itself, or how long a sum of money will take to double itself at any given rate per cent., they can arrive at that within a decimal point by dividing the percentage into 71. If we take last year's figures, the disparity is much greater and it places Western Australia in a worse position.

Hon. H. Seddon: Did you work out the numerical increases of the States?

Hon. A. LOVEKIN: I am taking Mr. Wickens' figures; I did not take the trouble to calculate numerically the increases, because it did not seem to me that that would carry us much further. We are dealing here with the percentage increases and the table referred to gives the percentage increases of each of the States. There is no need to confuse the issue by working out the figures in the manner the hon. member suggests. In any event the result would come back to the percentage rate. In view of the amounts payable to the States when they double their population, it is obvious that the agreement will prove monstrously unfair as between the States and must work disaster to Western Australia. Especially will this be the case because, with a rapidly increasing population, there will come the demand for more schools, more hospitals, more railways, and greater needs in every direction. We shall have less revenue per head to provide those needs than the other States, the populations of which are growing less rapidly, and this, notwithstanding the fact that the greater the ratio the increase of population, the greater the ratio of contribution to the Federal Customs, Excise and other forms of taxation. I have already indicated that the temporary gain of £88,475 is not the only advantage. The agreement provides

that, in addition to the £561,907 I have referred to, the Commonwealth will pay towards the sinking fund 5s. per cent. on all moneys hereafter borrowed by the State. We have to ask ourselves whether this is a real advantage, or whether it is, in fact, a disadvantage that may react disastrously to the State. Let me examine the matter for a moment. It is obvious that for every 5s. which the Commonwealth contributes under this head, the State will have to involve itself in a further debt of £100. It will have to find annually on that £100 an equal amount of 5s. towards the sinking fund, and will also have to provide the interest, which will be at least £5 5s. per cent., every year. Thus, as against the Commonwealth 5s. the State will have to provide £5 10s., or twenty-two times the amount, which the Commonwealth provides. Heretofore the State has been paying approximately 5 per cent. for its money; the average on the figures is somewhat less than that. In future, it must pay at least £5 5s. per cent. Why this high rate? If hon. members will look up the Federal "Hansard," they will find that on the 5th October last the Federal Treasurer, Dr. Earle Page, speaking in the House of Representatives, said the Government intended to reserve the Australian market for State borrowings and as far as possible reserve the London market for Commonwealth requirements.

Hon. A. J. H. Saw: The Federal Government will not control the Loan Council.

Hon. A. LOVEKIN: I think they will have a very big say in it. They will have three votes as against any States one vote. We know what happens if two big States get together. Two big States controlling the numbers in the Federal Parliament can do anything.

Hon. H. Stewart: Each State has only the same voting power on the Loan Council.

Hon. A. LOVEKIN: But you have only to get two States and the Commonwealth, and you outvote the other States.

Hon. Sir William Lathlain: And then we have unification at once.

Hon. A. LOVEKIN: It is all very well to speak about equal voting power. There is no equal voting power at all. It is 100 to 50, not fifty-fifty. If State loans are to be floated on the Australian market and Federal loans on the London market, the Commonwealth will get all the advantage.

The Commonwealth will have to float its loans. Never mind the Loan Council; it is the Commonwealth's job to float the loans. The Commonwealth can easily say, "We won't float our loan in Australia." All the Loan Council do is to say how much can profitably be floated, and it will then be for the Commonwealth to float the amount. Seeing that the Commonwealth will get tax on every £100 of interest paid, it will naturally float State loans on the market which will enable the Federal Government to collect the tax; and as every lender looks to the net yield of his investment, he will certainly add the tax to the rate of interest that he demands for his money, or else he will demand a discount which will give him the same result. I have tried, in the interests of the State, to take some little pains to deal with this very important matter; and in another paper—a paper printed at the Government Printing Office, but at my own cost—I put up a number of examples showing the effect of the Federal tax on interest. I will not go through the figures, but will merely say that I have had them checked and know them to be accurate, except that at the present moment the amounts shown are subject to a deduction of 10 per cent., because since the figures were prepared the Commonwealth has reduced the taxation by 10 per cent. If hon. members will look at the paper, they will find that even in the smallest case, where the investment is small and the interest is small, the Commonwealth will never pay the full 5s., but will get some tax from the very smallest loan interest towards the 5s. it pays. We know that the Commonwealth will have to pay $5\frac{1}{4}$ per cent. As a matter of fact, there is a Commonwealth loan on the market now at $5\frac{1}{4}$ per cent. at £98 10s., and the last loan was for the same; and $5\frac{1}{4}$ per cent. is going to be the rate. That must be the Australian rate because the interest on Australian loans is taxable. The London rate is £5 per cent. because there is no tax on the interest. Thus the Commonwealth will gain enormously from this 5s. arrangement, and the States will pay. In other words, the States will be contributing not only their own sinking fund amount, but the Commonwealth's as well. I will give an example to show how this works out if the money is borrowed in London. Assume that the money

is borrowed in London at 5 per cent.; that money does not come here in coin, but comes here in goods. Those goods carry an average Customs duty of 18 per cent. Every £100 worth of money borrowed is, upon coming into Australia, subject to Customs duties, and will pay the average duty of 18 per cent. Suppose the Commonwealth wants to create substantial reserves. This is a method with which Sir Edward Wittenoom, as a bank director, will be familiar. The Commonwealth will say, "I receive £18 out of this loan of £100, and I have to pay 5s. yearly to the States. I will invest the £18 at five per cent. interest, and get 18s. yearly interest on it, and I will give the State 5s. out of it and will distribute amongst my shareholders the other 13s."

Hon. Sir Edward Wittenoom: It sounds very good.

Hon. A. LOVEKIN: That is exactly what must happen. It is all very well to say that the arrangement will keep borrowing down, but there will be no curtailment of borrowing. There could not be, and no one knows better than Sir Edward Wittenoom. People do not change money about from one place to another. What they change is goods and production. Suppose Australia were to say, "We will not borrow any money at all—we will absolutely stop borrowing"—what position would our people be landed in? We should have millions of pounds' worth of wheat and wool sent to London. Upon the wheat and wool being converted in London, the proceeds in the shape of notes or gold or coin are sent out here. After the lapse of a very few years we should have to build stores to hold the paper money or the coin, because it would be of no use whatever to us. People do not want money, which they cannot eat or wear; but they do want goods. So that if we did not borrow abroad at all, everything would come to an end, and there would be nothing but paper money, which is no good. That is exactly the position America finds itself in to-day.

Hon. A. J. H. Saw: In what way does the Financial Agreement affect that argument?

Hon. A. LOVEKIN: I think it affects the argument very materially, because the Financial Agreement provides that there shall be 5s. payable by the Commonwealth

towards sinking fund on State loans, and it contemplates the States borrowing money in order that they may receive that 5s. It follows that the States must pay the local rate of interest on that money.

Hon. A. J. H. Saw: We borrow £100 to get 5s. then?

Hon. A. LOVEKIN: Certainly. That is the provision of the agreement. That is where the Chief Secretary's benefit is. Before we can get the benefit of that 5s., we must borrow £100.

Hon. J. J. Holmes: And the Commonwealth gets £18 of it back.

Hon. A. LOVEKIN: When the money comes out in goods, we pay £18 in Customs on £100, and if the Federal Government invest the £18 at five per cent.—

Hon. H. Stewart: But is the position to-day as good? The position to-day is that we do not get the 5s.

Hon. A. LOVEKIN: The position to-day is that our borrowing is at 5 per cent. Then it is all very well to say that the Commonwealth security is better than the State security. If hon. members look into it, they will realise that it is nothing of the sort. The security of this State is much better than the joint Commonwealth security.

Hon. H. Stewart: We accept that. But is the security of every other State better than that of the Commonwealth?

Hon. A. LOVEKIN: No, not of every State.

Hon. W. T. Glasheen: Tell us why.

Hon. A. LOVEKIN: The reason is that the Commonwealth has to guarantee debts of hundreds of millions sterling which have not provided sixpence towards sinking fund or redemption. I have here a pamphlet prepared in London, which probably puts the position more clearly to the hon. member than I could put it. It is said that the 5s. is a hand-ome, beneficent gift to the States from the Commonwealth.

Hon. A. J. H. Saw: That is 5s. every year, mind.

Hon. A. LOVEKIN: Does not the hon. member see that if the Commonwealth invests the £18 and gets 18s. interest on it every year, there is a profit of 13s. annually?

Hon. G. W. Miles: He will not see it.

Hon. A. LOVEKIN: If I were a director of a company with Dr. Saw, and put that proposition to him, I am sure he would see it in a very few minutes.

Hon. A. J. H. Saw: Does the Commonwealth get the 18s. irrespective of the Finan-

cial Agreement or not? That is the point you are dodging.

Hon. G. W. Miles: He is not dodging at all. The 5s. is the bait.

Hon. A. J. H. Saw: Who has the floor?

The PRESIDENT: Order!

Hon. A. LOVEKIN: I am not dodging anything. I am coming to the point the hon. member suggests, as to whether we would be better or worse off without the 5s. I say now unhesitatingly that without the 5s. we would be better off under our present conditions, because we are free borrowers and can do as we recently did, go on the London market and get our loan over-subscribed, by reason of our better credit due to the sinking fund, however it was created.

Hon. H. Seddon: Do you think that is the main reason?

Hon. H. Stewart: Will that hold for 58 years?

Hon. A. LOVEKIN: Yes, certainly. As against the Commonwealth, we get our loan over-subscribed; the Commonwealth had their security to the extent of 84 per cent. left on the hands of the underwriters. That has been the case with the last two Commonwealth loans. That must be perpetuated for the whole of the 58 years, because we are bringing into the pool hundreds of millions of debt for which the Commonwealth will have to be guarantor and in respect of which practically no sinking fund exists to-day. If the Commonwealth were proposing to guarantee the States, Sir Edward Wittenoom in his capacity as a director of the bank would look at it in this light: He would say to the Commonwealth, "You are guaranteeing the States, and I would like to have some idea of your commitments." The Commonwealth would say, "Well, we have £239,000,000 for New South Wales, and £200,000,000 odd for Victoria, and £100,000,000 here and so on." Sir Edward Wittenoom would ask what the Commonwealth produced by way of income, and the reply he would get would be that for the last six years, the Commonwealth had an adverse trade balance in favour of America of £141,000,000 and in favour of Great Britain £9,000,000. On hearing that, Sir Edward Wittenoom would scratch his head and tell the Commonwealth that he did not think their guarantee was good for much more. That is exactly the position we find ourselves in to-day.

Hon. Sir Edward Wittenoom: I think I would send the Commonwealth to you.

Hon. A. LOVEKIN: Then they would fare far worse, for I would not be so benevolent.

Hon. Sir Edward Wittenoom: Do you not think the British exporter should give us a bonus for sending out goods on which the Commonwealth get £18?

Hon. G. W. Miles: Our bonus is the British Navy that protects us.

Hon. A. LOVEKIN: I do not think Sir Edward would suggest we should emulate what has been going on in New South Wales, and endeavour to get a little bit out of it! We do not want that sort of thing to go on here. If the hon. member is anxious to ask the people at Home for a little—

Member: Cut out of it.

Hon. A. LOVEKIN: If the hon. member were able to secure the business, he might get a nice little cut of it for the bank. A commission of 2 per cent. on dealings of £40,000,000 a year would be very nice for the institution!

Hon. Sir Edward Wittenoom: One would think that you wanted to get a good bit out of the Bill.

Members: Not at all.

Hon. A. LOVEKIN: I have nothing to gain from the Bill. No member can suggest that I have the slightest personal interest in this matter.

Members: Hear, hear!

Hon. A. LOVEKIN: If it comes to a personal matter, the Bill is better for me, because I have not much longer to be here.

Hon. Sir Edward Wittenoom: You need not say that!

Hon. A. LOVEKIN: We have to realise facts. The fact is that I have not much longer to be here, and while I am alive it will be of advantage to me with some of my little hobbies, if the Treasurer has a surplus rather than a deficit. For the first year the Treasurer will have money to burn.

Hon. J. J. Holmes: Alone he did it!

Hon. A. LOVEKIN: Yes, and in those circumstances Lovekin could go to him and ask for a little bit more for King's Park. The park has not had sufficient funds for years, and if the agreement be ratified, Lovekin will at last have a chance of getting something for the park. Thus it will be seen that if there is anything to be gained from the Bill—

Hon. Sir Edward Wittenoom: I thought you were not looking for anything out of the Bill?

Hon. A. LOVEKIN: Neither I am, personally. Western Australia has behaved very well to me and I want to reciprocate and behave as well as I can to the State in return. What has concerned me from the moment I saw the agreement has been as to how Western Australia will fare under its provisions.

Hon. G. W. Miles: And how the interests of the next generation as well as of the present generation will be affected.

Hon. A. LOVEKIN: Yes. Western Australia is essentially a State of primary production. It is the man on the land who is so vitally concerned. I have been connected with newspaper work for 40 years, and I have had to consider economic and financial questions from time to time. I know it is an economic truth that you can get taxation only from your foundation and our foundation in this State is represented by the producers from the soil.

Hon. G. W. Miles: That is so.

Hon. A. LOVEKIN: They are the men for whom I am concerned. No one could be more surprised that I have been to see Sir Alexander Thomson—

Members: Not yet!

Hon. H. Stewart: The Leader of the Country Party is Mr. Thomson.

Hon. A. LOVEKIN: I do not know what hon. members are laughing about. Do they not know that services rendered by individuals to the Commonwealth are rewarded, and I assume that such services as have been rendered by the Leader of the Country Party in this State, must be rewarded in due course with the usual honours. Otherwise, I cannot imagine why he should support an agreement of this kind!

Hon. H. Stewart: Is the hon. member in order in imputing any motives.

The PRESIDENT: Order! Will Mr. Lovekin resume his seat? The hon. member knows fairly well that he must not impute motives regarding a member of either this House or of another place. The hon. member may proceed.

Hon. A. LOVEKIN: I had not the slightest intention of imputing any bad motive. If any motive were imputed, it was to the honour of the man.

The PRESIDENT: It certainly seemed as if the hon. member were imputing motives in respect of the action of a member of Parliament.

Hon. A. LOVEKIN: No, Sir. I suggested that the hon. member had rendered services to the Commonwealth for which he

would be honoured. That does not impute any motive. If the Leader of the Country Party has rendered certain services, the results of which we have seen during the last few nights, he should be rewarded. Have members not seen in the "Times," from time to time, under the heading of "Knights Bachelor," the names of certain people who have been awarded the honour "for services rendered to the Commonwealth." It will be a very proper thing for the Commonwealth to reward him for the services so rendered.

Hon. J. Nicholson: Are you anticipating something of the kind yourself?

Hon. A. LOVEKIN: For myself I have failed altogether. I have no chance with my opposition to this Bill, because I am burning my boats.

The PRESIDENT: I think it would be in better taste for the hon. member to proceed with his speech.

Hon. A. LOVEKIN: I have been drawn away from my theme and encouraged in these little asides. I hope I have done the Leader of the Country Party no injury by reminding the Commonwealth that they ought to give him some reward for the services he has rendered. From what I have said it is clear that the contribution of 5s. per cent. on the part of the Commonwealth towards the sinking fund is no real advantage and we have reached the point that the only advantage accruing at the moment is the temporary gain of £88,475. It will be urged that all the Premiers of the six States have accepted the Financial Agreement and that, in fact, it has been eagerly accepted by the several Parliaments. In Tasmania it was spoken to by two members only, one in each House. I am not surprised at the attitude of Tasmania because it is highly advantageous to that State to get a fixed per capita grant for the next 58 years. Professor Mills, in a paper read at Hobart, pointed out that it was the only advantage accruing to any State. In the circumstances we need not be surprised at the attitude of Tasmania. As Mr. Holmes sometimes remarks, "Where is the nigger in the woodpile?" If we read the debates that have taken place in connection with the Bill when it was before the Parliaments of other States, we learn from every Treasurer and from almost every member who spoke that the Bill was forced upon the States under duress. Mr. Hogan, Premier of Victoria, definitely stated that the Federal Parliament having

repealed the per capita method of distribution of the surplus revenue, the acceptance of the agreement was the best the State Premiers could get. It was, he said, immediately advantageous, inasmuch as during the present year it would avoid additional taxation of the Victorian people to the extent of £563,000, besides minimising the State's contribution towards the sinking fund. There we have it. It was not accepted for any other reason apart from its immediate advantage; never mind the future or posterity; all that matters is to-day.

Hon. Sir Edward Wittenoom: He said he could not get anything better.

Hon. A. LOVEKIN: Yes, but my point is that they have not tried to get anything better, and I say it is open for the States to endeavour to get something better. However, let us deal with the present for the time being. Mr. McCormack, Premier of Queensland, in urging the passage of the Bill, said that the Financial Agreement was the best that could be secured in view of the repeal of the per capita payments. It was, he said, immediately advantageous as there would be a gain, as against the per capita payments of 25s. in 1927-28, of £114,871. In 1933 it would diminish to £4,000 and in 1937 would be converted into a loss of £101,000. According to "Hansard," Mr. McCormack produced in support of his contentions, a table similar to that which appears in our own "Hansard." In the case of Queensland, therefore, a present advantage of £114,000 will be converted by 1937 into a loss of £101,000.

Hon. J. J. Holmes: Per annum?

Hon. A. LOVEKIN: Yes. The Premier of Queensland was prepared to accept the agreement merely for the sake of the immediate advantage. I do not desire to be uncharitable, but it is obvious that the Premiers were willing to accept advantages for to-day.

Hon. E. H. Harris: That is to say, the Premiers immediately swallowed the two baits held out to them.

Hon. A. LOVEKIN: Yes. No attempt has been made to test the legality of the withholding by the Commonwealth of the three-quarters of the Customs revenue. As I shall show before I conclude my remarks, there was more than a hint given by the High Court judges in the proceedings taken by New South Wales. That question ought to be tested. In that case they assumed

that three-fourths of the Customs revenue was part and parcel of the expenditure of the Federal Parliament which, under the Constitution, they were bound to pay to the States.

Sitting suspended from 6.15 to 7.30 p.m.

Hon. A. LOVEKIN: Before tea I was quoting from the speeches of the various Premiers in order to show how it was that all the Premiers so readily agreed to accept this proposed agreement. Mr. McCormack, Premier of Queensland, in urging the passage of the Bill said—

The agreement was the best that could be had in view of the repeal of the per capita payment. It was immediately advantageous, as there would be a gain as against per capita 25s. in 1927-28 of £114,871. In 1933 it would diminish to £4,000, and in 1937 would convert into a loss of £101,000.

It will be asked why, in such circumstances, he should accept. The answer was given during the course of the debate. One member said that for many years Queensland had been indulging in a financial jazz; its credit had thereby become impaired, and to restore it, it was advantageous to Queensland to participate in the better credit of other States. In South Australia, the Premier, Mr. Butler, said—

As the State had lost its right to share in the Customs revenue, the Government had to make the best arrangement they could with the Commonwealth.

Mr. Hill, Leader of the Opposition in South Australia, said—

The Treasurers were left in a cleft stick in view of their embarrassed financial position.

Sir David Gordon, M.L.C., of South Australia, said—

He was accepting the agreement with all the eagerness that a drowning man seizes hold of any plank to keep afloat. He accepted it as the best way out of a difficulty.

In Tasmania, apparently, the Government and Parliament held out both hands to grasp the agreement. There was only one speaker in each House. The reason for its acceptance was shown by Professor Mills in his paper read at Hobart on the 19th January last. He stated that, as Tasmania was losing population and must continue to do so, it was advantageous to accept the present day per capita payment for 58 years. In New South Wales the Bill was intro-

duced by Mr. Stevens, the Assistant Treasurer, who said—

The agreement, having already been signed by all the other States, New South Wales, had it not signed also, would have found itself in an inenviable financial position, because the Commonwealth Government had already repealed the Surplus Revenue Act. The immediate tangible gain was the 2s. 6d. per cent. towards sinking fund on existing debts which, in the case of New South Wales, meant £22,610. This, together with increased interest rate on transferred properties and the per capita amount, meant to New South Wales £3,449,421 a year. For ten years the agreement would operate to the financial advantage of the State to the extent of £1,602,633.

In reply to a question by Dr. Evatt as to what would be the disadvantage to New South Wales during the longer period, Mr. Stevens replied, "£10,000,000." If we take the immediate payment of £1,600,000 ready cash and put it out at compound interest, members will see it represents an immense amount to New South Wales over the whole period, notwithstanding that after ten years the State creates a loss of £10,000,000. It is the same story of immediate advantage and later loss. New South Wales has a net indebtedness of £234,088,501, and scarcely any sinking fund, which accounts for the small disadvantage of £10,000,000 spread over 58 years, as against the immense immediate advantage. We now come to our own State of Western Australia. I have shown that we gain really nothing from the £88,474 over the per capita amount. I think I have demonstrated that the 5s. per cent. contribution on new borrowings is a myth and a delusion more than a reality.

Hon. J. R. Brown: How do you make it that it is a myth?

Hon. A. LOVEKIN: I have tried to explain to members that if we find the 5s. ourselves by paying a higher rate of interest on the money, due to Federal taxation of the interest, we are really paying the 5s. ourselves. If we had not the agreement, we would be able to get cheaper money. I have also shown that if the money is borrowed from abroad, and we pay £18 per cent. to the Customs on the imported goods representing that money, the Commonwealth out of that would pay us only 5s. According to the terms of the agreement, the net debt of the State—that is, the gross debt less the sinking fund of £8,756,935—is to be taken over by the Commonwealth. I do not agree that it is to

be taken over, because there is no taking over about it. If the State is still responsible for the principal, still responsible for the interest, and still responsible for the redemption of the loan, there can be no taking over by another party. Still, we will adhere to the phrase in the Bill. The £8,756,935, which is deducted from the gross debt to arrive at the net debt, is to be left with the State, and, on the finalisation of the agreement, the securities which that amount represents are to be torn up. At the present time, interest and sinking fund charges on that large amount are still payable, but if the securities are destroyed, interest and sinking fund will no longer be payable. According to the Premier and the Chief Secretary, there will be a direct saving this year of interest on this debt, when cancelled, to the extent of £293,000 in round figures, and of sinking fund to the extent of £132,000, making a total of these two items of £426,000.

Hon. J. J. Holmes: The Chief Secretary corrected that. He said, "advantage," not "saving."

Hon. A. LOVEKIN: Well, advantage. I shall use whichever phrase the hon. member prefers; both phrases amount to the same thing. Those are the figures that are common ground between the Chief Secretary and myself. If we add the £426,000 to the £88,475, which I have already shown to be the initial gain, we find that this year the Treasurer is advantaged to the extent of £514,475. But obviously it is only a temporary relief, and no real advantage, because, instead of having the sinking fund and using it to redeem our debt, we by this process of tearing up the securities, simply extend the redemption of our debts from an average of about 14½ years to 58 years. In other words, posterity pays the piper while we call the tune.

Hon. A. J. H. Saw: We really postpone the evil day.

Hon. A. LOVEKIN: That is so. If Dr. Saw were attending a patient, I doubt not he would always say that the longer the patient lived, the better were his chances of recovery. I wish to state the case fairly. There is a further advantage to the Treasurer inasmuch as we have £19,037,000 of borrowed money to which so far there has been no sinking fund contribution, but which is due for sinking fund, and the Premier would be relieved to that extent. If the

agreement is not ratified, he will have to find 10s. per cent. for sinking fund on that money—unless he postponed it, as probably would happen owing to the state of the finances—but assuming that he paid, this agreement would relieve him of half on that amount. He would pay under this agreement only the 5s. per cent. towards sinking fund, so that this also is an advantage at the moment. It becomes an advantage altogether of some £475,592, but we must remember that £426,000 is attributable to a saving of interest and sinking fund on the present sink-fund—the torn up securities. I am not going to labour this matter, because I do not think this House will ever consent to repudiation in any shape or form. The people here have contributed the sinking fund for the redemption of our debts. It is true that the sinking fund has been provided out of revenue, and that for years there has been a deficiency in revenue which has been funded. In other words, we have borrowed money in order to contribute to the sinking fund, but that has not been at all disadvantageous to us because it has enabled us to have a fund available to pick up any stocks that happened to come on the market when, through market operations, the stocks had depreciated. A good deal of the Coolgardie water scheme loan was picked up on the market at cheap rates and the money went to swell the sinking fund. It is always advantageous in transactions which involve the money market to have a fund by which to pick up these depreciating stocks from time to time. Almost every company does that. If a company desires to get more capital it makes sure before launching its prospectus that its market quotations are up to the price at which it is proposed to ask the public to subscribe new capital. When the States want to float a loan the brokers see that the market quotations for the stock are, at any rate, equal to the price at which they are offering the loan, or at some slightly increased amount above it. That sinking fund, although created from borrowed money, has been of advantage to us. It has also advantaged us in that it has helped our credit in flotations, because the brokers and investors see that this State has a sinking fund and intends to redeem its debts. I have here a pamphlet from which I will read certain quotations to the House. It specially mentions the case of Western Australia as being an exception amongst

all the States in that it has a sinking fund for the redemption of its debts.

Hon. J. Nicholson: Have you taken into account, in the event of this agreement being passed, whether our bondholders would require extra interest if the repayment was spread over 58 years?

Hon. A. LOVEKIN: I cannot answer the hon. member. Apart from the point I am making as to the advantage of having this sinking fund, there is the matter of repudiation to our bondholders. I know one of our stocks at this moment which, in the prospectus of the loan, and in the terms upon which the loan was taken up, showed that this carried a 1 per cent. sinking fund. Whether or not it matters to the bondholder does not concern me at the moment. There is an obligation on the part of the State to provide a sinking fund of 1 per cent. for redemption of the loans when the time comes, not in 53 years, but in a short time.

Hon. J. J. Holmes: The Great Southern Railway purchase provided for a 3 per cent. sinking fund.

Hon. A. LOVEKIN: There was one arrangement at $3\frac{3}{4}$ per cent., and several at $1\frac{1}{2}$ and 1 per cent. This State has obligated itself to provide that sinking fund. Under this agreement, whether we get the consent of the bondholders or not, the law comes into force, and declares, whether the bondholders are consulted or not, we are going to postpone the payment of our debts to them for 58 years, and are going to reduce the sinking fund to 10s. per cent.

Hon. J. J. Holmes: To 7s. 6d.

Hon. A. LOVEKIN: Yes, to 5s. plus 2s. 6d.

Hon. J. Nicholson: Surely the bondholders will require to be consulted beforehand.

Hon. A. LOVEKIN: The Inscribed Stock Act, 1910, provides that some of these bonds shall have a currency exceeding 30 years. It says in another section that there shall be a sinking fund provided, which shall redeem these bonds in a period of 30 years. Many of these bonds are taken over under the agreement, that is to say, funded, and we are for the future going to give them a 58-years currency and pay to their sinking fund only 7s. 6d. per cent. There is another advantage in this. The large State of New South Wales with £234,000,000 of loan money has practically no sinking fund at all.

Hon. J. J. Holmes: Less than a million.

Hon. A. LOVEKIN: It is not comparable to our sinking fund. As a gentleman in Queensland said, that State will share in the better credits of the other States. There is a converse position to this. If this State, which has provided for the redemption of its loans has to come in and carry the other States which have not made any such provision, we get a general rate applying to them, all higher than at present. The State which has not made any provision, and has been neglectful in the past, profits by the State which has made provision, and, curiously enough under this agreement, the State which has made provision becomes penalised in the transaction. I want to put this case forward fairly, and I have been trying to look at it fairly. There is repudiation we must admit, but fortunately of the £8,756,935 of securities no less than £7,783,577 represents our own stock which we have purchased with our sinking fund money, and I presume it follows we can do what we like with our own stock. With this gain—true, a diminishing gain—of £88,000, to which I have referred, as against the per capita payments, and the solid permanent gain throughout the period of £426,000, it is no wonder that the Treasurer, who is struggling and must struggle not to have a deficit, has accepted the agreement. For the future, however, it will be disastrous. It does not matter how the Treasurer taxes, or what he does, it will be disastrous if he ever has another deficit. Perhaps that is one of the advantages of the agreement, that there never can be a deficit. The moment there is a deficit, from that moment we have to pay not only the interest on the money $5\frac{1}{4}$ per cent. but we have to contribute under the agreement, 4 per cent. towards the sinking fund, making $9\frac{1}{4}$ per cent. we shall have to pay on the amount of the deficit. That is another advantage of the agreement to which the Chief Secretary and others have not drawn attention. It will eliminate deficits in the future. I give them the benefit of that point.

Hon. J. J. Holmes: From what source will they get their revenue?

Hon. A. LOVEKIN: If this agreement is passed the one source of obtaining revenue will be by taxing the man on the land. It must come from taxation. Whether the Treasurer receives it indirectly through the merchants, through the railways, or in any other way, the source must be the taxation

of the man who is producing from the soil whether gold, wheat, or wool. I wish now to refer to the pamphlet I have previously mentioned because it goes to show the genesis of the sinking fund arrangement under the agreement. When I was in London in 1926, two gentlemen of high repute in the money world, Messrs. Sydney Russell Cooke and E. H. Davenport, wrote some articles which were first published in the "Nation," and extracts therefrom were published throughout Great Britain. The articles were afterwards reprinted, put into pamphlet form, and dedicated to the Imperial Conference of 1926. I read some of the articles on this subject, and it struck me at once that if there was anything in them it was going to be a bad blow not only to Western Australian finance in London, but to Australian finance generally. I bought a copy of this pamphlet for 1s. and when I read it through I felt a little perturbed. I can generally look through a thing and offer some sort of criticism upon it. This made me scratch my head, so to speak. I called on the Agent General (Mr. H. P. Colebatch, now Sir Hal Colebatch) and spoke to him about it. He said he had also read the pamphlet. I pointed out it would do a great deal of harm, and he agreed. After discussing the matter, we decided that he should put up the points he thought would answer it, that I should do the same, and that we should have another meeting and put up something against this pamphlet. I went down again to see the Agent General, and he was then able to inform me that the Prime Minister, Mr. Bruce, was on his way home, and had been communicated with and would deal with the question. This was very much to our relief. Any member who likes to read the pamphlet will see that it is not an easy thing to reply to. I will read the prefatory paragraph, which will account to some extent for New South Wales coming into the Loan Council, whereas it had always stood out before, and will also account for that State coming into this agreement. In their opening remarks these writers say—

As we write the prefatory paragraph New South Wales is demanding £4,000,000 from the British investor. Another £4,000,000 was demanded by this State as recently as last March. Not a hint is given in the prospectus of the financial position of the borrower. A bare statement is made that the loan is raised for public works, railways, Sydney harbour, water conservation, and "other purposes." The money in point of fact has already been spent, and the loan is being raised to repay the

State's banker. We find that on 30th April, 1926, the London account of the New South Wales Government was overdrawn to the extent of £6,500,000. We merely cite this case as typical of Australian finance.

What made replying so difficult was that these gentlemen used no figures except those which appeared in the official "Commonwealth Year Book," and of course those figures were unchallengeable by anyone. I notice another passage which I had marked for my criticism—

The official "Year Book" for 1925, on page 406, says, "The practice of providing sinking funds has been consistently adopted in the case of Western Australia only, and in June, 1925, all the State sinking funds amounted to £18,000,000 against a gross debt of the States of £306,000,000."

Then there is a table giving the details. Here I may refer to a suggestion of Mr. Stewart about New Zealand and South African prospectuses being raised. The pamphlet says—

The prospectus of the last loan raised by New Zealand in the money market provides a satisfactory model of what information should be given, and how it should be presented, which we commend to the notice of other colonial borrowers.

There was quite a stir in London about this, and after Mr. Bruce's arrival there was the usual function, at which Mr. Bruce spoke. He said that for the future in respect of all Australian loans there should be sinking funds and the prospectuses which were put out should contain as full information as the New Zealand prospectuses, and also any other information that was required. When Mr. Bruce returned to Australia he had to redeem that promise. Then he had difficulty in getting New South Wales into the Loan Council, and I have no doubt that this Financial Agreement is largely the result of an attempt on his part to carry out his promise to the London investors. In the 2 per cent. table which Mr. Simpson originally prepared for the Premiers' Conference and to which I previously referred, a column was provided showing the increased indebtedness per head as the population increased and new borrowings were added. In the three per cent. table which the Premier used in his speech, this column is omitted. I will not exhaust the patience of hon. members by showing how, year by year, the indebtedness per head must increase during the next 30 years. I will give one example only. I take the 15-year period referred to by Mr. Collier

as the turning period when the agreement will begin to work adversely as against the per capita 25s. At the starting point our indebtedness per head was, in round figures, £161. In 1927-28 we borrowed, according to the table, £4,500,000. In the next two years we borrow £4,750,000 annually, a total of £9,500,000 for the two years; and after that we borrow for 12 years at the rate of £5,000,000 each year. The Chief Secretary says we shall probably have to borrow more. The total for the 15 years is thus £74,000,000 of new borrowing. By that time, according to this same table, our population will have reached 595,137. We shall, therefore, have added to our indebtedness £124 per head. This, added to the £161, will make an indebtedness, in 1942, of £285 per head. It will work out this way: we shall then owe £135,060,675, on which interest and sinking fund will have to be found as follows:—

	£
Interest and sinking fund on existing debts ..	3,295,038
Interest and sinking fund on new debts ..	4,070,000
Sinking fund on £19,037,154 of existing debt not now being paid, but which will be payable under agreement ..	47,593
	<hr/> 7,412,631
	£
Less savings on cancelled debt and sinking fund ..	426,000
Less Commonwealth contributions ..	561,907
	<hr/> 987,907
	<hr/> 6,424,724
Additional interest and sinking fund payments, 1942, without further Commonwealth assistance ..	3,129,686

It will be seen that after allowing for everything, £3,129,686 more will have to be found than at present; and I ask, where is it to come from, especially having regard to the much larger revenue expenditure which will be necessary owing to the increased population.

Hon. Sir William Lathlain: Will not some of those debts have been redeemed?

Hon. A. LOVEKIN: Surely the hon. member has not read the Financial Agreement!

Hon. Sir William Lathlain: I am talking about loans in existence, which will mature in a short period.

Hon. A. LOVEKIN: The hon. member knows from the agreement that when those are redeemed the State has to continue to pay 4½ per cent. interest plus sinking fund on them. That is one of the troubles of the agreement. In 1934 some £8,000,000 of stock will have matured. If we kept the sinking fund we could redeem the stock, but we are taking that money and putting it in our pockets and shall continue to make the sinking fund payment on the stock right up to the end of the period of 58 years. There is only one bedrock source of taxation—the soil.

Hon. H. Seddon: Do not you think production will increase as the result of the expenditure of that money?

Hon. A. LOVEKIN: Certainly. It should do so. If it did not, that would be a very bad thing. But let us not forget that the Treasurer is not going to benefit very much from increased production, because, as every hon. member knows, while there may be increased railway freights, there is very little additional profit from them. The cost of rendering services in the country, taking the railways as an example, is very often more than the receipts, and I do not think we can expect very much profit from that source as an aid to the Treasurer, although the people will be benefited by increased production to the extent that they will be able to pay more taxes. But whether the tax comes through the railways or through increased turnover of merchants, the source of it is in production, and production from the soil.

Hon. A. J. H. Saw: Do you maintain that all taxation comes ultimately from the soil?

Hon. A. LOVEKIN: Yes; from production of some sort.

Hon. A. J. H. Saw: That is a different matter.

Hon. A. LOVEKIN: We are essentially primary producers. The new settlers who come within the period, let us not forget, will not be contributing very much to income tax. We shall be carrying those new settlers for a considerable time before they can become of value to the State Treasurer. I admit, of course, that there will be an increased contribution to the State's revenue from the railways and other services; but the profit from which the Treasurer will have to find his interest will not, I am sorry to think, be very great. It is said that this agreement must be ac-

cepted because five Premiers and five Parliaments have already accepted it: that as the Commonwealth Parliament is paramount, if we refuse this we shall get nothing, or at any rate worse terms, and that no one has suggested a better scheme. That is the text from which all the Premiers have preached; it is the text of the "West Australian"; it was the Chief Secretary's text here.

Hon. J. J. Holmes: And the text of the "Daily News."

Hon. A. LOVEKIN: And of the "Daily News." I have already dealt with the five Treasurers, the needy gentlemen who strive to get all they can because they have to look after themselves. Those five Treasurers and those five Parliaments are all in a parlous condition financially, and have to seek some immediate way out; and this is an immediate relief, never mind what happens to posterity.

Hon. H. Stewart: There is no generosity in your estimate of the present leading men in Australian political life.

Hon. A. LOVEKIN: I do not say it is the fault of the present Treasurers. The position is as the gentleman in Queensland has stated, that for many years there has been a financial jazz, and that it is time the jazz was pulled up. That is where the trouble comes in. Present Treasurers may have been only a month or two in office; some of them certainly have been in office only a short time. But that is the position in which they find themselves, and they have to extricate themselves from it. As Mr. Hogan, of Victoria, said, this agreement will relieve him of his immediate difficulties. He says, "In the present state of affairs I cannot quite see where to impose direct taxation, and therefore I will take the line of least resistance and trust to the future to right things."

Hon. A. J. H. Saw: It has been a jazz from Brisbane to Rockhampton.

Hon. J. J. Holmes: To Rottneest, I think.

Hon. A. LOVEKIN: In regard to the second point, I deny that the Commonwealth Parliament is paramount to the extent of possessing powers to deprive the States of their constitutional rights to share the Customs and Excise revenues, to participate in the surplus revenue, or, by devious methods, to transfer to trust accounts moneys that the States are entitled to re-

ceive in order to preserve their solvency. I deny absolutely that the Federal Parliament is in a position so to act. To support the Commonwealth view, it is urged that in 1910 the Federal Parliament passed a Surplus Revenue Act that declared that after a certain date, Section 87 of the Constitution—that is the Braddon clause, which gave to the States the right to a share in the Customs and Excise revenue, to the extent of three-quarters and to have handed over to them the balance of the remaining quarter which the Commonwealth might not need—ceased to have effect. It is contended that the words "For ten years and thereafter until the Parliament otherwise provides" in Section 87 govern the whole situation and place in the hands of Parliament absolute power of determination. It is urged that in 1910 Parliament exercised its power and that in 1927 it again exercised its power by repealing its action of 1910, and that by this process, the States have been legally deprived of their right to share in the revenue and their right to get anything at all except by the grace of the Commonwealth. In these circumstances it becomes necessary to examine Section 87, which reads—

During a period of 10 years after the establishment of the Commonwealth, and thereafter until the Parliament otherwise provides, of the net revenue of the Commonwealth from duties of Customs and Excise not more than one-fourth shall be applied annually by the Commonwealth towards its expenditure.

I hope members will bear those words in mind, particularly in view of what I shall quote in connection with the High Court. The latter part of the section reads as follows:—

The balance shall, in accordance with this Constitution, be paid to the several States or applied towards the payment of interest on debts of the several States taken over by the Commonwealth.

Can this be interpreted to mean that the Parliament has power to say that none of the Customs and Excise revenue shall accrue to the States? Does it mean that the Parliament can practically repeal the section? Such cannot be, for it would be an alteration of the Constitution, and that cannot be brought about except by the methods prescribed by Section 128, which involves a referendum of the people.

Hon. H. Stewart: Whose is that opinion you are reading?

Hon. J. J. Holmes: It is not an opinion.

Hon. A. LOVEKIN: I am making a statement.

Hon. G. W. Miles: It is a statement of fact.

Hon. H. Stewart: Mr. Lovekin quoted from the Constitution and then went on to express an opinion.

Hon. J. Cornell: He has given no opinion yet.

Hon. A. LOVEKIN: I am putting the query to hon. members. What does it mean? Does it mean that Parliament can practically repeal the section? For my own part I say it cannot do that, because it would be an alteration of the Constitution and that is barred by the terms of Section 128 which sets out that the Constitution shall not be altered except in the manner indicated.

Hon. H. Stewart: Exactly what I said. You asked a question and then you answer it. It is your opinion.

Hon. A. LOVEKIN: The hon. member can put it that way if he likes.

Hon. H. Stewart: I wanted to know if that was what the High Court said.

Hon. J. J. Holmes: It has not been given as an opinion; it is a fact.

The PRESIDENT: Order! I must ask hon. members to allow Mr. Lovekin to proceed with his speech.

Hon. A. LOVEKIN: Again, if we take the words of Section 87 to the end of the first paragraph and admit that they apply to the three-fourths and one-fourth of the Customs revenue, what then becomes of the second paragraph, which says that the balance shall be paid "in accordance with the Constitution" or applied towards the payment of interest on debts of the several States taken over by the Commonwealth? The second paragraph says that the balance shall be returned to the States. If the words "for a period of ten years and thereafter until the Parliament otherwise provides" apply only to the first paragraph, what happens to the second paragraph? Do those words apply to the second paragraph also? I submit that if they apply to the second paragraph as well, it will make absolute nonsense of all sections of the Constitution that contain those particular words. These words must connote that there shall be some balance that must be paid in accordance with the Constitution or applied towards interest on debts of States taken over by the Commonwealth.

But what balance? It can only be the balance of the one-fourth that the Commonwealth does not need, because in Section 105 we find a like provision. It says that the Commonwealth may apply the surplus revenue to the payments of interest on debts taken over.

Hon. J. Nicholson: That is for ten years or until otherwise provided.

Hon. A. LOVEKIN: But Section 105 does not contain those words. What is obviously intended by the section is that Parliament may, after ten years, vary the methods of distribution to the States, not that Parliament may deprive the States altogether of the moneys on which their solvency depends. That was made clear by the debates at Conventions. There are some 18 other sections in the Constitution, which contain the words, "until Parliament otherwise provides." For instance, Section 7 says that until Parliament otherwise provides, there shall be six senators for each original State, and that Parliament may make laws for increasing or diminishing the number of senators, but so that no original State shall have less than six senators.

Hon. J. Cornell: It does not say that they will do away with the Senate altogether.

Hon. A. LOVEKIN: That would be the logical result of the interpretation some people would apply to Section 87. Suppose Parliament acted under the section and increased, in 1910, say, the number of senators from six to ten. That would be within the ambit of the powers conferred by Section 7 of the Constitution. Suppose that in 1927 Parliament thought that ten senators were too many and repealed the amending Act of 1910. Would that connote that there should be no senators, or would it mean that the original section would be restored and that there would be six senators? Certainly the latter would be the logical interpretation to place upon that action. Otherwise, we would have no senators at all. That would be the interpretation to be adopted if what is suggested is correct in connection with Section 87.

Hon. J. J. Holmes: You are talking about the three-fourths of the surplus revenue?

Hon. A. LOVEKIN: It is perfectly true that under the 1910 Act they left Section 3 which says that Section 87 ceases to have effect, but that cannot have the effect of

repealing it, for it would be an alteration of the Constitution, and that is not permissible as I have already indicated in view of Section 128. I have already placed in the hands of hon. members copies of the memorandum I put to the Federal Attorney General, Mr. Latham, K.C. I shall show in a minute what the members of the High Court Bench had in mind on some of the points raised. In the pronouncement of Mr. Latham—hon. members have had copies of his statement—the Federal Attorney General, dealing with the question whether the States have a right to a return of the surplus revenue for all time, said, "This is a question on which there is much to be said on both sides." But, he points out, it does not arise at present as the Commonwealth law provides for all surplus revenue (if any) to be paid to the States. That is perfectly true. While the question may not arise at present, it will arise immediately the agreement is accepted because there is no surplus revenue for distribution: it is a fixed payment according to the schedule attached to the Bill.

Hon. J. Cornell: That is where we sign away our rights to the lot.

Hon. A. LOVEKIN: Undoubtedly. It says that the Commonwealth shall pay interest on the debts out of the surplus revenue payable to the States. That is practically to be repealed by the amending Section 105 (a), which the people are asked to assent to. That section ends up by saying, "This section shall not be limited in any way by Section 105." They have not the pluck to repeal Section 105 straight out, and therefore they put it in this camouflaged manner to the electors. If we look through the drafting of this clause and of the States Grants Act, it will be seen that skilled hands have been at work. It will be obvious that if the States are in any way entitled to three-fourths of the Customs revenue, they will be much advantaged as against the proposed Financial Agreement and as against the 25s. per capita payment, because last year the Customs and Excise revenue totalled £43,000,000 and this year the revenue under that heading will total £36,000,000. If we take three-fourths of the Customs and Excise revenue, it will amount to £27,000,000. That amount would be divisible amongst the States instead of £7,500,000 which the agreement provides for. Thus the States would be much advantaged.

Hon. A. J. H. Saw: How would the Federal Government carry on in those circumstances?

Hon. A. LOVEKIN: Have they not full powers of taxation?

Hon. J. J. Holmes: Have they not spent £9,000,000 at Canberra?

Hon. A. LOVEKIN: Have they not wasted hundreds of thousands of pounds on various Royal Commissions? Do they not raise £1,200,000 a year from the note issue? Is there any limit to their taxing powers? How will they carry on? Have the Federal Government not always had very extensive powers of direct taxation, which they desire to avoid because it is not a popular way of raising revenue? They would prefer to tax through the Customs revenue which does not embarrass them. There is not the odium attached to indirect taxation, for it does not appear to strike people individually, but is spread over the whole community unseen. There is no fuss about taxation imposed by that means.

Hon. A. J. H. Saw: Then they will carry on by means of more taxation.

Hon. A. LOVEKIN: Suppose they did, and that the States got £27,000,000 back instead of £7,000,000, the States would be much better off. We certainly would not waste money in the manner it is wasted by the Commonwealth. Never have I believed in always giving up: that is the attitude of the weak.

Hon. J. Cornell: The hon. member always makes a good fight

Hon. A. LOVEKIN: This question has never been tested—the right of the States to this revenue. In a particular case that was decided by the High Court: the point was never raised. In speaking to the point in the New South Wales Parliament, Dr. Evatt, who was Attorney General in the Lang Government, said he had examined this case more closely than he otherwise would have done. According to the "Hansard" of that State, of the 30th May last, Dr. Evatt said—

The States have never tested the question of the disposal of the surplus revenue from Customs and Excise, and the manipulation of the Commonwealth trust account.

Dr. Evatt, no doubt, had in mind the case brought against the Commonwealth Government by the State of New South Wales on which the Commonwealth's contention as to trust accounts is based. That case is re-

ported in Vol. 7 of the Commonwealth Law Reports, page 179. Before coming to a decision, this House should examine that case and see whether it is worth our while testing the right of the State to the surplus revenue from Customs and Excise. If we give that up now by this agreement, we can never hope to open up the question again. It will be gone absolutely without any attempt being possible to test whether or not it is legal. In that case brought against the Commonwealth by the New South Wales Government there were on the bench five of the men who were framers of the Commonwealth Constitution, men who took a leading part in that work. There were Sir Samuel Griffiths, Sir Edmund Barton, Justice O'Connor, Justice Isaacs, and Justice Higgins. Those are the men who decided the case, and it will be admitted that they knew something about the Constitution. At any rate one would expect them to know something of the intention of the framers of the Constitution. The claim of the New South Wales Government was for £160,000. It was claimed as moneys payable to that State by the Commonwealth as surplus revenue of the Commonwealth for the month of June, 1908. The State did not raise any claim as to three-fourths of the Customs revenue. It had already received its share of the three-fourths. The Surplus Revenue Act of 1910 had not been passed, and the claim of the State was for its share of one month's surplus revenue, the share of the surplus of the one-fourth which the Commonwealth was entitled to keep. I will not read the case at length. The headnote of the report sufficiently indicates the judgment of the court. It says—

Section 89—under which the claim was made—does not require exact balances to be struck at the end of each month, but the monthly payments are to be approximate amounts having regard to the probable total financial expenditure of the year. The Commonwealth Parliament has authority to appropriate money out of the Consolidated Revenue for a specific purpose, and money so appropriated, although not actually disbursed, is expenditure—

I emphasise "expenditure"—

—within the meaning of Section 89 of the Constitution, and cannot form part of the surplus revenue distributable among the States under Section 94, until the actual disbursement of it for that purpose is no longer lawful, or no longer thought necessary by the Government.

In the course of his judgment, Sir Samuel Griffith said—

It is impossible to hold that the balances are to be finally struck at the last day of every month. The plaintiffs rested their whole case upon this contention which is, in my judgment, untenable. But the real foundation of the claim of the State is, I think—although disavowed by the plaintiff's counsel—a notion that the financial year is part of the order of nature as regards Government finance, so that the surplus must be finally ascertained and distributed at intervals not longer than a year. The practice of making an annual balance in public accounts is, no doubt, both usual and, for many purposes, convenient. But it depends upon positive legislation—at present the Audit Act as amended by the Surplus Revenue Act, 1908—which cannot control the construction of the Constitution.

Towards the end of his judgment, Sir Griffith said—

I am of opinion that the plaintiffs have no present cause of action against the Commonwealth. I express no opinion upon the effect of placing the sums in question to the credit of trust accounts, but if the contentions of the plaintiffs as to the construction of the Constitution were correct, I see great difficulty in the way of holding that anything short of actual disbursement would be effectual to withdraw money from the operation of the express direction to pay the surplus to the States, or apply it in payment of interest on State debts.

Sir Samuel Griffith said that three-fourths of the Customs revenue was one of the expenditure charges under the Constitution, and I stressed the word "expenditure." On page 187 of Vol. 7 of the Commonwealth Law Reports we find this—

The charges imposed by the Constitution include the cost of collection (Section 82), the salary of the Governor General (Section 3), and judiciary (Section 2) and, for ten years at least, an obligation to return annually to the States a sum equal to three-fourths of the net revenue from duties of Customs and Excise, or apply that sum to the payment of interest on State debts (Section 87).

Either one or the other had to be done.

Subject to the charges imposed by the Constitution, the Parliament have full authority to appropriate the revenue for any purposes of the Commonwealth.

Mr. Justice Isaacs said—

There are charges, such as, for instance, the cost of collection and management, etc., and there are liabilities, such as certain salaries, and three-fourths of Customs and Excise duties under Section 87, which must first be satisfied. But the "charges and liabilities" once provided for, the Parliament has unrestricted power to "appropriate for the purposes of the Commonwealth" every penny of the revenue in the Consolidated Revenue Fund.

Sir Samuel Griffith practically holds out an invitation to test the question, and that is evidently what Dr. Evatt had in mind when he said the question had never been tested. Although it is a very doubtful point, I go so far as to say it is worth the State's while to try to attain the prize rather than give up the ghost and accept anything that is offered which, in the course of a very few years, on the admission of every Premier and everyone else, must prove a disadvantage to the States. Mr. Justice Higgins said—

It is not contended that the Federal Parliament has in any way transgressed "the Braddon clause": Section 87—the section which ensures to the States that not more than a quarter of the net revenue from Customs and Excise shall be applied annually to Commonwealth expenditure. The Commonwealth Parliament has kept within its quarter, but, foreseeing large commitments in the near future, it has put aside, appropriated, part of the fourth to meet them, and the Treasurer is given power, so long as he does not exceed the quarter under the Braddon clause, to pay to the credit of these trust accounts such further moneys of the Consolidated Revenue Fund as the Governor-General in Council thinks necessary.

Hon. A. J. H. Saw: Do you know whether any law officer of any State has given his opinion on the question?

Hon. A. LOVEKIN: Yes, two, and both eminent men. But Mr. Nicholson will know that lawyers, like doctors, sometimes differ in their opinions. Dr. Evatt holds that the surplus revenue is claimable by the States. My suggestion is that before we commit ourselves to the agreement, in the interests of the States themselves, the question ought to be decided.

Hon. J. Nicholson: Do you suggest, then, that we should delay consideration of the Financial Agreement until the question is determined?

Hon. A. LOVEKIN: I do not think we should give it up; we should do everything in our power to retain the sovereignty of the States. If we are going to increase our indebtedness as proposed, and double our interest bill in 15 years, what shall we do in the succeeding 43 years? We would not dream of doing such a thing in our private lives. We would not budget for ten years, let alone 50 years; yet as a State we are pledging posterity for 58 years. Even if we reject this agreement we cannot be any worse off. The £473,000 that we would be getting in the course of 58 years is an absolute bagatelle, but could any Common-

wealth Government live through a session of its own Parliament if it collected £36,000,000 or £40,000,000 through the Customs and refused to return a reasonable amount of it to the States in order that they might develop in their own interests and in the interests of the Commonwealth generally? Such a position is quite unthinkable. I wish to answer a few points that have been raised because the public ought to be acquainted with the pros and cons.

Hon. G. W. Miles: None of this will ever be published by the Press we have today.

Hon. A. LOVEKIN: As regards the electors of the Metropolitan Province, I shall see that they have a report of the debates on this Bill, both on the second reading and Committee proceedings. The salary I receive here I am prepared to expend in that manner.

Hon. A. J. H. Saw: You will not undertake to say they will read it.

Hon. A. LOVEKIN: If they do not read it and they have to pay the pipper afterwards, it will be their own fault. I shall be relieved of responsibility after having done my best for them.

Hon. G. W. Miles: We have a Bruce-Eastern States Press published in Perth every day, barring only the "Sunday Times," "Truth," and Worker." You know that, do you not?

Hon. A. LOVEKIN: Mr. Bruce, in beginning his speech on this Bill, said—

He had abolished the per capita distribution because the principle of one Government taxing and handing over the money for expenditure by another Government was vicious.

The answer to that statement is, "This very agreement perpetuates the viciousness."

Hon. J. Cornell: Of course it does; nothing else.

Hon. A. LOVEKIN: Mr. Bruce also said—

The per capita system has broken down as for years Western Australia and Tasmania have been receiving in excess of the per capita amount.

That is perfectly true. It shows how unfair and inequitable the per capita system has been and that some change is necessary in the distribution of the money. I cannot think of anything better than I have suggested, namely, that population, indebted-

ness and area should be almost equal factors when fixing the amount. Another point he made was that owing to war commitments the Commonwealth needed more money. I answer that by saying the Constitution specially gives the Commonwealth the power of direct taxation for that very purpose, and it was so stated during the Convention debates. It is said that the agreement will remove existing uncertainty and provide a definite basis for State finance. The reply is that a much better and more definite basis could be reached by an honest return of the surplus revenue, which the States contribute to and which would increase as the States borrowed, developed and extended population. It is said that the agreement will enhance the credit of Australia abroad. I have shown what enhanced the credit of Australia abroad and what has been the practical experience. If we take the loans during the last 12 months, we will see that it was not the credit of Australia but something more tangible in the case of Western Australia, namely, the provision which was being made to redeem the debts. It is said that the States will receive definite assistance from the Commonwealth over a long period, which can only be interfered with by the consent of the States, as compared with the present per capita payments, which can be discontinued by the Federal Parliament at any time. To that I reply that although the per capita method of distribution might be altered at any time, the distribution of the surplus by some method or other cannot be interfered with except by the consent of the people. I have quoted figures by Mr. Wickens to show what the effect of this agreement will be when each State doubles its population. It is said by the Bruce Government that if this question is not now finally settled, if the matter is left over to a Parliament in which Labour may have a majority, there will be a danger to the States of the whole of the moneys being withheld from them for the prosecution of fancy schemes, which may be put forward by future Federal Governments. The answer to that argument is that the danger will be accentuated, as, with increased population, less war expenditure, and as soldiers and their dependents pass away, so revenues will inflate and, there being no additional payments to

be made to the States, colossal sums will be available for many fancy schemes.

Hon. C. F. Baxter: All those amounts would not meet one of the fancy schemes that a Labour Government would be committed to.

Hon. J. Cornell: You are going to have a Labour Government whether you have an agreement or not.

Hon. A. LOVEKIN: I have tried to demonstrate, firstly, that the £88,475 receivable in the first year over and above the 25s. per capita payment is only four or five years' purchase of the per capita payment that would accrue consequent upon the increase of population. As a business proposition, no one would entertain such a gain for so few a years at the expense of such huge losses during the following 50 years. The second point I have tried to make clear is that the 5s. per cent. towards sinking fund on new debts is a delusion, as the State will pay that amount and considerably more by the increased rate of its interest, due to Commonwealth taxation or Customs duties levied on goods imported with moneys borrowed. My third point is that the real and only gain, not to the State but to the political Treasurer, is the scrapping of the State sinking fund. Fourthly, that the creation of the Loan Council as a statutory body is largely due to the adverse comments in London on Australian finance, from which adverse comments Western Australia was excluded. Fifthly, that the proposed increased borrowings will so raise the indebtedness per head as to involve taxation beyond the capacity of the taxpayer to meet it. Sixthly, that the fixed sum payable to Western Australia annually is unjust and unfair to this State as against other States. Seventhly, that if the agreement be refused, the right of the States to the three-fourths of the Customs revenue can be tested, whereas by acceptance of the agreement the State, of its own volition will surrender such right for all time. Eighthly, that in any event the Commonwealth Government could not retain the whole of the Customs and excise revenues, nor could the State fare worse than the receipt of 25s. per head, inasmuch as the people have already refused to make that sum permanent on the ground that it was an insufficient return. I have occupied much longer time than I expected or intended to do. I have discussed this question

on several occasions and it has been cast at me that I am not an Australian, but that I am only a little Australian who is putting up a case for one State as against all the Australian interests. I am aware that sentiment in these cases plays a very big part. I believe in Australia. I recognise that this great Australian tree has roots scattered over a huge area of six States; I also remember that one-third of its roots are in this western third of the continent, this State of Western Australia, and I know from experience that if you damage part of the roots of a tree, you injure the whole tree. Certainly if you damage so great a proportion as one-third you do incalculable harm to the rest of the tree. I desire to preserve that tree sound and intact, and if you suggest sentimental grounds to me, I say I am strongly protesting against this agreement, because its effect will be materially to injure the roots of the tree that have their habitat in Western Australia.

HON. H. STEWART (South-East) [8.58]: I desire to congratulate the Chief Secretary and Mr. Lovekin on the very full and able manner in which they have dealt with this question. I wish to thank Mr. Lovekin also for the trouble he has taken to place before us, prior to the assembling of this House, important information that has enabled us to conduct our inquiries and so be the better prepared to deal with the Bill. I find myself in agreement with much of what Mr. Lovekin has said. I believe every member is giving very careful and full consideration to all phases of the question and that each is anxious to do what he thinks is in the best interests of Western Australia and of Australia as a whole. Though one may read everything that has been published and may institute comparisons by following out various avenues of investigation, it seems to me that what is going to tell is a member's individual and well-balanced judgment as to what is best for him to do at this stage. Reading and arguing are not the only things. Careful thought is required in order to arrive at a mature judgment. I believe that every member of the Chamber will act in accordance with what he considers to be in the best interests of the people. The Prime Minister stated in his speech in the Federal Parliament that the States had no legal, moral, or constitutional right to participate in the Customs revenue, under Section 87 of the Constitution. I find myself com-

pletely in accord with Mr. Lovekin in this matter. I am extremely disappointed that, since 1910, 18 years have elapsed without the States trying to test the position to find out how they stood. I think in this Chamber we have cause for grievance in that the Premier did not before this agreement was signed seek to do his utmost to induce the other States to combine with him in testing the position.

Hon. A. Lovekin: Curiously enough, it has never arisen.

Hon. H. STEWART: Since the date of the Prime Minister's speech on the 15th December last, there has been time for the representatives of the States to come together, and inaugurate proceedings in the direction indicated by Mr. Lovekin. I regret that consideration of this agreement was not deferred until after the publication of the report of the Royal Commission appointed to inquire into suggested alterations to the Commonwealth Constitution, and also until the referendum, designed to secure authorisation for alterations to the Constitution, and permitting the Commonwealth to make this agreement, had been taken. The reason given is that there might have been a change in Government, and that the incoming Administration would have given less consideration to the States than the Bruce-Page Government have given under this agreement. I would have sympathised with the supposed necessity for hurry were I not very confident that the Bruce-Page Government will, after submitting themselves to the electors, come back for another term. It is on that assumption I feel that delay would have been warranted, pending the publication of the report of the Royal Commission and the taking of a referendum. The point to consider is, what shall we lose by this agreement. I find myself in accord with Mr. Lovekin in feeling that to-day the State enjoys an advantage, because of our credit and our sinking fund. On that score we shall lose. Our credit to-day stands better than that of the Commonwealth, and of most of the other States. We cannot see ahead of us, and we cannot know what the productive capacity of the State will be from year to year. We cannot say whether we may not have our turn of drought and adversity. Although our position is so favourable to-day, it may be altered in the future, certainly during the 58 years, the period in which this agreement will operate. To-day, however, we have an advantage, and it is proposed that we should sacrifice it.

The other States will benefit by our coming into the agreement. They will gain some advantage in credit by being pooled with this State. From the point of view of Australian finance and Australian borrowing under this agreement, and of the formation of the Loan Council, this document certainly is in the interests of Australia as a whole. What do we gain? The matter has been treated exhaustively by the Chief Secretary and Mr. Lovekin. When it is all boiled down there is no real or substantial gain for Western Australia. Those who favour the agreement do so because it stabilises the future for the next 58 years.

Hon. V. Hamersley: It is an expedient.

Hon. H. STEWART: Yes. What do we retain? We do not retain the full benefit of the improved credit that we now have, but by the provisions of the agreement we retain the real practical benefit that accrues from our having established a sinking fund over a long period of years. It may be well to draw the attention of members to what caused a query in my mind. I refer to Part 11, the temporary provisions, which come into force on the 30th June, 1927, and remain in force until the 30th June, 1929; also Part 11, the permanent provisions, which provide that New South Wales shall receive different treatment from that accorded to the other States. I wondered why that was so. It is provided that New South Wales shall not contribute her 5s. per cent. to the sinking fund contribution, either under the temporary or permanent provisions, until one year later than the other States. I found on inquiry that this arose because New South Wales came in late on the Loan Council, after the drafting of the agreement. Before that State came in it had already made its commitments with regard to loan moneys 12 months later than the other States had arranged to do through the Loan Council. Consequently it was provided that New South Wales should start a year later in making contributions towards the sinking fund, and that it should continue its payments for a year after the other States had finished, namely, in 53 years. I regard as a very wise provision 3 J, Part 11, of the permanent provisions, which sets out that the State deficits shall be met by loan, to which only the State concerned shall provide from revenue a sinking fund contribution of 4 per cent. per annum. It is to be hoped this provision will have the desired effect, and bring about careful financing on the part of both State and Commonwealth

Treasurers. Because, no doubt, he anticipated criticism of the Australian Loan Council, it seemed necessary for the Chief Secretary to deal with its constitution and the methods to be employed by that body. After carefully considering the provisions of the Bill governing the personnel and the operations of the Loan Council, I regard them as being as fair, equitable and reasonable as we could well expect them to be. I fail to see that any trouble is likely to arise so long as those operations are conducted in accordance with the provisions of the Bill. It is quite possible that while the Loan Council is functioning, Western Australia, if its credit is good, will be permitted, by the unanimous decision of the council, to raise loans in its own name in whatever market it chooses. If Western Australia's credit remains in a better relative position than that of the other States, the State would gain that advantage.

Hon. H. Seddon: There is nothing to prevent that.

Hon. H. STEWART: No. We have no reason to anticipate that the Loan Council will behave in such a way that it will create an obstacle to prevent Western Australia from doing the best possible for itself.

Hon. J. J. Holmes: The Loan Council would have to be unanimous before that could be done.

Hon. H. STEWART: Is there any reason why the Loan Council should adopt a dog-in-the-manger policy?

Hon. J. J. Holmes: Has no dog-in-the-manger policy been adopted since Federation?

Hon. H. STEWART: If I took up the hon. member's interjection it might lead me off the track. One thing we cannot eliminate from our minds is the disability Western Australia has suffered since Federation. In the first place, we had highly considerate treatment in that the Commonwealth Government appointed the Federal Disabilities Commission. In that respect we received consideration that had never been extended to us before. The Commission made various recommendations. The first was that this State should have control of its Customs for a period of 25 years, subject to making certain payments to the Commonwealth for cost of collection and so forth. That recommendation was

contained in a majority report; it was not a unanimous recommendation. Has the recommendation been carried out? Another recommendation was that Western Australia should be paid a contribution of £450,000 per annum as from the 1st July, 1924, the amount to be exclusive of the special grant, which was a diminishing factor from year to year. The contribution of £450,000 was to be made until the first recommendation, of 25 years' control of our own Customs, had been brought into effect. Further, there was a minority report recommending a contribution of £300,000 per annum for ten years, the amount to be less the diminishing special grant. Not even the minority recommendation has been put into effect in Western Australia's favour. It is to be noted that the contributions were recommended to begin as from the 1st July, 1924. For that year, however, we received nothing. As from the 1st July, 1925, we were paid £450,000, an election being on and things being pretty good. Since then, under another Federal Act, we have received £300,000 annually as from the 1st July, 1926, the contribution to continue for only five years and not 10 years as was recommended. In effect, it comes down to £204,000 for the first year, and increases by £10,000 annually for the subsequent four years. In view of those recommendations of the Disabilities Commission, and in view of the manner in which they have been carried out, it seems to me that when the Financial Agreement came before this Parliament, I will not say before this Chamber, was the time for Parliament as a whole to endeavour to get the disabilities removed, and certainly to get them removed before anything was done to tie ourselves up in regard to the future.

Hon. J. J. Holmes: If you pass this agreement, you lose your only chance.

Hon. H. STEWART: I agree that the position will be infinitely weaker. However, action of the kind I have indicated has not been taken. The fact of our not having received even the minimum consideration recommended by the Disabilities Commission gave ample reason for this State's Parliament going into the whole question and endeavouring by resolution to indicate our position. Another place might have sent up a resolution to that effect, asking for the concurrence of this Chamber. But that is not

the position. The position is that another place has by a substantial majority carried the agreement. And that is not all. By carrying the agreement another place has so weakened the position that if this House were to turn the agreement down, not only would it be impracticable to put up an adequate case for the consideration of the Commonwealth, but there would be grave risk of creating trouble with regard to Australian finance as a whole, and of placing Western Australia in a difficult and invidious position. We are not to blame for that. Anything that this Parliament as a whole might have done has been rendered impossible by the action of another place.

Hon. G. W. Miles: That is no reason why we should shirk our responsibility.

Hon. H. STEWART: I finish with these words, that in my judgment what has been done in another place has been done by such a majority as to weaken for all time Western Australia's position as regards obtaining remedies under the report of the Disabilities Commission, and has made it futile for this Chamber to do other than carry the agreement. Consequently, though I intend to vote for the Bill, I would much rather be supporting concurrence in a resolution from another place to seek better conditions for Western Australia.

On motion by Sir William Lathlain, debate adjourned.

House adjourned at 9.25 p.m.