

ADJOURNMENT—SPECIAL.

THE MINISTER FOR WORKS (Hon. A. McCallum—South Fremantle) [9.19]: I move—

That the House at its rising adjourn until Tuesday next.

Question put and passed.

House adjourned at 9.20 p.m.

Legislative Council,

Thursday, 31st August, 1933.

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BILL: Financial Emergency Tax Assessment Act Amendment, 2R.	665

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

BILL—FINANCIAL EMERGENCY TAX ASSESSMENT ACT AMENDMENT.*Second Reading.*

Debate resumed from the previous day.

THE CHIEF SECRETARY (Hon. J. M. Drew—Central—in reply) [4.35]: It is a physical impossibility for me to deal with all the arguments used and points raised by members in the discussion of this Bill, but if any important aspects are omitted by me, I shall be prepared to explain them in Committee. Mr. Baxter, the first speaker, commenced with a desperate effort to prove that I was inconsistent, that this year I had said something quite different from what I said last year. Political inconsistency is not a very great crime to be accused of nowadays. We have had some remarkable proofs of it during the last three years and from men whose probity is never questioned. But I do not like to plead guilty of an offence when I believe I am innocent. Mr. Baxter, in his address, has gone the whole way in showing that, whatever sin I have committed in connection with financial emergency

taxation, the sin of inconsistency cannot be laid to my charge. Mr. Baxter has been honest enough to read lengthy extracts from the speech I made last year, and those extracts plainly prove that my objection to the Bill was that it taxed people below the bread-line—people earning £1 a week and over—and that the rate was a flat one instead of being on a graduated scale. Those objectionable features—objectionable to me if praiseworthy to others—have not been incorporated in the measure now before the House. The principles contained in this Bill are those I advocated last year. In addition, I then expressed the opinion that the Mitchell Government, at an early stage of their administration, should have amended the income tax legislation to give them more money.

Mr. Baxter also stated that it would be well for the House to remember that the present Government will receive a substantial amount from the emergency tax of last year in addition to the proceeds of any tax approved by Parliament under the present proposals. It is a pity the hon. member was not fortified by accurate information. The amount outstanding at the 30th June, 1933, was £9,250, and to this should be added, say, a further £10,000 representing the total amount receivable during the current financial year in respect to last year's tax, or about £20,000 in all. Other members have harped on the amount the Government would receive this year from the tax imposed last year, but not many, I am pleased to say, have ventured so far as has Mr. Baxter. It should be patent to any one who gives the matter serious thought that the carry-over from last year will repeat itself, and that a certain proportion of the tax levied under this Bill will not be received during the financial year. This, of course, applies largely to assessments under the Land and Income Tax Act. Mr. Baxter has failed to recognise that what has happened under the expired Act will happen under this legislation. Arguments of that character disappear into vapour as soon as they are touched.

The hon. member spoke of the pernicious principle of retrospection to which he said he has always been opposed. Well, if he has always been opposed to it, he has had a curious way of showing his opposition. The late Government made itself famous—I might even say notorious—for the drastic character of its retrospective legislation. I

can quite understand that Mr. Baxter may not have been in sympathy with it—one Minister cannot control Cabinet—but it would look much better if he shut his eyes to the pernicious aspect of the principle of retrospective legislation until some of the actions of his Government had faded from the public memory.

Is Mr. Baxter aware that there are no stronger retrospective features in the present Bill than there has been under the Bill annually passed to re-enact the State Land and Income Tax Act? In fact this measure does not propose to go back as far. The Land and Income Tax Act was passed last year on the 21st November and it became operative from the 1st July, when the previous one had expired. At present the Land and Income Tax Act is not in operation. When it is passed it will have retrospective effect to the 1st July. How then, with any consistency, can this Bill be labelled retrospective? It is only when a taxing Bill is introduced for the first time, and provides for imposing the tax previous to the date of its coming into force that it can be argued to have retrospective application. Surely, what has been considered right for more than a quarter of a century in this House when dealing with income tax measures cannot now, at this late stage, be considered wrong! Even when there has been an amendment to increase taxation, it has been made retrospective to the 1st July.

Mr. Baxter asked if the Mitchell Government, with £600,000 less money available than have the present Government, were in a sound position, why the need for the present Bill? I was surprised to hear the Mitchell Government were in a sound position.

Hon. C. F. Baxter: I used your words.

The CHIEF SECRETARY: I do not think I said the Mitchell Government were in a sound position. In any case the hon. member has been confusing loan funds with Consolidated Revenue, and his argument does not hold good. How could the fact of the present Government having £600,000 of loan money more than the Mitchell Government had, be said to provide the necessary funds with which to reduce the deficit in accordance with our contract with the Loan Council? I shall deal with another aspect of that question at a later stage. The hon. member also said, "The Bill would enable a section who never pay taxes to escape

altogether, the section to whom the rates between £52 and £104 are applicable."

Hon. Sir Edward Wittenoom: It is quite true is it not?

The CHIEF SECRETARY: It is not a correct statement. The hon. member went on to say, "There are thousands of young people earning from £1 to £2 a week who are availing themselves of all the free services rendered by the State, and escape the payment of anything." That, too, is an incorrect statement. The Hospital Fund Act is a tax on incomes of £52 or over, and on salaries or wages of £1 a week or over. How can it be said, therefore, that the class of persons referred to by the hon. member do not pay any tax? They do pay taxes. One must take into account the tax imposed under that Act, when considering the taxes levied in this State. I would point out that I am refuting a statement made in the House, one that is calculated to create a wrong impression. It may be a small matter for the hon. member, but it is not a small matter to those who have to meet the taxation.

Hon. Sir Edward Wittenoom: That is all nonsense.

The CHIEF SECRETARY: Mr. Baxter suggested a certain scale of taxation based on a report of the Commissioner of Taxation, and claimed that his proposal would yield a return of £373,086. Unfortunately for the hon. member's case, the figures upon which he has operated were the assessments for the year 1930-31 based on the incomes of taxpayers in the year 1929-30—a year which was not affected to any great extent by the depression. It is, therefore, unfair and misleading to make any calculation on a total taxable income of £21,620,273, when £16,000,000 is the figure on which the State Commissioner of Taxation has based his estimate of tax under the Bill now before the House. Instead of using any figures at all, Mr. Baxter should have refrained from the preparation of his scale. The Commissioner of Taxation has had to take into consideration the heavy losses as a result of the depression, losses which have been incurred by all classes, including business people, and losses that people are entitled to deduct from the profits of previous years.

Mr. Baxter admits that he is not in possession of up-to-date information, and there is no doubt he has done well in the circumstances. As the hon. member's figures are based on rather ancient income—income

which is non-existent in these times—it would be a waste of effort for this House to give any serious attention to a scheme of taxation resting on such unsolid ground-work. The hon. member states that, as the Bill stands, it will be most difficult for employers, who engage men on a commission, to assess the tax, inasmuch as the amounts paid vary so much from time to time. He also takes as an example the case of an employee in the insurance business, who may be working on commission, and, being taxed on £10 is later, by reason of the cancellation of the policy, forced to refund portion of his commission. Full provision is made for cases of this kind. Any person who is in business is bound to furnish a return under the Land and Income Tax Assessment Act, and, if he has complied with the law and sent in his return for the year ended 30th June, 1932, he is entitled to claim exemption under Section 10 from taxation at the source under Section 9, and ask to be assessed by the Commissioner under Section 5, viz., on his net income. He, therefore, pays on what he actually earns. In the case of a person in receipt of salary or wage, if he is over-taxed there is a simple remedy. He is entitled, at the end of the year, on production of a certificate from his employer showing the amount of tax paid by him, to a refund of the amount of tax overpaid. Provision is made for this course under subsection 6 of section 9 of the principal Act.

Hon. Sir Edward Wittenoom: Do you not think that is a lot of trouble for the taxpayer to go to?

The CHIEF SECRETARY: He must put himself to some trouble in these times. In the case of a commission agent or a person taking a contract, who is subject to taxation under Section 9 upon the gross amount of his earnings, he will pay at the lowest rate, viz., 4d. in the £, and, on lodging a return or obtaining a certificate from his employer, will pay at the appropriate rate on the actual net income.

Hon. C. F. Baxter: That is the question I asked you, and I am waiting for an answer.

The CHIEF SECRETARY: I am dealing with the hon. member's statement. This will all be done by regulation. The hon. member urged that the Bill should go to a select committee. One or two other hon. members have voiced a similar view. Apart from the delay involved in a matter of grave importance to the State, it would, in my opinion,

be an unwarranted confession of incapacity from a House, having such a knowledge of finance as this House has, and being so closely in touch with all sections of the community as this Chamber undoubtedly is, to send a taxing bill to a select committee. Setting aside their political leanings, I think I can say that we have here many gentlemen with a sound business training and a good grip of finance. They should be quite capable of dealing with the question without invoking the aid of a select committee. And if a select committee were appointed what evidence would be called that could not be regarded as biased? Who will be called as witnesses? Would any Jack, Bill Tom or Harry be summoned to say what he thought of the tax? If that were the case I can plainly see that its end would be destruction. All taxation measures are unpopular with those who are to be penalised by them. If evidence were sought from these quarters, how could it be treated as impartial? The proposition will, I feel sure, meet with a cold reception at the hands of the House. Sir Edward Wittenoom is displeased with the Bill. He says there should be a flat rate, and the maximum should be sixpence in the £. Any Act which taxes all people alike at a flat rate, irrespective of the amount of their income, cannot, in any circumstances, be termed a fair one. Even this Bill will allow a few who have heavy incomes not derived from personal exertion to escape a just contribution in these times of stress. But if they were, and could be, drawn into their proper net, many others who are earning incomes above the average by developing industry, engaging in various forms of enterprise, and providing employment, would suffer, and be discouraged in their good work. The present Bill contains provision for taxation on a more equitable basis than the Act of last year, which fixed the rate at 4½d. all round. In every State of the Commonwealth, including the Commonwealth, either a graduated rate of tax or a step system of rating is imposed on taxpayers, each paying a rate in accordance with his actual income. Such a method of taxation is certainly fair and equitable, as it ensures that a person shall pay a tax within his means.

Mr. R. G. Moore claims that "This Bill aims at exempting from taxation altogether people on the basic wage in one area or district, while it imposes the tax on other workers in other districts who are well below the

basic wage." The Bill makes no reference to the basic wage, nor did I make any allusion to it when introducing the measure. The basic wage is variable and may go up or go down. Hence a figure something in the neighbourhood of the basic wage has been introduced in the Bill. The hon. member also objected to the Bill on the grounds that it would "slug" the intermittent worker. Mr. Moore is under a wrong impression. The intermittent worker will pay at a rate of tax applicable to the amount of each weekly or fortnightly payment. If at the end of each financial year, he can prove to the satisfaction of the Commissioner of Taxation that he has paid tax at a higher rate than that which should have been levied on his net income, or if he has paid tax and is exempt from taxation on account of his salary or wage being within the exemption, he will receive a refund of the excess tax paid, or even a refund of the total amount of tax paid where he can prove that he is not taxable. Hence there is no "slugging" of the intermittent worker.

Hon. R. G. Moore: That is all I wanted, but I could not find it in the Bill.

The CHIEF SECRETARY: I am glad the hon. member brought up the question, in order that the atmosphere might be cleared. The hon. member also considers that there is an element of unfairness in the retrospective clauses, inasmuch as an employee will pay for 11 months whilst an employer will pay for 12 months.

A person in receipt of a salary or wage, although only assessed as from the 1st August and onwards, will pay tax on the actual amount of his weekly, fortnightly or monthly salary or wage as the case may be, and will in all probability pay with greater disadvantage than the person who is in business and who may have, during the first month or two of the financial year, incurred losses which will be allowed him in arriving at the amount of his total taxable income. Therefore in actual practice there is no inequity in the retrospective aspect of the Bill. Further, taxpayers deriving their income from businesses are permitted to deduct their business losses before they are taxed, whereas a man may lose a considerable amount of capital through being out of employment and derive no benefit whatever under this or any other form of taxation.

As is usual after a general election, we have from Mr. Harris veiled allusions to the dastardly things that were done during the campaign—the deception which was practised, the gross misrepresentations that were uttered, and the poison gas which was emitted—with Labour candidates or their supporters monopolising all the star positions in the Rogues' Gallery. I am surprised at Mr. Harris, an old campaigner, worrying himself over what takes place at general elections. Without relying on my imagination, I could write a tidy-sized volume on the subject myself, and, if the truth were told as it would be, Labour candidates and their supporters would be guileless individuals alongside some of those opposed to them. Let me give one specimen as an example. I remember, some years ago, visiting a town in Western Australia while the general elections were on. A Country Party and a National Party candidate—both decent men—were at each other's throats, and the third candidate, an Independent, watched and listened to the fun. There was no Labour man in the field, and as a neutral I was taken into the confidence of the opposing sides. The Independent was apparently not worth powder and shot, so far as his chances were concerned, but from sordid motives—for the sake of his No. 2's—he was tolerated by both the other fellows. To make a very long story short, if there was foundation for 10 per cent. of the left-handed compliments paid surreptitiously, by way of exchange, to both of the other aspirants for political honours, it would be better for the State and their respectable relatives if neither of them had been born.

A poor, well-meaning, honest Labour candidate or Labour speaker, in the excess of his ardour for the cause may sometimes allow his imagination to get the better of him, and draw a picture of a Labour Government in colours that might be very difficult for Ministers to live up to. He may endeavour also to show that deficiency in mental gifts and lack of sympathetic outlook make it impossible for the enemy to rule well and wisely. He may occasionally convey these thoughts in forceful terms. But that is the extent of his sinning. There may be rare exceptions. In any case, no harm is done. No one believes that calumnies that are whispered around for the first time when an election is on, and no one thinks of them again after the numbers go up. So there is no occasion for Mr. Harris to be

depressed and dejected, nor can I hold out to him any hope of an improvement of morals in this direction until human nature changes, and that time seems to be a long way off.

Mr. Harris has made a discovery. He has found out that Ministers will be able to get out of some of the tax they ought to pay, that they cannot escape the 9d. in the pound on the Ministerial salary, but that they will be let off at 8d. in the pound on their parliamentary allowance. He has overlooked the fact that Ministers will have to furnish returns under the Land and Income Tax Act, and that if the first barrel does not bring them fully down, the second one certainly will. So that Mr. Harris's discovery is a mare's nest.

Mr. Holmes says that when I introduced the Financial Agreement Bill in 1928, I said that there would be such an improvement in conditions as to make additional taxation unnecessary. I have not had time to look up my speeches on the question, but I accept Mr. Holmes's statements as correct. Certainly my description of the advantages would create some such impression. Whether Mr. Holmes wishes to hold me up as an unreliable prophet or to accuse me of inconsistency, I do not know. At worst I can only be taunted with having failed, in company with the greatest minds in the world, to foresee the appalling financial catastrophe that has stricken the whole world. As a matter of fact there was no increase in taxation from the time of the Financial Agreement until we were in the throes of the depression two years ago. The circumstances to-day are abnormal, due to no fault of ours. A reduction of approximately 50 per cent. in the prices of Australian over-sea exports has resulted in a greatly diminished revenue in all the States and in the Commonwealth. If taxation is now to be avoided or lessened, financial disaster will only be a short distance off. That is the conclusion which anyone should be able to arrive at after very little hesitation.

When the Premiers' Plan was adopted in 1931, it was recognised that for at least three years no Government would be able to finance its operations without a substantial deficit, and it was agreed that these deficits should be financed by the Commonwealth Bank by the issue of Treasury bills. The limits placed on the deficits were such as to make increased taxation in all States

essential. At the time the Premiers' Plan was adopted, the burden of taxation in Western Australia was much lower than that of any other State, and even with the additional taxation now proposed Western Australia will still be well below some of the other States. It is only natural that with a State, which relies largely on primary production, the fall of governmental revenue will be greater than in those States where secondary industries have been established and are numerous and powerful. The burden of Mr. Holmes's complaint seems to be that this State in common with other States, is avoiding its obligations under the Financial Agreement insofar as it is not providing a sinking fund of at least 4 per cent. on the money borrowed to finance revenue deficits.

Mr. Holmes misunderstands the position. The borrowing referred to in the Financial Agreement relates to loans floated in the market. The loans raised to finance revenue deficits are not such loans. They are temporary advances made by the Commonwealth Bank pending the flotation of loans in the market. When we go to London for the purpose of funding the deficit, we shall have to pay, as Mr. Holmes has stated, in addition to interest, 4 per cent. sinking fund.

Mr. Holmes's guns can be turned against himself. With the early prospect of Australia being called upon to fund its deficits and pay a 4 per cent. sinking fund, the obligation is upon us not only to conform with the conditions laid down by the Loan Council, but to go even beyond this and make even a greater reduction of our deficit than we have been requested to bring about. Otherwise our future is a dark one indeed. The hon. member suggests that because we have not provided a sinking fund of 4 per cent. on the money borrowed for revenue, London investors think that their security in our country is not 18-carat. The answer is that if oversea investors held such a view, their attitude would be reflected in the price of Australian stocks. But Australian stocks have risen during the last two years, which is an eloquent testimony to the confidence which oversea lenders have in our ability to meet our obligations. Mr. Holmes stated that before the Bill was passed, the House should be told what reduction in the general income tax would be made. That was an extraordinary statement.

Hon. J. J. Holmes: You made a reduction of 33½ per cent. before.

The CHIEF SECRETARY: Why should new taxation be imposed, if it is proposed to reduce taxation in other directions. Obviously the object of the Bill is to obtain further revenue, and no Government, especially the Western Australian Government, could afford at this stage to release revenue.

Hon. J. J. Holmes: Then we will get the full blast of the income tax on top of this tax, in regard to which there are no exemptions.

The CHIEF SECRETARY: Mr. Collier did not promise at any time that he would restore to the Government servants, the cuts which had been made under the Financial Emergency Tax Act of 1931.

Hon. E. H. Harris: It was announced by Labour men on the goldfields.

Hon. J. J. Holmes: I did not make any such statement.

The CHIEF SECRETARY: No. Mr. Holmes's name was not associated with the statement.

Hon. G. W. Miles: Is that an assurance that there will be no alteration?

The CHIEF SECRETARY: What Mr. Collier did say was that the incidence of the financial emergency tax legislation required amendment and would be amended if he were returned to power.

Hon. J. J. Holmes: I think he said that drastic amendments would be required.

The CHIEF SECRETARY: The Bill, if it be passed as it stands, will yield revenue less than is really required to meet the financial situation immediately ahead. The Estimates are not yet finalised, but some increases in expenditure are certain. For example—

	£	£
<i>Interest and Sinking Fund on Loan money raised by Mitchell Government</i>	110,000	
<i>Education Department.</i> —Normal increase for salaries and staffing new schools	15,000	
<i>Public Works Department.</i> —Building repairs previously carried out from Government Property Trust Account—Fund exhausted in year 1932-33	45,000	170,000
<i>Railway Department.</i> —Belated repairs are estimated to cost £500,000. Some part will have to be met this year. Re-sleeping and renewing ballast in certain sections is in hand for 1933-34, say	100,000	
New expenditure of		£270,000

Previously I informed hon. members that the extra amount of interest and sinking

fund payments on loan money raised by the Mitchell Government represented £105,000, but I find that interest on other items brings the amount up to £110,000, which appears in the table I have quoted. Not one of these items of expenditure can be avoided. The increased interest bill of £110,000 has to be met. We could, of course, decide to open no more schools, but there would be an outcry in the country districts—and rightly so—against failure to provide primary education for the children. Repairs to Government buildings have been postponed so long that they cannot be postponed any longer.

Hon. Sir Edward Wittenoom: How would the secessionists propose to find all that money?

The CHIEF SECRETARY: I am not dealing with secession.

Hon. C. B. Williams: The people at Boulder repaired the school fence themselves.

The CHIEF SECRETARY: I will now give members some information regarding the railways. Repairs, re-sleeping and renewing the ballast on railways have been neglected for such a long period that a start must be made. In the Commissioner of Railway's report for the year 1932, the following appears:—

The maintenance of way and works expenditure declined by £106,179, and when compared with that of the year 1930 the decrease amounted to £330,240. This heavy decline illustrates that every avenue of postponing expenditure has been exploited and, as pointed out in my last report, the leeway will have to be made up when times are more propitious. The saving in transportation, 126,362, and locomotive power, £119,532, were partly due to lesser traffic, reduced wages and fuel bill, and the postponement of repairs to rolling stock partly accounts for the decrease under that heading.

I have additional information that I received this morning from the Commissioner of Railways, and my further remarks regarding that branch of Governmental activities will be based on and in thorough keeping with that information. When the present Government came into office they took stock of the position in respect to railways and what the postponement of repairs, which had been specially brought under notice by the Commissioner, meant. The Commissioner advised the Government that it was essential that a commencement be made at once to overtake the arrears of maintenance, and he stated that the amount involved would be

£509,000. The following list deals with the various works that require attention, together with the estimated cost:—

<i>Track, Buildings, &c.</i>	£	£
Maintenance of Permanent Way, including ballasting ...	209,520	
Fences, gates, cattle guards, roadways, etc. ...	5,570	
Bridges, culverts, and drains ...	13,110	
Arries and wharves ...	3,880	
Weightbridges and scales, etc. ...	8,240	
Buildings, platforms, etc. ...	77,970	
Stockyards ...	1,200	
Water supplies ...	6,050	
Machinery tools, etc. ...	12,000	
Signals and interlocking ...	6,530	
Telegraph and telephone lines and instruments ...	3,870	
Amount already advanced by Treasury on Suspense Account for belated repairs, relaying and bridge renewals, and which must be recouped ...	58,000	
		358,000
<i>Rolling Stock</i> —		
29 wagons, complete repairs ...	45,000	
32 engines, complete repairs ...	40,000	
39 new boilers, complete repairs ...	51,000	
New frames for 20 engines ...	15,000	
		151,000
Total ...		£509,000

The Government cannot go so far as these details demonstrate is necessary, but we are making provision for the expenditure of £100,000 to cope with the most necessary of the repairs. The maintenance of track, which has been deferred during the past three years, is a big liability. Re-sleeping in many places has to be undertaken immediately; large sums of money will be necessary, and a commencement has been made in this direction. Then, again, many of the bridges are 40 years old and renewals to a lot of these must be made to keep the track in safe running order. Repairs to station buildings, are long overdue, as also is the relaying of certain portions of the line. Ballast does not last for ever, and many sections have to be rebalasted immediately. To reduce the cost of working expenses, reggrading must be undertaken at various portions of the system at an early date; in fact, some have already been commenced. Turning to rolling stock, some of which is over 40 years old, large sums of money are necessary; a considerable amount of it must be replaced. The engine stock, in particular, requires urgent attention. With age, many of the locomotives have developed cracked frames, which must have immediate attention if the harvest is to be hauled successfully. Then, again, 40 new boilers are required during the next year or so. There are now in the service 130 engines with boilers over 20 years old, and 52 engines with boilers 15 to 20 years old. As the average life of a boiler is about 20 years,

it is apparent that money has to be found for replacement very shortly. Both engines and wagons requiring costly repairs were put aside in the past three years, but this policy could not continue and now these repairs have to be undertaken.

Further delay in carrying out this work is a responsibility which the Government would not feel justified in taking. The figures I have read, relating to unavoidably increased expenditure, amount to £270,000. Now, what was the position last year with the financial emergency tax in operation? There was a deficit of £864,000, or £114,000 more than the Loan Council had approved. The deficiency had to be made up by the Commonwealth Government's increasing their grant by £100,000, and this Government had to find the balance of £14,000. As the financial emergency tax of last year realised only £202,000 up to the end of June, it follows that, if there were only the same revenue and expenditure this year as last, we would need £216,000 from the financial emergency tax. But, with the additional expenditure that must be incurred, which runs into £270,000, we should need a tax collection of £486,000, which is impossible under the Bill. This does not take in account the possibility of a non-continuance of the same amount of the revenue from other sources.

I have referred to expenditure. Let me take revenue now. There has been a rapid decline despite the various forms of taxation imposed during the last three years. From 1929-30 it has gone down from £9,750,515 to £8,332,153, with the financial emergency tax of last year included. Taxation for last year diminished by £526,614 as compared with 1929-30. In those figures the financial emergency tax is not taken into account. A further decline, I am told by the Commissioner of Taxation, is probable for 1933-34. The decline is most pronounced in land tax, income tax and dividend duty. The taxation collected from these sources in 1929-30 was £970,182. Last year it was only £468,587—a drop in the four years of £501,595. Compared with 1929-30, the expenditure on ordinary social services—that is, on education, medical and health, police, child welfare, lunacy, gaols and aborigines—has been reduced by £325,652. Yet taxation receipts from ordinary sources fell short of meeting the expense by £181,486. Including unemployment relief, less the amount received under the financial emergency tax, the shortage was

£326,106. When introducing this Bill, I challenged anyone to put up a scheme under which economies could be effected to meet the deficiency which is assured. Sir Edward Wittenoom submitted a proposal. It was to stop the grant of £24,000 to the University, close the Agent General's office, which is costing £9,109 a year, and sell the trading concerns. If we did all these things it would only be a very small fraction of what is required in order that the Government may carry out their undertakings.

Expenditure in this State can only be further reduced by the elimination of what Parliament considers to be essential services, and the retrenchment of the people employed in those services. These retrenchments would of course result in increased unemployment, and further payments out of revenue would be necessary for sustenance to the unemployed. How would those men be absorbed? Where would the money come from if they were put on sustenance? No one who has spoken against the Bill can intelligently answer me those questions.

Hon. C. B. Williams: It could be done by asking our creditors to reduce their interest.

The CHIEF SECRETARY: The suggestion that governmental expenditure should be reduced below the revenue has already received the serious consideration of all the Governments, and after due consideration this step was deliberately set aside. To reduce costs in Australia at the present price levels would require a wholesale re-adjustment of salaries, wages, interest rates and debts. The re-adjustment would be so tremendous and far-reaching as to dislocate the whole of the economic life of the Commonwealth. It was for this reason that the Premiers at the Premiers' Plan Conference agreed to reduce all governmental expenditure by 20 per cent., and rates of interest on internal indebtedness by 22½ per cent., and finance the resulting deficits by the issue of Treasury Bills. They were extreme courses to take, but it was agreed to stop at that. They were determined to go no further. By such means it was hoped that conditions in Australia could be maintained at something near normality, pending the return of a rise in world prices.

Hon. C. B. Williams: The Labour Party of Western Australia have not adopted the Premiers' Plan.

The CHIEF SECRETARY: We must look ahead in anticipation of the deficit being funded, and we should certainly see that its present dimensions are not added to, except in accordance with some plan for its elimination as soon as possible. The note of warning sounded by Mr. Holmes has real significance, and it should be borne in mind when considering this measure, for our deficits must be funded sooner or later. When the market is able to absorb the floating debt due to the Commonwealth and the trading banks, it will be necessary for the Commonwealth Government and the various States to take action under the Financial Agreement. As Mr. Holmes has stated, the sinking fund rate would be at least ½ per cent. under that agreement. Is this a time, I ask, for this House to say the taxation proposed in this Bill is greater than it ought to be? It is not a time for the House to say so, and I am much surprised at the attitude of one member in particular towards this Bill. In season and out of season, during the last three years, he has been crying out for increased taxation—and on a graduated scale—in order to meet the financial position. No measure introduced by the previous Government went far enough to satisfy his craving. But now, when the present Government introduce a Bill—based on the graduated system—with no other object than merely to maintain the same amount of taxation as before, his remedy is further economies, although at the close of his speech he did recognise that the Government needed more revenue. The economies he suggests are the abolition of the grant to the University—a course which no Government could take and survive. Then there is the disposal of the trading concerns, a proposition which has reached the age of manhood, for it is 21 years of age. Yet no Government, whatever its political colour, after gaining inside knowledge of the value directly and indirectly of these enterprises, has made any sincere effort to bring them to an end.

Hon. G. W. Miles: No Government has had the courage.

The CHIEF SECRETARY: He would appoint three business men, in an honorary capacity, to sack public servants. They would, I suppose, walk through the different offices in the Public Service and the Railway Department, and slash here and slash there with the affected wisdom of men who claim to be inspired by some

supernatural power. We have a Public Service Commissioner who has all the intellectual qualifications and all the strength of character necessary to see that the Public Service is not over-manned, and our Commissioner of Railways has pursued a policy of rigid economy and severe retrenchment to meet the fall in revenue. Trained business men in their respective callings excel, but trained business men dealing with the ramifications of the Public Service and Railway Department would be hopelessly at sea. Wild guesses and crude speculations supposed to net £167,000 characterises much of the hon. member's speech. And his condemnation of the existing loan expenditure on these lines is without justification. He has not attempted to explain by what other means, besides loan expenditure, we could keep people from starving to death in Australia. They would not starve, however, for we should drive them into communism and all that communism means.

Hon. G. W. Miles: I said they should be put on to reproductive work, not employed along the foreshore.

The CHIEF SECRETARY: It is a pity the hon. member did not put up a definite scheme. We had another member repeating what some others have said, namely, that the Government would have £600,000 more loan money than their predecessors, the inference being that this taxation was not required. He is well aware that revenue, not loan money, is needed to reduce the deficits. Under the scheme which I explained to the House the other afternoon men, after being on full time for a few weeks, will go back on sustenance. After three years of part time sustenance work, the families of the married men are in many cases in rags, but the full time work, followed by sustenance, will enable them to buy a little clothing for themselves and their families. For a long time to come the relief to revenue will be small under the scheme. There will still be a large number of men on sustenance.

Hon. E. H. H. Hall: How long will it be before the new scheme comes into operation?

The CHIEF SECRETARY: It has been in partial operation for a fortnight, and should be in full operation in the course of the next few weeks. The same hon. member relies on his prophetic vision to justify his criticism of the Bill. He sees the gold mining industry booming more than ever, the

old Lancefield mine, which has been dead to the world for years, employing a considerable number of men, and the price of wool going up to a big figure.

Hon. J. J. Holmes: A million shares were applied for in one day.

The CHIEF SECRETARY: On the basis of these predictions he arrives at the conclusion that this is a time when we should be reducing taxation. I am afraid the bankers of Perth would require a little more solid evidence of the coming prosperity before they would stake money on such a proposition.

Hon. W. J. Mann: If you had made this speech when introducing the Bill, you might have got it through.

The CHIEF SECRETARY: How could I have made the speech at that time?

Hon. W. J. Mann: At any rate, you could have given us the information.

The CHIEF SECRETARY: I did not think there would be any objection to the Bill. I recognise that taxation is unpopular, but I recognise also that members are intelligent and have the interests of the State at heart, and I thought they would be prepared, with fortitude and resignation, to pass the Bill speedily into law. In view of all that, why should I have come here armed with no end of figures to prove something that required no proof whatever? Members themselves, I thought, could probably give stronger and more cogent reasons in support of the Bill than I was capable of giving. The Bill, if passed without amendment—

Hon. E. H. Harris: That would require a miracle.

The CHIEF SECRETARY:—would enable the Treasurer, with strict economy, to meet his engagements with the Loan Council without much difficulty. If the Bill be amended to reduce its yield, taxation in another form must be imposed.

Hon. J. J. Holmes: This Bill does not impose taxation.

The CHIEF SECRETARY: If we failed to honour our word because of avarice, we would be dishonest and we should pay the penalty for our dishonesty. Our credit would be stopped and the end would be anarchy, neither more nor less. For our own sakes, if from no higher motive, we should recognise our responsibilities and act up to them. There is no other safe course open to us. The course that leads to deliberate breach of faith with the institutions

that are financing us and with the Commonwealth and States that have placed their trust in us is one of peril to us and one that should be avoided at all costs.

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

Ayes	19
Noes	7
Majority for	12

AYES.

Hon. C. F. Baxter	Hon. J. M. Macfarlane
Hon. L. B. Bolton	Hon. W. J. Mann
Hon. A. M. Clydesdale	Hon. R. G. Moore
Hon. J. M. Drew	Hon. T. Moore
Hon. J. T. Franklin	Hon. Sir C. Nathan
Hon. G. Fraser	Hon. H. V. Piesse
Hon. E. H. Gray	Hon. C. B. Williams
Hon. E. H. H. Hall	Hon. C. H. Wittenoom
Hon. E. H. Harris	Hon. E. Rose
Hon. W. H. Kitson	(Teller.)

NOES.

Hon. J. Cornell	Hon. J. Nicholson
Hon. V. Hamersley	Hon. Sir E. Wittenoom
Hon. J. J. Holmes	Hon. H. J. Yelland
Hon. G. W. Miles	(Teller.)

PAIR.

AVE.	No.
Hon. H. Seddon	Hon. A. Thomson

Question thus passed.

Bill read a second time.

House adjourned at 5.53. p.m.

Legislative Council.

Tuesday, 5th September, 1933.

Question: Esperance District settlers	...	...	PAGE
Bills: Financial Emergency Tax Assessment Act	...	...	674
Amendment, Con.	...	...	674
Yuna-Partmoor Railway, 2b.	...	...	680

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

QUESTION—ESPERANCE DISTRICT SETTLERS.

Hon. J. CORNELL (for Hon. C. B. Williams) asked the Chief Secretary: 1. Is he aware that farmers in the Esperance district are being starved into signing liens in

the Esperance Farm Board? 2. Is he further aware that the Commonwealth grant to destitute farmers is being refused to those who will not sign a lien to the board for the whole of their crop proceeds? 3. If No. 2 is answered in the affirmative, do the Government approve of the action, and if so, why? 4. Will the Government instruct the Agricultural Bank to hold an impartial inquiry in the district, or, alternatively, to finance a deputation to Perth?

The CHIEF SECRETARY replied: 1. I am aware that in consequence of the refusal by a minority of the Esperance settlers to sign crop liens as provided for in their agreement with their creditors further advances are being withheld. 2. No necessitous farmer who is complying with the terms of the agreement is being denied assistance from the Commonwealth grant. 3. The Government do not approve of the repudiation of an honourable agreement by any of the parties thereto. 4. No.

BILL—FINANCIAL EMERGENCY TAX ASSESSMENT ACT AMENDMENT.

In Committee.

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

Clause 1—Short title:

The CHAIRMAN: Mr. Baxter has given notice of an amendment to Clause 2. I suggest the proper place for such amendment is in this clause.

Hon. C. F. BAXTER: I move an amendment—

That the following words be added:—“and shall come into operation on a day to be fixed by proclamation.”

I will follow your advice, Mr. Chairman, and move the amendment on this clause. We know what troubles follow in the train of retrospective legislation of this character, and I would never agree to passing anything of the kind again. It is a pernicious system to adopt. Some people have illegally made deductions from the wages of their employees, but the vast majority have not done so, and could never recover the money they have paid out if this Act were dated back. We have no right to penalise employers who have not dared to withhold from the wages they have paid an amount necessary to cover this tax. Even if we take another fortnight