The Agricultural Bank Royal Commission.

REPORT

TO

HIS EXCELLENCY SIR JAMES MITCHELL,
K.C.M.G.,
Lieutenant-Governor in and over the State of Western Australia
and its Dependencies
in the Commonwealth of Australia,
In pursuance of the terms of the Commission, dated
the third day of October, 1933.

Presented to both Houses of Parliament by His Excellency's Command

[THIRD SESSION OF THE FIFTEENTH PARLIAMENT.]

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ROYAL COMMISSION.

WESTERN AUSTRALIA, by His Excellency Sir James Mitchell, K.C.M.G., Lieutenant-Governor in and over the State of Western Australia and the Dependencies in the Commonwealth of Australia.

To Harry Hale, Esquire, of Perth and Highbury, Solicitor; Charles Diamond, Esquire, of Perth, Banker; and Stephen Bode Donovan, Esquire, of Gunderdin, Parram.

Greetings:

KNOW ye that I, the said Lieutenant-Governor, acting with the advice and consent of the Executive Council, do hereby appoint you Harry Hale, Charles Diamond, and Stephen Bode Donovan to be Commissioners for all the following purposes, that is to say:

1. Generally to inquire into, investigate, and report upon the transactions, affairs, and operations of the Agricultural Bank of Western Australia, as conducted or carried on, or as being conducted and being carried on under the provisions of and for the purposes of the Agricultural Bank Act, 1906, and the amendments thereof, the Industries Assistance Act, 1915, and the amendments thereof, the Discharged Soldiers' Settlement Act, 1919, and the amendments thereof, the Group Settlement Act, 1925, and the amendments thereof, the Finance and Development Board Act, 1930, and the amendments thereof, and otherwise however.

2. In particular, and without in any way limiting the generality of the powers hereby conferred, to inquire into, investigate, and report on the following matters in relation to the said Agricultural Bank, namely:

(a) The internal administration and organisation, including—

(b) the Trustees, their appointment, tenure of office, and the extent to which the Trustees have any share and/or responsibility in the administration and policy of the Bank;

(c) Head office management;

(d) The control and management of the district offices and the field staffs;

(e) The relative costs and expenditure incurred, and the possibility and probable methods of effecting savings and economy;

(f) The question whether the appointment under and in accordance with the provisions of the Public Service Act, 1904, of the officers engaged in the service of the Bank leads to and insures efficiency in such service or otherwise; and

(g) The question whether or not the internal administration and organisation of the Bank should be vested in an independent statutory body, and, if so, the number of members of which such board should consist, their appointment and tenure of office, and such other matters as may be deemed relevant thereto.

(2) Finance, including—

(a) The methods of raising capital and the provision made for payment of interest on the capital raised and for contributions to sinking fund for the repayment of such capital;

(b) The operations of the Bank under the Finance and Development Board Act, 1930, and the amendments thereof, and the effect upon the transactions, affairs, and operations of the Bank of the provisions of the said Act as at present administered;

(c) The amount of the loss of capital suffered by the Bank in the various districts of the State respectively in which the Bank is operating, and in connection with the various advances of loan settlement respectively in the said districts, and by reason of cancellation of debts owing to the Bank and the release from liability of Bank debtors as distinguished from losses suffered upon realisation by the Bank of its securities;

(d) The values of existing securities held by the Bank in relation to outstanding advances classified in relation to districts respectively and classified also according as the properties, the subject of the said securities, are still in the possession of the mortgagors, or are in the possession of the Bank as mortgagee, exercising its remedies or powers under the securities relating thereto; and

(e) The probable amount of loss of capital expected to be suffered by the Bank in respect of existing outstanding advances made by the Bank to persons in the various districts aforesaid, respectively.

(3) The administration of advances made or to be made by the Bank, including—

(a) The formulation of policy or of various policies;

(b) The method of granting loans and the extent to which a policy (if any) has been followed or is being followed in regard to the observance of a margin of security when loans are made;

(c) If such a policy as that referred to in subparagraph (b) hereof has not been or is not being followed, the question whether or not it is in the best interests of the State to continue making advances without the observance of a definite margin of security;

(d) The question whether or not any principle has been adopted under which the amounts of advances made to persons in the various districts aforesaid have been limited to specific amounts which have been definitely fixed in relation to the said districts respectively; and, if any such principle has been adopted, such principle has always been observed or carried out;

(e) The payment of interest and the repayment of advances and the methods used by the Bank for enforcing repayment of advances or payment of interest;

(f) The operation and enforcement of statutory liens for the benefit or protection of the Bank;

(g) The principles (if any) adopted by the Bank in connection with the cancellation of debts owing to the Bank, the release from liability of the Bank's debtors; and the writing off of losses suffered upon the realisation by the Bank of its securities; the manner in which such debts have been cancelled, such releases from liability have been effected; and such losses on realisation have been written off;

(h) The measures (If any) taken by the Bank to recover losses suffered by the Bank on realisation of its securities or otherwise;

(i) The responsibility (If any) of the Trustees of the Bank for losses suffered by the Bank in connection with special settlement schemes; and
(j) the efficiency of the methods adopted by the Bank in disposing of properties under the powers and authorities contained in the securities relating thereto.

(4) The operation and effect of the provisions of the Statutes hereinafter mentioned in relation to the various objects of such Statutes, in so far as the said Statutes or any of the provisions thereof have been administered by the Bank, namely—

(a) Agricultural Bank Act, 1906, and the amendments thereof;
(b) Industries Assistance Act, 1915, and the amendments thereof;
(c) Discharged Soldiers' Settlement Act, 1919, and the amendments thereof;
(d) Group Settlement Act, 1935, and the amendments thereof;
(e) Finance and Development Board Act, 1939, and the amendments thereof.

3. To make such recommendations as to you may seem necessary or expedient to be made in regard to increasing or restricting further advances on security by the Bank or by the State through the Bank, and in regard to the question whether or not the making of any such further advances should be made only in conformity with a policy to be adopted of consolidating the existing land settlement.

4. To make such other recommendations as to you may seem necessary or expedient to be made in regard to all or any of the matters inquired into or investigated by you under the authority hereby conferred, including the nature, form, and objects of any new legislation or amending legislation which may be deemed necessary or expedient to carry out or give effect to any such recommendations aforesaid:

And I declare that you shall, by virtue of this Commission, constitute and be a Royal Commission within the meaning of the Royal Commissioners' Powers Act, 1902, as reprinted in the Appendix to the Sessional Volume of the Statutes for the year 1928, and that you the said Harry Hale shall be Chairman of the said Royal Commission, and shall have and may exercise all the powers which under the said Act are exercisable by a Royal Commission or the Chairman thereof: And I do hereby desire and request you, as soon as reasonably may be, to report to me in writing the result of your inquiries and investigations, and your recommendations upon the matters entrusted to you by this Commission.

Given under my hand and the Public Seal of the said State, at Perth, this 10th day of September, One thousand nine hundred and thirty-three.

By His Excellency's Command,

(Sgd.) P. COLLIER,
Premier.

GOD SAVE THE KING ! ! !
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Agricultural Bank Royal Commission.

To His Excellency Sir James Mitchell, K.C.M.G., Lieutenant-Governor in and over the State of Western Australia and its Dependencies in the Commonwealth of Australia.

May it please Your Excellency—

In accordance with the terms of the Commission, dated the 31st day of October, 1933, empowering the Commissioners—

1. To inquire into and report upon the transactions, affairs, and operations of the Agricultural Bank, as carried on under the Agricultural Bank Act, 1906, the Industries Assistance Act, 1915, the Discharged Soldiers’ Settlement Act, 1919, the Group Settlement Act, 1925, the Finance and Development Board Act, 1930, and the amendments of the above-mentioned Acts;

2. To investigate and report on—
   (a) The internal administration and organisation of the Agricultural Bank,
   (b) The finances of the Bank,
   (c) The administration of advances made by the Bank,
   (d) The operations and effect of the provisions of the hereinbefore-mentioned statutes;

3. To make such recommendations as might be thought fit for increasing or restricting further advances by the Bank;

4. To make all other recommendations as might be considered necessary in respect of any of the matters investigated and any new legislation that might be considered necessary to give effect to such recommendations,

we have the honour to submit, the following report:

SITTINGS OF THE COMMISSION.

Your Commissioners, between the 28th day of September, 1933, and the 19th day of May, 1934, sat on 175 days, of which evidence was taken on 126 days from 291 witnesses.

During the course of the inquiry your Commissioners travelled 5,488 miles (2,515 miles by railway and 2,973 by motor car). Your Commissioners took evidence at Perth, and also took evidence and inspected Agricultural Bank Securities in the following Agricultural Bank Districts:—Bruce Rock, Geraldton, Katanning, Kellerberrin, Kununurra, Northam, Narrogin, and Salmon Gums.

EVIDENCE.

Many applications were received by your Commissioners from Agricultural Bank clients and others who desired to give evidence. Your Commissioners, however, were quite unable to accede to every such request, although either statements of the evidence the witnesses proposed to place before the Commission, or an indication of same was received in each case, and every opportunity was afforded Agricultural Bank clients and others of placing any suggestions before the Commission. The evidence tendered by witnesses generally, particularly certain farmer witnesses, was of a helpful nature, and worthy of close examination.

Evidence was taken from the following witnesses at centres set out hereunder:—

PERTH.

Members of Parliament—
G. J. Lambert, M.L.A.

Municipalities and Road Boards—
Mesre. G. A. W. Flesse
J. Butterick
H. C. Alwood
Wagin Municipality and Road Board.

Government Officials—
Mesre. A. Berkeley, Under Treasurer.
W. Young, Deputy Government Statistician.
W. R. Nicholas, Senior Audit Inspector.
G. E. Newsham, Senior Audit Inspector.
G. W. Simpson, Public Service Commissioner.
G. L. Sutton, Director of Agriculture.
C. S. Toppin, Auditor General.
Dr. J. J. R. Teakle, Research Officer, Agricultural Department.
W. A. White, Director Farmers’ Debts Adjustment Act.
Agricultural Bank Officials—
Messrs. C. E. Brinkworth, Field Inspector.
R. G. Courtenay, Chief Accountant.
W. Grogan, Deputy Managing Trustee.
R. D. Imonan, Sub-Manager.
Messrs. E. A. McLarty, Managing Trustee.
C. J. Owen, Trustee.
J. A. B. Philp, Field Inspector.
W. M. Rhodes, Field Inspector.

Farmers Organisations (Head Office Representatives)—
Messrs. I. O. Doyle, President, Wheatgrowers' Union.
P. W. Fye, Primary Producers' Association.
A. C. N. Ohlau, Returned Soldiers' League, Chairman Land Sub-Committee.
W. G. Pickering, Primary Producers' Association (Dairying Section).
J. S. Teallot, President, Primary Producers' Association.

BRUCE ROCK DISTRICT—AGRICULTURAL BANK.
Agricultural Bank Officers—
G. S. Gillies, Branch Manager.
F. S. Hitchens, Field Inspector.

Road Board—
Mr. F. Yandle, Deputy Chairman, Narooma Road Board.

Farmers—
Messrs. H. H. Bannister
J. H. Connell
J. Crow

GERALDTON DISTRICT—AGRICULTURAL BANK.
Agricultural Bank Officers—
Messrs. L. P. H. Beurteaux, Field Inspector.
H. Grant, Branch Manager.
J. S. Govland, Field Inspector.

Road Board—
Messrs. J. B. Andreo, Secretary, Northampton Road Board.
A. P. Dillistone, Chairman, Upper Chapman Road Board.
J. E. Bils, Secretary, Upper Chapman Road Board.

Farmers—
Messrs. P. A. Butler
J. A. Brown
S. J. W. Bowler
W. Britton
G. Boddy
E. P. Bond
F. H. Bowderick
R. C. Cornell
G. Clifton

KATANNING DISTRICT—AGRICULTURAL BANK.
Agricultural Bank Officers—
Messrs. J. E. Brown, Field Inspector.
I. C. McKewen, Field Inspector.
F. E. H. Robinson, Field Inspector.

Road Board—
Mr. A. Proser, Chairman, Katanning Road Board.

Other Witnesses—
Mr. G. Welch, Storekeeper.

Farmers—
Messrs. A. C. Adams
A. J. Adella
G. Allman
E. V. Anderson
T. H. Bebbington
C. J. Brown
J. W. Brown
A. S. Chambers

MESSRS. G. S. GANDA
J. S. Gardener
A. J. Hudd
C. W. Landquist

MESSRS. W. V. GLADSTONE
H. W. Johnson
P. Ledsham
P. L. McClinic
G. A. McLinn
A. S. Nette
R. Oldham
W. E. Pearson

MESSRS. H. F. P. REYNOLDS
G. S. Patterson
A. T. Read
J. D. Shaw
G. O. Tauer
T. W. Tausle
A. G. Wilcoids
A. O. Wilkinson
T. V. Williams
# Kellerberrin District—Agricultural Bank

**Agricultural Bank Officers**
- Messrs. L. D. Buttfield, Branch Manager.
- E. A. Cook, Branch Manager.
- E. H. Feuokner, Branch Manager (Acting).
- Messrs. T. W. Box, Field Inspector.
- C. D. Simpson, Chairman.

**Road Boards**
- Messrs. H. J. Beresford, Chairman, Kellerberrin Road Board.
- W. J. Cohn, Secretary, Merredin Road Board.
- Mr. A. Atkin, Chairman, Koorda Road Board.

**Farmers**
- W. Bagshaw, Branch Manager.
- B. T. Conway, Branch Manager.
- E. A. Handley, Branch Manager.
- Messrs. E. A. Handley, Branch Manager.
- H. H. Hoddinott, Branch Manager.
- Messrs. H. H. Hoddinott, Branch Manager.
- P. J. Kelly, Branch Manager.

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# Kununoppin District—Agricultural Bank

**Agricultural Bank Officers**
- E. A. Cook, Branch Manager.
- W. W. Stone, Branch Manager.

**Road Boards**
- Messrs. L. G. Burdon, Field Inspector.
- B. G. Bradley, Vice-Chairman, Kununoppin-Merredin Road Board.

**Farmers**
- W. Bagshaw, Branch Manager.
- B. T. Conway, Branch Manager.
- E. A. Handley, Branch Manager.
- M. J. Smith, Branch Manager.

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# Narrogin District—Agricultural Bank

**Agricultural Bank Officers**
- G. H. Blut, Field Inspector.
- C. D. Simpson, Chairman, Wickepin Road Board.

**Road Boards**
- G. H. Blut, Field Inspector.
- C. D. Simpson, Chairman, Wickepin Road Board.

**Farmers**
- S. X. Ayoub, Branch Manager.
- W. P. Callinan, Branch Manager.
- E. A. Hewitt, Branch Manager.
- T. A. Moore, Branch Manager.
SALMON GUMS DISTRICT—AGRICULTURAL BANK.

Government Officials—
L. G. Senior, Manager, State Farm, Salmon Gums.

Agricultural Bank Officers—
Messrs. G. Elliott, Field Inspector.
W. R. Matthews, Field Inspector.
H. F. Rogers, Branch Manager.

Road Boards—
Mr. S. H. Hayes, Dundas Road Board, Kanowra District Council, and Primary Producers' Association.

Farmers—
Messrs. C. A. Berriman
W. Dean
T. A. Dunn
E. A. Edman
A. J. Evans
F. Gilmore
G. T. Grova
H. J. Hughes
R. B. Johns
D. Johnston

Messrs. P. Kirkaldy
T. A. Kirkaldy
L. D. Macken
S. H. McWhirter
A. Morton
K. A. L. Murray
H. A. Pilgrim
V. L. Phipps
H. E. Quick
F. J. Renshaw

ACKNOWLEDGMENT.

Your Commissioners have been greatly assisted in their investigations by the officers of various Government Departments, the Managing Trustee and Deputy Managing Trustee, District Managers and Field Inspectors of the Agricultural Bank; by the Statements furnished to them by the Director of Agriculture; the Presidents of the Primary Producers' Association and Wheatgrowers' Union, and by Lieutenant-Colonel Olden on behalf of the Returned Soldiers' League; by the evidence tendered to them throughout the South-West Division of the State; by farmers nominated by the Bank, and the organisations above-mentioned.

Your Commissioners wish to place on record their great appreciation of the excellent services rendered to them by Mr. R. W. Brownlie, Secretary to the Commission, and to thank Mr. Ramaciotti and the members of the "Hansard" Staff for their unfailing readiness and courtesy.

APPENDICES.

Synopsis of the various Acts of Parliament, governing the operations of the Agricultural Bank and its allied Institutions; reports on the Agricultural Bank Districts visited, and other matters providing the necessary amplification to your Commissioners' report, are attached hereto as Appendices.
GENERAL REPORT.

The scope of the inquiry entrusted to your Commissioners was of such a wide nature that to report fully on all the matters referred to would have occupied too great a period of time and would have resulted in undue delay in the completion of this Report.

The Agricultural Bank is a body corporate, controlled by three Trustees, consisting of a Managing Trustee, who is also the General Manager, devoting his whole time to the business of the Bank, and two Trustees, who are engaged in other occupations and devote part of their time to the business of the Bank.

In the course of investigations, your Commissioners found that in all parts of the South-West division of the State, and from all classes of Agricultural Bank settlers, there was an insistent demand for the conditioning of their debts, including the amounts due on mortgage to the Bank, replacement of machinery, increase of horse-power, and provision of fencing and water to enable them to carry sheep on those farms which were not ready to carry sheep. Of course, a certain proportion of Agricultural Bank settlers, who by hard work and thrift were making good, did not join in these demands. However, their position is that, if prices improve, they could carry on and continue to meet their commitments, but they ask that if consideration is given to any necessitous settlers by conditioning of debts and writing down of capital indebtedness, the same consideration should be given to them.

Your Commissioners found that the vital question among the Agricultural Bank farmers was not what the Bank had done in the past, but what its policy is to be in the future.

The financial position of the Bank is alarming. For the last 20 years, in order to meet the commitments of the Bank, the Trustees have been drawing on capital and/or loan moneys to make up deficiencies. In so far as the present condition of the affairs of the Bank is attributable to a mistaken policy of land settlement, the Trustees allege they were carrying out the policy dictated to them by Parliament. In so far as the said position is attributable to the fall in wheat prices, the Trustees allege that the affairs of the Bank are in no worse position than those of other financial institutions in respect of farming advances made in the State. (The Managing Trustee, Question 6317.) Your Commissioners cannot accept the allegations of the Trustees, and the conclusions arrived at by your Commissioners are embodied in their Report.

In Exhibit No. 162 the Managing Trustee, having been given time for consideration, tendered in evidence a considered statement justifying the action of the Trustees and referring to certain of the Trustees’ yearly reports to Parliament.

It was found necessary to consider very fully the legislation dealing with the Agricultural Bank and its allied institutions, and in order that the operations of the Bank may be understood, your Commissioners have included in Part I. of the Report a short history of this legislation, and in Appendix No. 1, is a synopsis of such legislation.

During the course of inspection of the Agricultural Bank Districts of the State, your Commissioners have had innumerable complaints of delays on the part of the officials of the Bank, in attending to matters of mutual concern, occasioning annoyance and loss to the complaining settler concerned.

During the above-mentioned inspections, your Commissioners had placed before them information respecting the many disabilities under which the settler labours, apart from his burden of debt.

Each district appears to share equally certain disabilities common to all of them, but some districts have disabilities peculiar to themselves. These disabilities, both general and special, are dealt with in Part IX. of the Report.

Your Commissioners have made reports on the main Agricultural Bank Districts in the State, namely Salmon Gums (Esperance), Katanning, Narrogin, Northam, Kunningup, Kellerberrin, Geraldton and Bruce Rock. Accompanying these reports are schedules of the Agricultural Bank clients, statistics relating to their accounts, and other information. As these schedules are regarded as interesting only to the new management, it is not proposed to let them form part of the reports; but your Commissioners venture to think that they will be more than useful to the new management.

Your Commissioners are convinced that, whether the Bank is to carry on its present activities, or if its activities are to be limited to consolidation and liquidation, new management is required, and this matter has been dealt with in the recommendations. The above-mentioned reports will be found in Appendices Nos. 2 to 9 respectively.

If the farmer requires to know what is to be done for him in the future, the taxpayer is well entitled to ask what it has cost the State to establish, or attempt to establish, the farmer on the land through the agency of the Agricultural Bank.

With regard to the operations of the Bank, attention must be paid to the past as well as the present. By the past it is meant the period when the Trustees exercised discretion in the ordinary progress of the affairs of the Bank, and by the present, that period when the Trustees alleged they were compelled to adopt the policies of successive Governments for the development of land settlement, thus making the policy of the Governments the policy of the Trustees.

In travelling through the State, your Commissioners passed through many miles of well-developed farming lands, every acre of which has been cleared and improved with the assistance of the Bank, and all liabilities thereon to the Bank have been paid off.

In considering the Report this must be borne in mind and due credit given to the Bank for the work done by it.

Your Commissioners also passed through miles of precarious country for wheatgrowing, in which the
Trustees for the sake of land settlement may have felt themselves justified in taking some risk, and on which the loss might not have been very great, had not the liabilities due to the Bank been increased with the Industries Assistance Board indebtedness.

These districts, such as Kununoppin, the northern portions of the Northam district, and the northern and eastern portions of the Kellerrherm district, with a run of good seasons and good prices, may yet justify the action of the Trustees in advancing originally thereon. By the use of this term "advancing originally," your Commissioners do not wish to include the liability of the Bank for advances under the Soldiers' Settlement Act, and the said debts of the Industries Assistance Board. These liabilities have been dealt with separately.

There are advances of the Trustees which, of course, cannot be justified, in districts such as Salmon Gums, Lakes Carmody, Varley and King, Bullfinch, Southern Cross, Mt. Hampton, Holleton, Gibb Rock and South Lake Brown. Your Commissioners have visited these districts, and as a result are of opinion that the State must face very great loss.

Whilst favourably impressed with the caution exercised by the Trustees in making advances eastward to Meckering, from Meckering to Kellerrherrin, and then gradually eastward through Doodlake to Merredin, and the same caution advances northward to the Dowerin-Walchesham loop line, it is a matter of wonder why the same cautious policy was not followed in extending settlements into other districts.

The excuse tendered by the Managing Trustee, on behalf of the Trustees, was that the Trustees did not fall into any such mistake, but for fear of losing their positions the Trustees carried out the policy dictated to them by Parliament or its Ministers (Questions 5128, 29, 30. Page 728).

This attitude of the Trustees is very hard to understand, as the Agricultural Bank was a body corporate, and was not responsible to any Minister or Department. If they had refused to adopt any Government policy in respect of land settlement, all that Parliament could have done would be to refuse to vote moneys for the purposes of the Bank, or in the alternative, passed legislation making the Bank, as the Managing Trustee says it became, a Government Department for carrying out the Government's policy of land development, and placing the Bank under a Minister.

As mentioned, your Commissioners have found on taking evidence throughout the State that the Agricultural Bank settlers are not so much concerned with the past as with the future policy of the Bank. This concern has been manifested to your Commissioners, not only by the "hot-heads" of the farming community, who desire a full sustenance rate, a good percentage of crop proceeds, and a drastic writing down of their liability to the Bank and outside creditors—in fact, the socialisation of the wheat industry; but by a much more solid group of the Bank clients.

Your Commissioners have eliminated the first-mentioned group from their consideration. There is a wiser and more considered opinion among the settlers as shown by their own evidence and by the evidence of the representatives of the Primary Producers' Association, the Wheatgrowers' Union, and the Returned Soldiers' League, and these views may be thus shortly summarised—

1. We consider that wheatgrowing and its allied industry of sheep husbandry are national institutions. If so, then the maintenance of such industries must be a national responsibility.

2. During the last four years, we have experienced distressing times.

3. We have cut expenditure to the bone, expended all our available capital, and when that was exhausted we have obtained advances on our holdings, or increased the liabilities which they were carrying at the commencement of the depression.

4. There is no outlook, and despite all our philosophy we are becoming somber.

5. Something must be done to restore our confidence.

6. The greater portion of our indebtedness was contracted with wheat at 3/- per bushel. Four years' losses have been borne by the farmer, and it is only equitable that his debts be paid in the same form of currency they were contracted in, namely, wheat currency.

7. During the past four years of low prices, our machinery and improvements have not been maintained in an efficient state, and need making good.

8. The farming industry has for many years been penalised to the extent of 8d. to 1/- per bushel, increase in production costs by the protection afforded to secondary industries.

9. If the maintenance of our industry is not a national responsibility, we should be told.

Against the complaints received of delays occasioned by the faulty administration of the Bank, there is to be set off evidence from the type of Agricultural Bank settler who is making good, and who states that at all times he has had full attention paid to his requests by the Bank. Your Commissioners have again the evidence of the Primary Producers' Association. In answer to Question No. 3084, the President of that Association says: "We have written to our branches, and have advertised in our paper for anyone who had grievances, to send them in, in connection with this inquiry of yours, and the result has been practically negligible."

Your Commissioners hereunder have summarised the complaints which, during the course of the various inspections have been received from the settlers, and your Commissioners have dealt with the several complaints in the concluding paragraphs of that part of their Report, dealing with "Disabilities" Part IX.—

1. Delay of Trustees in formulating their policy each year.

2. Delay in answering correspondence.

3. Lack of co-ordination between Head Office and District Offices.

4.Obsolete system of accounting; no receipts or complete statements issued by the Bank to settlers.
5. No statements sent to the settler of receipts from harvest proceed, and of the distribution of such proceeds by the Bank.

6. Clause 37A, which gives the Bank a statutory lien over crops for one year's interest, restricts any assistance which a settler might otherwise obtain from machinery firms, merchants or storekeepers.

7. Trustees have no continuity of policy, thus earning unnecessary expense to the settler. For instance—following loans granted, work done, but assistance for cropping this fallow refused, or cropping area reduced.

8. The settler has no security of tenure.

9. Before foreclosure the settler should be allowed to inspect his file.

10. Farmers employing sons over 16 years of age on farms are allowed no wages. Sons so working should be allowed wages.

11. Accommodation interest should not be charged.

12. The expense of Receivers and Trustees under the Farmers' Debts Adjustment Act could be saved if the District Managers of the Bank were appointed to do the work.

There appears to be something radically wrong with the administration of the Bank. The opinion of the Presidents of the Wheatgrowers' Union and the Returned Soldiers' League is to the effect that the Bank has outlived its usefulness and is top-heavy.

Your Commissioners obtained from the Trustees the aggregate amount of liabilities of clients to the Agricultural Bank, Soldiers' Settlements, and Industries Assistance Board, and anticipated being able to obtain from the Trustees' information on the following matters, but failed to do so:

(a) Second mortgages, if any.

(b) Aggregate amount of the clients' unsecured liabilities.

(c) A summary for each Bank district, showing—
   i. The efficient and inefficient clients;
   ii. the productive and unproductive properties;
   iii. the properties utilised for wheat, wool and sheep;
   iv. the average wheat yield, the number of sheep, and yearly wool returns from the properties;
   v. the amount due by Agricultural Bank clients to the Lands Department for Crown rents, purchase money, etc.;
   vi. the same relative particulars in respect of dairying and other securities.

(d) Bank valuations of the properties under mortgage to the Bank.

The Trustees stated that much of the above information could be obtained from individual files. As these files number in the vicinity of 10,000, your Commissioners could not be expected to extract from them the particulars required.

During the inspection by your Commissioners of the various districts, they endeavoured to obtain from the District Managers and Field Inspectors information dealing with the various matters above-mentioned.

Your Commissioners did not take any evidence as to the cost of production and the condition of the wheat industry. The information as to production costs can be obtained from the report of the Farmers' Disabilities Commission of 1931, and from the South Australian Report made in 1932 on Debt Adjustment.

The average production cost per bushel of wheat at nearest siding may be taken to be 2s. 6d., excluding all charges for interest, and from 2s. 6d. to 3s. 6d. including interest.

Your Commissioners did not endeavour to estimate the value of securities of Bank clients, save in approximating very broadly the losses which your Commissioners anticipate will be made by the Bank.

GROUP SETTLEMENTS.

It was originally intended that your Commissioners should visit the Group Settlements, and notwithstanding that two Royal Commissions had already reported, your Commission was to report generally on administration. The necessity of the visit of your Commissioners to Group Settlements was ceded by the Minister for Lands and the Managing Trustee of the Agricultural Bank making an extended tour of the Group Settlement districts, covering the ground which the Commission was asked to deal with. Accordingly your Commissioners are not dealing with Group Settlement in any way, except in respect of the amounts now due.

Mr. G. W. Pickering, the President of the Dairying Section of the Primary Producers' Association, has submitted to your Commissioners an instructive statement dealing with the dairying industry in the South-West (see Mr. Pickering's evidence, Question 6384).

Your Commissioners have divided their Report into 12 parts, namely:

Part 5. Financial Position of the Agricultural Bank and Industries Assistance Board.
Part 7. Audit of Accounts.
Part 8. Soldier Settlement and Special Land Settlement.
Part 10. Debts Adjustment.
Part 11. Findings.
PART I.

Short History of the Bank Legislation.

In the early nineties the State of Western Australia had a small population with an extensive area of unalienated Crown lands, a large portion of such lands being suitable for agriculture and sheep farming.

No State in Australia ever had such a golden opportunity of inaugurating a sound, progressive land policy. The State had the land on which to settle not only the native-born West Australians, but those from other States and overseas, whom the gold discoveries had brought, and were still bringing, to its shores. In those years agriculture was languishing, wheat was not produced in sufficient quantities to feed the people, and the land laws of the State were very liberal.

In the year 1894 Parliament decided to legislate for the encouragement of agriculture, and enacted the Agricultural Bank Act of 1894.

The Act was well conceived. Provision was made for the appointment of a Manager, who, with the approval of the Governor, might in his discretion make advances for the purpose of promoting the occupation, cultivation and improvement of agricultural lands of the State. The maximum amount of each advance was limited to £400, with interest at 6 per cent. The advances, which were to be made by instalments, were not to exceed one-half of the fair estimated value of the improvements for the effecting of which the advance was being made.

A margin of security was thus established, and a settler, by doing the work, had a living provided for himself and family in the pioneering stages of his farm, and built up an equity for himself in the property.

The policy appeared to be an admirable one. The Manager had to exercise discretion both in respect of the land and the applicant, and the Governor had to approve of all advances.

The methods provided for finance were equally sound. The repayment of principal and interest was to be secured by a mortgage over the land. Interest was to be paid half-yearly, and the principal was to be repaid by 50 half-yearly instalments commencing on the expiration of five years after the advance had been made. All moneys required for the purpose of the Bank were to be raised by the issue of mortgage bonds, and these moneys were to be paid into the Treasury and made available to the Bank.

The Manager had to pay all moneys obtained by him for fees received on application for loans, for payment of interest, and for repayments of principal, into the Treasury. From these moneys the Treasury was directed to pay—(a) interest on the moneys borrowed for the purposes of the Bank, (b) cost of administering the Bank, and (c) the balance into a Redemption Account for the purpose of redeeming the mortgage bonds.

The usual powers were given to the Manager for the purpose of enforcing securities taken by the Bank. The original capital of the Bank was fixed at £100,000, and statutory power was given from time to time to increase the capital.

It will be seen from a perusal of the synopsis of the legislation dealing with the Bank how the amount of advances from time to time increased, until it reached £2,000, how the full value of improvements was paid, and how the purposes for which advances might be made were greatly extended.

The vital amendments to legislation governing the Bank were made in the years 1900, 1912, 1920 and 1930.

1906 Amendment.

The constitution of the Bank, so far as its administrative officers were concerned, was altered, and three Trustees were appointed in lieu of the Manager. Absolute discretion was given to the Trustees in respect of making advances, both as to the applicant and the land, and in all subsequent legislation this discretion has been maintained.

The Trustees were directed to prepare a yearly balance sheet, which, with the yearly report of the Trustees, had to be laid before Parliament. The Auditor General was directed to examine and audit the accounts of the Trustees each year, and make his report to Parliament thereon. The provisions in respect of balance sheets, report, and audit have always been maintained by subsequent legislation.

1912 Amendment.

The Agricultural Bank legislation of 1912, being Acts Nos. 18 and 54 of 1912, was revolutionary.

The main purposes of the first-mentioned Act, as introduced into the Legislative Assembly, were to convert the Bank from an improvement Bank into a mortgage Bank, placing no limit on the amounts to be advanced by the Trustees, and removing the limitation imposed by the Trustees as to the particular manner in which the money advanced might be expended.

In moving the second reading of the Act, No. 18 of 1912, the Minister for Lands said (Housard, Volume 5, Session 1911, page 573):—

It gives me great pleasure indeed to move the second reading of this Bill, because the position which has necessitated this measure is that of continued development of the agricultural industry in this State. Since 1894, when the first Agricultural Bank Act was passed, the record has been one of continued additions to the capital of that Bank in order to keep pace with the increasing needs of those who have settled upon our agricultural areas, and it is pleasing to note that during the course of that time, under the careful and capable management of those who have been entrusted with the control of the bank, we have sustained very little indeed in the nature of a loss on the transactions. The present amendment is for the purpose, firstly, of increasing the capital of the Bank by a sum of £500,000, which the Managing Trustee informs me will be sufficient to carry us on till the next financial year; and, secondly, for the purpose of extending and liberalising the functions of the Bank. At the present time there are a number of limitations which are imposed upon the Trustees of the Bank. Firstly, there is a limitation as to the total amount that may be lent, and there are also limitations as to the particular manner in which the money may be expended, and in the course of my own personal experience, coming into contact with those who find it necessary to resort to this institution for accommodation, I have found that these limitations very often act adversely to the settlers. For instance, the Agricul-
The Hon. M. L. Moss, in moving this amendment said (page 1386, Volume 8, Session 1911):

"It was necessary, in connection with the administration of the affairs of the Bank, that the Trustees should be quite free from political influence. The principle contained in the clause was not new to our statutes, because there was a somewhat similar provision in the Public Service Act.

In discussing the proposed amendment in the Legislative Assembly, the Hon. Minister for Lands said:

"The honourable member had not made out a good case, because in two instances under his administration the powers of the Trustees had been increased, and if the honourable member then thought the provision necessary, why did he not insert it then? This provision was an evidence of his (the Minister's) desire to have the disposal of the loans under the board of trustees who would act independently of the Minister. Where requests had been submitted to him (the Minister) he had replied to the effect that the person should submit a case to the Managing Trustee. Under the provisions by which we could have the loans from the Agricultural Bank, there was no control whatever than by the will of the Minister. So far as the power he desired to have that work under the banking trustees, who were recognised as being independent of the Minister, therefore he thought the Council's amendment entirely unnecessary.

The Legislative Assembly accepted the first-mentioned amendment limiting the amount of advances, but indignantly refused to accept the second, regarding such amendment as an insult to their House.

The duty of the Trustees to submit a yearly balance sheet and report to Parliament, and the duty of the Auditor General to submit a yearly report to Parliament, as also the discretionary power of the Trustees to make or withhold advances, were not in any way interfered with by the present legislation, but it was pointed out during the debate that advances to be made under the amending Act were to be made on a security basis.

After this Act was passed, if it was found necessary to pass complementary legislation, and this was done by an Act 54 Victoria, 1912, by which the capital of the Bank was increased another £500,000, making the increase for the year £1,000,000, and providing that section 21 of the principal Act (inter alia, provisions for Redemption Fund) should apply only to income arising from the investment of funds raised by the issue of mortgage bonds, and further, providing, inter alia, that inscribed stock could be issued to replace mortgage bonds.

The most important amendment, however, was that which gave the Bank power to make annual contributions, at a rate to be prescribed by the Treasurer, to the Sinking Fund for redemption of moneys appropriated by Parliament to the purposes of the Act from the principal and interest paid by mortgagees to whom advances had been made out of moneys so appropriated.

In moving the second reading of the Bill, the Hon. Minister for Lands said, inter alia:

"I might point out, for the information of honourable members, that the power given to the Trustees to lend on the security of the holding enabled the Agricultural Bank to transfer the liabilities, as between the settler upon the land and commercial firms, to the Agricultural Bank. At the same time, of course, reasonable precautions were taken to see that the margin of security was sufficient to cover the advance, and as a result of that consideration it meant that firms who, for their own
protection might have been compelled to take extreme action against the settlers by reason of the payment of portion of their claims, were ready and willing to extend consideration to the settlers, and so enable them to tide over a difficult situation.

We therefore find that, on the completion of the 1912 legislation, Parliament required the then Trustees, Messrs. Paterson, Richardson, and Cook, whose training had been either in the pastoral or farming industries, and who, therefore, had no experience in the business of banking, to conduct the operations of the Bank as a mortgage bank, and they allowed them the disposal of millions of money. Mr. Berkeley's (the Under Treasurer) evidence was to the effect that from 1912 on the Treasury had no control of the finances of the Bank. (Questions 297-303, pages 42-43).

Mr. G. W. Simpson, the Under Treasurer from 1926 to 1931, confirmed this statement. (Questions 4050 and 4060.)

Your Commissioners would have thought that the effect of this legislation would have been explained to the Trustees by the Hon. the Minister for Lands, but the present Managing Trustee cannot say if the Trustees were consulted, but they continued to conduct the affairs of the Bank as an improvement bank. (Question 5082.)

Your Commissioners have dealt with the 1912 legislation at some length, as the present deplorable financial position of the Bank cannot be appreciated without a knowledge of same.

If the legislation prior to 1912, which has been summarised in the early part of this Report, is considered, it will be seen that the following alterations have been made by the 1912 Act:

1. Extension of maximum advance from £800 to £2,000.
2. Finance by mortgage bonds abolished.
3. Abolition of Redemption Fund.
4. Treasury has lost control over the finances of the Bank.
5. Trustees now have power to pay interest and contributions to Sinking Fund due to the Treasury from principal moneys repaid to the Bank by its mortgagees.

From a perusal of the Parliamentary debates on the 1912 legislation, it is manifestly clear that Parliament never intended to interfere with the discretion of the Trustees in making advances; in fact, this discretion was confirmed. Parliament, however, anticipated that, with a wise exercise of this discretion, and the maintenance of a proper margin of safety, the Bank, by having the limit of its advances increased to £2,000, would be a blessing to the farming community, releasing the farmers from all outside control. The real financial effect of the legislation, however, is disclosed by the Auditor General's report of 1933, where we find that on the 30th June of that year an amount of £1,085,320, being borrowed money used to meet interest due to the Treasury, cost of administration, and contributions to Sinking Fund, represents the deficiency which accumulated over the period 1912 to 1933.

The exercise of absolute discretion of the Trustees to make or withhold advances, as the nature of the security demanded; to maintain a safe margin of security; the examination of the Agricultural Bank accounts by the Auditor General each year, and Parliamentary control of loan funds after the examination of such accounts, were to be the safeguards of the taxpayer.

1929 Amendments.

The Trustees received power from Parliament to extend time for payment of any instalments of principal and interest, and to readvance to settlers the money which had been paid to the Bank by such settlers for principal and/or interest. The Managing Trustee states (Question 1925) that the Trustees always waived default, even though they had no statutory right to do so until 1929. They claim an implied right.

In 1930 the financial position of the Bank had become so acute, loan moneys not being available, that the Finance and Development Act was passed, which vested all the assets of the Bank in a new Board and gave the Board power to pledge such assets for the purpose of raising money for the Bank outside the Loan Council.
PART II.

Operations and Transactions of the Agricultural Bank.
(INCLUDING INDUSTRIES ASSISTANCE BOARD, SOLDIER SETTLEMENT SCHEME AND GROUP SETTLEMENT SCHEME.)

Work done by Settlers under the Bank, and Short Statement of Moneys Advanced by the Bank for that purpose.

The following statement gives particulars of the work done by the Agricultural Bank, Soldier Settlement Scheme, and Industries Assistance Board clients, since the date of the inception of the Institutions named, specified under separate divisions—

The Agricultural Bank returns are taken from report of the Trustees for the year 1933. Similarly the Soldier Settlement return.

### Improvements effected by the Agricultural Bank

<table>
<thead>
<tr>
<th>Description</th>
<th>Acres</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clearing</td>
<td>4,014,488</td>
</tr>
<tr>
<td>Cultivating</td>
<td>433,210</td>
</tr>
<tr>
<td>Ringbarking and Scrubbing</td>
<td>2,457,177</td>
</tr>
<tr>
<td>Fencing</td>
<td>3,708,331</td>
</tr>
</tbody>
</table>

The aggregate amount of money expended is £9,038,338, made up as follows:

- Liabilities taken over: £391,282
- Purchase of Stock: £633,746
- Purchase of Machinery: £331,637
- Effecting of Improvements: £7,030,833
- Other Rural Industries: £31,017
- Miscellaneous Advances: £254,059
- Cropping Advances: £254,059

**£9,038,338**

### Purposes for which Advances have been made under the Soldiers' Settlement Scheme

<table>
<thead>
<tr>
<th>Description</th>
<th>£</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings</td>
<td>£483,830</td>
</tr>
<tr>
<td>Clearing—1,013,915 acres</td>
<td>£1,432,925</td>
</tr>
<tr>
<td>Ringbarking and Scrubbing—85,844 acres</td>
<td>£8,836</td>
</tr>
<tr>
<td>Orchard and Poison Grubbing—68,189 acres</td>
<td>£27,501</td>
</tr>
<tr>
<td>Fencing and Trellising—798,104 chains</td>
<td>£253,215</td>
</tr>
<tr>
<td>Draining—5,172 chains</td>
<td>£4,674</td>
</tr>
<tr>
<td>Wells and Reservoirs</td>
<td>£165,872</td>
</tr>
<tr>
<td>Total Improvements</td>
<td>£3,429,983</td>
</tr>
<tr>
<td>Stock</td>
<td>£46,147</td>
</tr>
<tr>
<td>Machinery</td>
<td>£165,473</td>
</tr>
<tr>
<td>Liabilities (Purchase of Properties)</td>
<td>£2,004,466</td>
</tr>
<tr>
<td>Unallotted</td>
<td>£289,082</td>
</tr>
<tr>
<td>Capitalisation of Interest</td>
<td>£1,375</td>
</tr>
<tr>
<td>Total</td>
<td>£5,990,016</td>
</tr>
</tbody>
</table>

### SUMMARY AND DISSECTION OF GROUP SETTLEMENT EXPENDITURE TO 31st DECEMBER, 1931

<table>
<thead>
<tr>
<th>Description</th>
<th>30th June, 1930. £</th>
<th>30th June, 1931. £</th>
<th>31st December, 1931. £</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest</td>
<td>1,072,845</td>
<td>1,164,355</td>
<td>1,164,355</td>
</tr>
<tr>
<td>Labour Advances</td>
<td>2,098,040</td>
<td>2,741,417</td>
<td>2,741,417</td>
</tr>
<tr>
<td>Cottages, Dairy Buildings, etc.</td>
<td>774,232</td>
<td>789,143</td>
<td>789,143</td>
</tr>
<tr>
<td>Plant, Stores, and Stock Issued</td>
<td>428,518</td>
<td>429,322</td>
<td>429,322</td>
</tr>
<tr>
<td>Seed and Manure</td>
<td>458,150</td>
<td>459,832</td>
<td>459,832</td>
</tr>
<tr>
<td>Explosives</td>
<td>111,050</td>
<td>111,053</td>
<td>111,053</td>
</tr>
<tr>
<td>Wire, Fencing Posts, etc.</td>
<td>55,313</td>
<td>87,301</td>
<td>85,084</td>
</tr>
<tr>
<td>Horse Hire, Harness, etc.</td>
<td>108,058</td>
<td>108,013,637</td>
<td>108,013,637</td>
</tr>
<tr>
<td>fodder</td>
<td>519,905</td>
<td>317,068</td>
<td>317,068</td>
</tr>
<tr>
<td>Plant Group</td>
<td>165,205</td>
<td>160,585</td>
<td>160,585</td>
</tr>
<tr>
<td>Supervision (Including Dairy Supervision)</td>
<td>183,017</td>
<td>201,820,494</td>
<td>201,820,494</td>
</tr>
<tr>
<td>Insurance (Workers' Compensation Act)</td>
<td>69,905</td>
<td>62,576</td>
<td>62,576</td>
</tr>
<tr>
<td>General Administration</td>
<td>247,860</td>
<td>207,573</td>
<td>207,573</td>
</tr>
<tr>
<td>Miscellaneous, including unallotted Stock and Costs</td>
<td>168,381</td>
<td>184,503</td>
<td>196,042</td>
</tr>
</tbody>
</table>

**£5,787,726**

<table>
<thead>
<tr>
<th>Description</th>
<th>30th June, 1931. £</th>
<th>31st December, 1931. £</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest</td>
<td>2,774,041</td>
<td>2,741,417</td>
</tr>
<tr>
<td>Labour Advances</td>
<td>2,741,417</td>
<td>2,741,417</td>
</tr>
<tr>
<td>Cottages, Dairy Buildings, etc.</td>
<td>317,068</td>
<td>317,068</td>
</tr>
<tr>
<td>Plant, Stores, and Stock Issued</td>
<td>429,322</td>
<td>429,322</td>
</tr>
<tr>
<td>Seed and Manure</td>
<td>459,832</td>
<td>459,832</td>
</tr>
<tr>
<td>Explosives</td>
<td>111,053</td>
<td>111,053</td>
</tr>
<tr>
<td>Wire, Fencing Posts, etc.</td>
<td>87,301</td>
<td>87,301</td>
</tr>
<tr>
<td>Horse Hire, Harness, etc.</td>
<td>108,013,637</td>
<td>108,013,637</td>
</tr>
<tr>
<td>fodder</td>
<td>317,068</td>
<td>317,068</td>
</tr>
<tr>
<td>Plant Group</td>
<td>317,068</td>
<td>317,068</td>
</tr>
<tr>
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<td>201,820,494</td>
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<tr>
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<td>62,576</td>
<td>62,576</td>
</tr>
<tr>
<td>General Administration</td>
<td>207,573</td>
<td>207,573</td>
</tr>
<tr>
<td>Miscellaneous, including unallotted Stock and Costs</td>
<td>196,042</td>
<td>196,042</td>
</tr>
</tbody>
</table>

**£7,031,428**
After that date the Agricultural Bank took over control of the Group Settlements, and the following are the particulars of the moneys expended by the Bank up to the 30th June, 1933:

<table>
<thead>
<tr>
<th>Description</th>
<th>1916 to 1928</th>
<th>1929</th>
<th>1930</th>
<th>1931</th>
<th>1932</th>
<th>1933</th>
</tr>
</thead>
<tbody>
<tr>
<td>£</td>
<td>£</td>
<td>£</td>
<td>£</td>
<td>£</td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td>Purchase of Stock</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of Machinery</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Effecting Improvements</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Farming Operations</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Seed and Superphosphate</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Fees for Registration of Securities</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Insurance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sundries</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>£</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Totals</td>
<td>£13,085,603</td>
<td>£332,497</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| **Short Review of Land Settlement—Principles on which Trustees Acted in Making Advances—Financial Practice of Trustees and Method of Auditing Bank Accounts.** (See also Part VI.)

Having traced the legislation affecting the Agricultural Bank, your Commissioners will proceed to deal with the operations of the Bank.

The making of advances with a safe margin of security, the collection of principal instalments and interest due to the Bank, the payment to the Treasury of the interest due and prescribed contributions to Sinking Fund, and the close supervision of the finances of the Bank, which connotes the same attention to accounts of its clients, should have been the major operations of the Bank, and the principal work of the Trustees.

The advances of the Bank were at first confined to settled areas of the State, contiguous to the Eastern Goldfields and the Great Southern Railway lines. As these areas became occupied the settlement extended east, along the Eastern Goldfields Railway, and north from that Railway. There was a further thrust of settlement eastward from the Great Southern Railway line.

The Bank followed the settlement, making advances before permanent transport was provided. The State followed settlement with railways, throwing out loops into the northern areas and two loops into the eastward extension from the Great Southern Railway, and north from that Railway. There was a further thrust of settlement eastward from the Great Southern Railway line.

Connections were made from York to Bruce Rock, and from Brookton to Corrigin. On the west the Narrogin-Collie-Pinaroo lines were constructed, as also the Wagin-Bovelling line.
Your Commissioners do not attempt to criticise the policy of settlement or the railway construction which has been carried out, but bearing in mind the want of uniformity in the soils of the agricultural lands in Western Australia, and the separation of the areas of good lands from each other by extensive tracts of worthless country, they cannot refrain from expressing regret that Bank advances and railway construction from the "Nineties" onwards, had not been coordinated, and the Agricultural Bank advances limited to those areas within a reasonable distance from the railways determined on after consideration of the class of agricultural lands in those areas to be served.

The acceleration of settlement, however, and the settlement of the country in a face, good and bad lands indiscriminately, seems to have been the sole object of the Trustees and Government, and we now have the resultant losses to be met.

As the Bank's advances have been made principally in the wheat areas, your Commissioners obtained particulars of the distribution of the Commonwealth Wheat Bonus for the years 1932-1933, and found that of the 11,473 participants in the Bounty, 5,670 were clients of the Agricultural Bank, and 5,893 were outside the Bank.

The Trustees apparently did not appreciate that farming conditions altered as the north-eastern and eastern fringe of the agricultural lands were being brought into settlement. The rainfall in those areas becomes less and the liability of the rainy season to cut off in September and October becomes greater. This necessitates good farming methods with a fallow period, as the system of falling and cultivation of the fallow has to be adopted. Not only is a good and complete farming plant required, but sufficient horse-power is also required.

The Trustees of the Bank did not appreciate the reasons which led to increasing the maximum advance from £500 to £2,000, and to extending the scope of advances to all matters connected with farming, viticultural and horticultural pursuits. They also failed to appreciate that Parliament looked to them for the maintenance of a safe margin of security.

The original practice of the Trustees was to advance loans in small sums, sufficient to put men with limited capital on to contract work on their own farms. The earnings from such contract work would enable those men to further develop their holdings. That was the essence of the Bank's securities. The farmer thus felt he had something in the nature of an equity in his holding. By very hard work he was able to earn sufficient to pay his store account, and slowly but surely build up a farm for himself with a minimum of capitalisation. The departure from this sound principle to one of acceleration in order to provide employment, with really no limit to the amount to be advanced in one year, was a great error on the part of the management.

Let us examine the vicious position thus created. A settler with limited or no capital could acquire a block of land carrying a full loan. He then proceeded to let contracts to clear, say, 500 acres of land, and the Bank would pay the contractors for such clearing. With this amount of cleared land his farm at once became the happy hunting ground of salesmen for everything which a farmer did or did not require. It must be remembered, too, that credit in those days was given on a most reckless scale. Greatly to the detriment of the farmer, he purchased many machines, not essential to the proper working of the farm.

Thus fictitious credit, most dangerous gift to one unfamiliar with the importance of the control of such credit, was created.

In many cases the settler had not contributed to the building up of the assets created by the Bank's advances, not even by his personal exertions, as in the earlier stages of the Bank's history.

When the settler struck bad times he could turn round and say, "There is your machinery, and there is your land." He could dictate his terms. Having nothing to lose, he could walk off his farm and be no worse off, and the Bank very often had to keep him on the land. (The Managing Trustee, Question 2653, page 276). "There is not the slightest doubt that many of these men had no aptitude or desire for life on the land."

At Question 959 he says, "Men would select blocks of land and obtain from the Bank advances for the full value of improvements, which would allow them to earn reasonable wages, but many of them never intended to make it a permanent means of livelihood. It is one of our main troubles that so many applicants for land have not been genuine land men." Again the recurrent question—"Why did the Trustees allow the procedure?" With the monotonous answer—"Ministerial control. We were the creatures of Governmental policy."

Your Commissioners would again point out that the answer is demonstrably wrong. The Trustees were not answerable to any Minister. They had only to account to Parliament. If the Trustees had acted properly and refused advances in many cases, or only paid 50 per cent. of the value of the improvements, Parliament might have refused to appropriate loan money for the purposes of the Bank, which might eventually have been an excellent thing for the State.

In about the year 1925, the Trustees partially realised the dangerous nature of the securities they were taking, and declared certain zones in which advances were limited—Zone 1, extending from Northam to the rabbit-proof fence at Burragauppin, advance limited to £2,000. Zone 2, extending from Burragauppin to Southern Cross, advance limited to £1,500.

Mr. McLarty was appointed Managing Trustee of the Bank in 1900, but before the appointment he had acted as manager for many years, and for some time previous to his appointment had acted as Deputy Managing Trustee. He informed your Commissioners that the same policy of the Bank which existed before 1912 was carried on after that year, and has been steadily pursued by him since his appointment.

This statement must be taken subject to the qualification that the policy became the policy of the Government, and was tremendously accelerated.

Up to this time, 1920, the Bank had been advancing freely, as it is found that during the years 1913 to 1920 inclusive, the average yearly amount of loans approved by the Bank was £252,769. During that period the advances of the Bank to the settlers had
been increased from £1,870,308 to £3,135,621, and advances on account of Discharged Soldiers' Settlement Act of 1910 increased from £119,923 advanced during that year (1919) to £1,710,940 at the 30th June, 1929.

The Trustees found that settlers were only too ready to avail themselves of the increased advances which the Bank was able to make them, and the Managing Trustee says that the Trustees advanced freely and allowed settlers to have their clearing done by contract in order that the unemployment in Perth might be relieved. He further states that not only was the Bank a philanthropic institution, but an employment agency for years.

Question 1244. By Mr. Diamond: That is where the trading banks had an advantage over you?—There can be no comparison between the trading banks and the Agricultural Bank. We could not do what the trading banks did.

1245. By the Chairman: Then yours should have been called a philanthropic institution?—We have been a philanthropic institution for the last few years.

1246. For a series of years?—Yes for a great number of years. I can say correctly that the Agricultural Bank has been carrying a national responsibility for years. We have had huge sums of money pushed out amongst our clients. We invited them to apply for more money for additional clearing. This was to create employment in acute times when there were thousands of men out of work. It was probably wise expenditure.

1247. Was it borrowed money?—Yes we had to keep these men. In some cases bigger areas were cleared than the men could work.

1248. Then this acceleration has not paid?—I would not say that. I think it has paid the State.

After the 1912 legislation, with loan moneys and repayments of principal moneys which are practically loan moneys, the Trustees had plenty of money and no anxiety. The interest due from time to time to the Treasury could be paid from principal moneys repaid to the Bank.

The Trustees never appear to have budgeted from year to year, and with the unlimited funds at their disposal they became very careless on the collection of principal instalments and interest.

The Managing Trustee.

Question 5171. Did you as Managing Trustee have a yearly budget to see how you stood and what your requirements were?—Yes, I knew the position.

5172. Would you not have those estimates still in the office?—I do not think that we would. I would know them from day to day.

5173. You are dealing with business men. Have you such a financial brain that you can keep a record of millions from day to day?—I kept in close touch with the position. I knew our position from year to year, what we had to find and what a short collected.

5174. Did you not have a yearly budget and keep a record?—Yes.

5175. But in, say, 1927, would you not want to look back at the budget for 1920?—I got it from the balance sheet.

5176. But I am speaking of a budget prepared before the year begins—I do not quite follow what you mean by a budget.

The lax methods of finance at head office extended to the district offices. Even at the present time of financial stringency many of the district managers admit they have no knowledge of finance, and state they have never been asked to prepare a yearly financial estimate for their districts.

Your Commissioners made an inspection of the Bruce Rock district, one of the richest districts in the State, in January, 1934. It was found that the moneys outstanding as at the 30th June, 1933, from active settlers, were £975,500 for principal, on which there were arrears of overdue principal instalments of £203,883, and accrued interest due, £84,354. In addition, there was current interest due at 31st December, 1933, of £23,879.

In addition to the above figures there was £146,482 principal due on 53 abandoned farms, and £10,672 accrued interest. Twenty-seven of these farms were in the course of transfer, but of course, in the usual way, very little cash—merely a book entry.

Mr. Gillies, the Branch Manager in charge of this important branch, gave the following evidence:

Question 3198. Do you ever budget for the district yourself?—No.

3199. Do Head Office ever call on you to budget for your district?—No.

3200. Where does the money come from to keep the district going?—That is no concern of mine.

From the year 1910 the Bank had to advance on soldiers' settlements from moneys appropriated by Parliament. In making these advances, the maximum advance being £2,500 to each settler, the Trustees were practically advancing without any margin of security at all, as the purchase price paid for properties sold to returned soldiers, or estates purchased for soldier settlement, were paid for at too extravagant a price, and the moneys advanced by the Bank for further improvements were swallowed up in the first liability.

The Bank was advancing recklessly on Soldier Settlement during the same period that it was receiving payments of interest on both civilian and soldier settlement accounts from the Industries Assistance Board. The Industries Assistance Board worked on moneys appropriated by Parliament, that is Loan moneys. Therefore, it is clear that the Trustees were receiving much of the interest paid them by settlers on the Industries Assistance Board during that period, from Loan moneys.

Since 1914 there has been no central authority to call the Trustees to account. Neither Parliament nor the Auditor-General analysed the Bank's balance sheets, and after 1922 the Auditor-General ceased from sending his reports to the Treasury and/or to the Agricultural Bank.

Had the Bank not been a State instrumentality it would have been forced into liquidation long since. This is apparent from the finding of the Auditor General in 1933. (Page 34 of the Auditor General's Report, 1933, under the heading "Borrowed Moneys Supplied to the Bank.")

A deficiency of £1,983,436, as shown in Appendix No. 12, for the period 1913-1933, was made good from repayments of principal moneys due to the Bank (which are in reality Loan moneys) and from General Loan Funds.

The Trustees have therefore taken from the capital of the Bank each year during the last nineteen years, the yearly average sum of £104,361, to make up deficiencies, and claim to have done so under the authority conferred on them by the 1912 legislation. The capital referred to by your Commissioners comprises both Loan moneys and principal repayments.

Parliament in 1912 left absolute authority in the Trustees to finance the Bank, but it must be remembered they did not interfere with two provisions contained in the principal Act of 1906, namely that the Trustees had to submit their yearly balance sheet and report to Parliament, and that the Auditor General...
yearly had to audit the accounts of the Bank and report on them to Parliament.

Your Commissioners would again point out that after 1912 the Treasury control of the Bank's finances ceased.

The change-over of all accounts under the 1912 legislation was not completed until March, 1914. (Mr. Berkeley, Question 165.)

From that time on the Bank kept one account at the Treasury into which all moneys were paid, and on which it operated. Interest to the Treasury and contributions to Sinking Fund could be and were paid from this account.

Before 1912, if by reason of the non-collection of interest, the Trustees were not in funds to pay interest due to the Treasury, they were allowed to obtain advances from Consolidated Revenue, but the Treasury, having control of the accounts, could always recoup these from time to time as the interest came in.

After 1912 the Trustees claim they could avail themselves of—

(a) Principal instalments paid to them by clients, and

(b) Loan moneys (that is, moneys appropriated by Parliament for the purposes of the Bank) to make good any yearly deficiency between the interest and fees collected by the Bank and the aggregate amount of administration expenses and interest payable to the Treasury by the Bank.

Under Section 3 of 54/1912, the Trustees would have such power in respect of repayments of principal under mortgages for moneys advanced from Loan moneys, but certainly would not have such power in respect of repayments of principal under mortgages from moneys advanced from the proceeds of the sale of mortgage bonds.

The amount then outstanding on mortgage bonds or on inscribed stock issued to take up the mortgage bonds was £1,500,000. There would be no repayments of principal under the first-mentioned category, until 1919, so that from 1914 to 1919 the Trustees must have been making good these deficiencies from Loan moneys.

If the Trustees used repayments under mortgage bond securities for this purpose, it may be they did so illegally. If they used loan funds for this purpose, your Commissioners are of the opinion that this may also have been done illegally.

The Managing Trustee and the Auditor General claim that the Trustees had this power given to them by Section 16 of the 1906 Act. This section provides that Parliament might appropriate moneys for the purposes of the Bank. The contention of the Managing Trustee and of the Auditor General is that these moneys can be used to pay interest on amounts due to the Treasury thereon.

Your Commissioners cannot agree with this contention, and are of the opinion that the action of the Trustees was illegal and should have been reported to Parliament by the Auditor General.

The Trustees have produced to your Commissioners certain rulings by the Solicitor General and the Under Treasurer on the above matters, with which your Commissioners cannot agree. It appears, however, to your Commissioners that, as the State has to pay in any event, there is nothing to be gained by carrying the matter further. If the moneys had not been obtained from one source, action would have been taken to obtain them from another source.

The manner in which the Auditor General conducted the audit of the accounts of the Bank, and failed to comply with the provisions of the Agricultural Bank Act of 1906, are fully dealt with in Part VII. of this Report.

In 1922 one of the Senior Audit Department Inspectors, whose duty it had been for many years to inspect and audit the accounts of the Agricultural Bank, in his report to the Auditor General for the year 1921-22, made certain criticisms and asked for returns which had not been supplied either to him or to the Auditor General. A copy of the Report is incorporated in Appendix No. 10, and the Report, together with Audit Files 13/697 and 82/188, is worthy the perusal of the new management, as in the light of the present investigations of this Commission, it is found that many of the evils mentioned in that report exist at the present time.

The most important paragraph of the Audit Inspector's Report is paragraph 19, wherein the Inspector drew attention to the fact that the amount due the Treasury by the Bank exceeded the amount owing to the Bank by its clients, by £400,000. Your Commissioners have now ascertained the correct amount to be £466,489. The Inspector pointed out that the amount had disappeared into payments for interest, and administration expenses of the Bank, and Sinking Fund contributions.

The investigations of your Commissioners disclose the fact that these discrepancies had been accumulating since 1914, and it may be well asked why it took the Audit Department eight years to discover same.

The report of the Inspector was sent to the Auditor General in December, 1922, and it is most interesting to note how this official dealt with it.

Question 4760: Did you make any investigations to ascertain whether paragraph 19 of the report was true or false, as to the £400,000 deficiency—I made no investigation.

4760. Why?—Well, the report was there.

4761. But no one saw that report but yourself—They saw it in 1924. I admit it was late.

4763. What induced you to send it on in 1924—Because I found it had not been seen.

4766. You waited it up for two years?—Not for two years; eighteen months. I have no knowledge that anyone suggested it should be sent to the Treasury.

Whatever led him to do so, the Auditor General shelved the report, and immediately after he received same removed this Inspector from inspecting and auditing the Agricultural Bank accounts. The Inspector protested against his removal.

The Auditor General did not forward a copy of the Inspector's report to the Treasury until after the expiration of eighteen months, and in his report to Parliament he made no reference to the deficiency mentioned in paragraph 19 of the Report, or to the criticism of the Bank's accounts contained therein.

When in 1924 the Auditor General sent into the Treasury, the Inspector's report of 1922, it was at the same time that he sent in Inspector Nicholas' report on the Agricultural Bank affairs of 1922-23. After that period he ceased from sending to the Treasury or to the Bank any report made to him by any of his inspectors concerning the affairs of the Bank, nor did he make any requisition to the Bank.
for information required by any of his Audit Inspectors, excepting in connection with branch audits.

In Appendix No. 11 is attached the correspondence which passed between your Commissioners and the Auditor General with reference to his action.

It may be mentioned that the Report also referred to the lax method of keeping ledger accounts, security of moneys that successive Treasurers were fully aware of, and many other matters of Bank administration.

The Auditor General in his reports to Parliament from year to year showed in various statements with regard to interest that there was a deficiency occurring between the interest collected and the amount paid to the Treasury, but this could only have been observed if the figures had been closely followed. There was no specific paragraph in his reports dealing with this drift until the year 1932, when he specifically referred to it as follows:

\[\text{Interest not from Capital.}\]

Under the Bank Act, administration expenses are payable out of income, but repayments of principal by mortgagees may be used to meet sinking fund and interest if the balance of the income is insufficient for this purpose. After providing for administration expenses and sinking fund the income and principal repayments for the years 1931 and 1932 were insufficient to meet the full amount of interest payable, and capital moneys supplied to the Bank were used to make up the shortage.

On the 30th June, 1932, the accumulated deficiencies amounted to £1,691,040. Apparently the Auditor General was quite satisfied with the position.

After the appointment of this Commission, and the examination of the Auditor General by your Commissioners, the Auditor General incorporated in his 1933 Report on the affairs of the Agricultural Bank at page 24, a statement of borrowed moneys supplied to the Bank, and in this statement a balance was shown of £1,685,320, being, as he describes it, "the approximate amount of borrowed money used to meet interest and Sinking Fund."

It must be pointed out that in arriving at the above-mentioned balance the Auditor General excludes the sum of £1,746,593 due to the Bank for interest by its debtors.

The Treasury knew they had lost control of the finances of the Bank and took no further interest in the Inspector's report, as the Under Treasurer for the year 1924 had this report before him. True, it was eighteen months after it had been made, but no inquiry was made by the then Under Treasurer into the accuracy of the report.

In 1926 the present Public Service Commissioner was appointed to the position of Under Treasurer, and he states that, though the Bank's finances did not fall within the purview of the Treasury Officials, on many occasions he took the liberty of drawing the attention of successive Treasurers to the unsatisfactory financial position of the Bank, but no action was taken.

Question 4989. From 1926 to 1931, in your position as Under Treasurer, did this question of the finances of the Bank ever arise—No. It would not be a question to which the Treasury would have any say, although from time to time as Under Treasurer, I brought the matter under the notice of the Treasurer. There is no question whatever that successive Treasurers were fully aware of the position.

4990. You, as Under Treasurer, realising the uncertainty of the Bank's finances, brought under the notice of the Treasurer of the day the financial position and the way in which the Bank's business was being conducted?—Yes, repeatedly.

4991. What action was taken by the Treasurer from time to time?—So far as I know, nothing.

Your Commissioners do not think there was any collusion between the Trustees and the Auditor General to suppress the 1921/22 Report, but cannot say what influence was used to prevent the Auditor General disclosing the true position of the Bank to Parliament. He was put upon inquiry in 1922. He does not disclose the true position until 1933, after this Commission had commenced its inquiry, when he discloses a tremendous shortage of £1,685,320. Deficiencies of this magnitude do not occur in one year or two years, but are of gradual growth.

However, it may be a matter of comment that although there were annual shortages or deficiencies from the year 1914, and such deficiencies had accumulated in the year 1924 to an amount of £641,193, there was no reference thereto in the reports of the Trustees to Parliament until the year 1924, when the Trustees pointed out that the Bank could not afford to provide the existing credit facilities without showing an increasingly heavy loss on its operations.

Your Commissioners found it extremely difficult to obtain evidence from the Auditor General, and his evidence on the suppression of the Audit Inspector's Report on the 1921/22 accounts was most unsatisfactory. It is felt that the real reason for the suppression of the Report was withheld from your Commissioners.

When pressed on the reasons of suppression, the Auditor General said he thought that the report was laid on the table of the House, and when asked (Question 4771): "Can you give me a single instance to show that the reports of your Inspectors have been laid on the table?" The answer was: "I cannot give you an instance."

Question 4772. Then what is the use of making silly evanes like that?—When I have to send a report on I would not necessarily refer to it in my annual report. I need not do so. It is the duty of someone else to lay the reports on the Table of the House.

The auditing of the accounts of the Bank is dealt with more specifically in Part VII. of this Report, under the heading "Auditing of Agricultural Bank and Industries Assistance Board Accounts."

The following statements have been prepared:
(a) Statements showing the transactions through the Agricultural Bank Trust Fund from the 1st July, 1914, to 30th June, 1933.
(b) Reconciliation of Balances of Principal Outstanding 1913 to 1933.
(c) Summary.

These statements, together with an explanatory letter dated 1st March, 1934, from the Accountant of the Agricultural Bank will be found in Appendix No. 12.

The statements are incorporated with a view to elucidating the foregoing paragraphs of this Report, and close attention should be given to them at this stage.

The gradual growth of the yearly deficiencies, commencing with £19,486 in the year 1914, and concluding with the accumulated deficit of £1,363,436
in 1933, should be noted, as also should be noted the advances year by year during the same period, aggregating £6,518,678. The continued drift in collection—yet a progressive policy of advancing on what must have been precarious securities.

OPERATIONS OF THE BANK—INCOME AND EXPENDITURE.

Income.

The income of the Bank was derived from commissions, rents, application and other fees, and interest received from clients. The profit of the Bank was the difference between the amount charged clients and the amount which the Bank had to pay the Treasury. It was, therefore, essential that the Bank collected the interest due to it.

Before the 1912 Act when the Treasury had control of the funds of the Bank, as we have pointed out, this difficulty was surmounted by the Treasury allowing the Bank to draw on consolidated revenue to pay any balance of interest due to the Treasury, until such time as the arrears of interest were received. After 1912, when the Treasury lost control of the Bank’s finances, principal repayments and loan funds were drawn on to make up such deficiencies.

With the certainty of deficiencies occurring, the Trustees should have been extremely cautious in making advances to settlers who had no capital and could not, with the advances made to them by the Bank, establish themselves sufficiently to produce the income necessary to carry on the farms and pay interest to the Bank.

In 1912 it was well known that many of the Bank clients who paid their interest regularly, together with their installments of principal, were being taken over by the Associated Banks. The reason of this is apparent. The farmer on the Agricultural Bank who accumulated funds and required same as working capital could only deposit these in current account with an Associated Bank, and on this amount he obtained no interest. If he paid these moneys to the Agricultural Bank the only course the Bank could adopt was to appropriate same to payment of principal or else hold same in suspense for the settler, without interest. If, however, an Associated Bank took over the security, then the farmer would only pay interest on his daily balance with the Associated Bank.

If the executive officials of the Bank had exercised due financial ability, they would have at once realised this danger to the Bank. Many of their good clients were from time to time absorbed by the Associated Banks, and the Agricultural Bank was left with some good, but many indifferent accounts of the assumed established farmers, whose accounts were not good enough to be taken over by the Associated Banks, and the accounts of the settlers who were seeking to establish themselves.

It is apparent, therefore, that the interest payable to the Bank from its clients would not be regularly paid, and there must be a deficiency.

The statement given in Appendix No. 12 to this Report shows the progressive deficiencies for the last twenty years.

It must be remembered that during this period the Trustees, being the Board of the Industries Assist
ADDITIONS—DISCRETIONARY POWER OF THE TRUSTEES.

In the legislation governing the Bank we find absolute discretion expressly conferred on the Trustees to make or withhold advances for settlement. In the Parliamentary Debates on the passing of the revolutionary legislation of 1912, we find much reliance placed on this discretion in order to safeguard the finances of the State.

In the early history of the Bank this discretion was exercised by the Trustees, both as to the applicant and to the land. Your Commissioners have found it impossible to ascertain the period when the exercise of this discretion ceased to be operative.

In ordinary banking business the personal qualifications of an applicant for advances are seriously considered. If such applicant requires money for any particular form of business, his knowledge of that business is inquired into. Not so with the Agricultural Bank; the Managing Trustee states that the advance follows the land, and had to be made irrespective of whether the applicant for land had or had not any knowledge of farming. The Managing Trustee, however, states that his Department always had the land classified. The land was classified, but not the men placed on it.

Again, in banking business, inquiries are made as to the measure of success which might be expected from the expenditure of capital combined with the knowledge possessed by the applicant. No such inquiries were made by the Bank. Advances were made on land of indifferent quality and/or so remote from a railway that economic production of wheat was impossible.

No inquiries were made whether the applicant had power and plant to farm the land when it was sufficiently improved for cultivation. The Bank advanced the sum of £100 for the purchase of horses, plant and machinery—not sufficient to buy a six-horse team.

The present Managing Trustee, who has had twenty-two years of banking under the 1912 legislation, states that if the Trustees had not subcontracted their discretion to Government policy, the Trustees would have very soon been replaced by men who would subordinate their discretion to the will of Parliament. (Mr. McLarty, questions 5129 and 5130, page 728.)

We also find Mr. C. G. Latham, the present Leader of the Country Party, for many years a member of the Legislative Assembly, and for three years Minister for Lands, stating that the Trustees are the instruments of Government policy. (Question 4946.) Mr. Latham admits his knowledge that the Bank legislation gave the Trustees absolute discretion as to what advances they shall or shall not make (question 4949) but in the immediately succeeding answer, he says the Bank's policy must be the Government's policy.

The honourable gentleman then proceeds to demonstrate, in answer to questions 4951 and 4952, what a splendid thing it has been for this State that the Trustees were compelled to carry out Government policy. With this long view your Commissioners are not concerned; they merely show the cost to the taxpayer.

Mr. Tendale, the President of the Primary Producers' Association, at question 3158, says, "I think the control of the Agricultural Bank should be taken out of the hands of politicians. I think politicians have advocated assistance and other matters against their own judgment."

Mr. Boyle, the President of the Wheatgrowers' Union, was asked (question 2790)—"Do you consider it imperative to free the officials of the Bank from political control?"—and he answered, "Undoubtedly."

Your Commissioners, however, would like to draw attention to the views put forward by Mr. Tendale, the President of the Primary Producers' Association, on this question, and attention is drawn to his answers to question 3221, 3235, 3236, 3237 and 3238, reading as follows:—

3221. You appear to have given close attention to the policy and administration of the Bank. We gather that you attribute the unsatisfactory position of the Bank to the control of the Agricultural Bank being in the hands of politicians conducting the policy of the Bank. Are you not aware that the Trustees have absolute discretion in the making or refusing of advances? Is not the unwise exercise of this discretion the real cause of the present position?—I do not think it is. The Bank has been the creature of circumstances. Parliament decided to develop certain areas. That policy was adopted without considering the affairs of the Bank. At a later period, because of the difficulties which attached to that settlement, the people concerned had to be carried on by Government finance. No other organisation in the State can attempt to conduct such financial operations. It therefore fell to the lot of the Bank to carry the baby. In the first instance the responsibility rests with the Trustees. Should not the taxpayer be able to rely on the Trustees exercising that discretion?—They probably did to a great extent, but I believe the Minister in charge of the Bank has always wielded his influence.

3235. In that not being the question? The Trustees are appointed to carry out the wishes of the Legislature, and to exercise their discretion?—Undoubtedly.

3237. The taxpayer were more present in your mind? The Trustees have not exercised their discretion, and the taxpayers have to foot the bill. Should they not complain?—Possibly to that extent the Trustees are culpable. There has always been a Minister in charge of the Bank. If the Trustees had had full charge, why should a Minister have been appointed to be in charge of it? The only point of contact would have been in the case of the original grant from the Treasury. If the Minister did not exercise some control, why appoint him?

3238. Do you suggest that if the Trustees had not carried out Ministerial policies, they would have been found who would do so?—I have no doubt of that.

Your Commissioners do not agree with the views of Mr. Tendale, but think it only right that attention should be drawn to same, as they support the excuses tendered to the Commission by the Managing
Trustee for the Trustees not exercising the discretion vested in them.

In the period of alleged prosperity referred to by Mr. Latham, namely 1921 to 1929, the Trustees used approximately £1,000,000 of capital monies to pay interest on mortgages advanced by the State to the Bank.

Legislation being as it was, and the Trustees having obligations imposed upon them, was it right of Parliament, through its Ministers, to bend the will of the Trustees to the control of Ministers?

MINISTERIAL CONTROL.

Your Commissioners called upon the Managing Trustee to produce any written direction of any Minister, compelling the Trustees to act contrary to the proper exercise of their discretion.

The Managing Trustees was able to produce only one such direction, namely, in respect of the Esperance settlement. In the case of Hamel, Stirling, Nangeenan and Newdegate settlements, he produced files Nos. 2160/18 and 3200/22, which conclusively prove that the Trustees declined to advance in respect of those settlements until the Treasury guaranteed repayment of advances made.

In the case of Newdegate, guarantee was limited until such time as the railway was constructed to Newdegate. The whole question of Ministerial control in respect of various settlements is dealt with in the next succeeding paragraph of this Report.

Ministerial Dictation to the Trustees, over-riding the Exercise of their Discretion.

The major tragedy of Western Australian land settlement has been the disastrous experiment in the Salmon Gum District of the Agricultural Bank, commonly known as the Esperance mallee lands.

Your Commissioners inspected this district in November, 1933, and a full report of the inspection is contained in Appendix No. 2.

The Bank has now contracted a liability therein of £674,527, and the State has expended, apart from this, £726,401 in the construction of a railway, roads and dams; also in the establishment of an experimental farm, and in obtaining soil analyses of the district.

There are 219 abandoned farms in the district, and 282 settlers who no longer kept there with the moneys of the Bank.

On being examined in respect of the action of the Trustees in making advances in this district, the Managing Trustee stated that the Trustees condemned the district for wheat growing before the Norseman-Esperance Railway was authorised, and only advanced the moneys of the Bank in the district by the express written direction of the then Minister for Lands. Such advances were made against the exercise of their discretion.

The Managing Trustee was asked to produce such written direction, and he has submitted File No. 2139/20, "Esperance Mallee Lands," for the inspection of your Commissioners.

It appears that prior to 1910 the Department of Agriculture had been making certain small advances to the settlers in the Esperance district, and it was desired that the Agricultural Bank should take over these accounts from the Department of Agriculture.

On the 4th August, 1916, the Acting Accountant of the Agricultural Bank, in writing to the Under Secretary for Agriculture, informs him "That the matter is still in statu quo."

On the 12th August, 1916, the Secretary of the Department of Agriculture, in writing to the Hon. the Minister for Lands, recommends that special assistance should be rendered through the Agricultural Bank.

On the 16th August, 1916, the then Minister for Lands pens the following minutes:— "I understand that the Trustees of the Agricultural Bank definitely declined to advance on Esperance lands." Signed ......... A.L."

On the 23rd August, 1916, the Under Secretary for Agriculture writes to the Managing Trustee of the Agricultural Bank, asking that the matter should be again discussed by the Agricultural Bank or the re-constituted Industries Assistance Board. Mr. Paterson, the Managing Trustee of the Bank, writes the following minutes:

I cannot see that any good would result by discussing the Esperance matter, as the Agricultural Bank Trustees have decided that these holdings in the supposed wheat area are of no mortgageable value, therefore, not safe business for the Bank to undertake, consequently, I think that the control of these lands should remain where it originated, namely, in the Agricultural Department.

On the 31st August, 1916, the then Minister for Lands minutes as follows:—

The Managing Trustee: Await report of the Royal Commission, please. Signed . . . . . . . . . . . . .

Minister for Lands.

During the period between the 31st August, 1916, and the 25th February, 1920, a Royal Commission had been appointed to advise on the suitability of the Esperance land for wheat growing, and a Railway Advisory Board had reported on the construction of the Norseman-Esperance railway. Mr. Paterson, the then Managing Trustee of the Bank, was a member of such Advisory Board, and advised against the construction of the railway. The said Mr. Paterson, and Messrs. Richardson and Cooke, the other two trustees of the Agricultural Bank, gave evidence before the Royal Commission, and condemned the Esperance lands for wheat growing.

Mr. F. A. Mann, the Government Analyst, also gave evidence before such Commission; he also condemned the land for wheat growing on account of its salinity.

The Royal Commission advised Parliament that these lands were suitable for wheat growing. The construction of the railway from Norseman to Esperance was authorised by Parliament, and settlement of these lands proceeded, with the present disastrous results.

On the 25th February, 1920, the then Minister for Lands addressed a minute to the General Manager, A.B. and L:—

Esperance Mallee Belt.—I wish you to extend I.A.B. assistance to the settlers in this belt in the way you now do to soldiers and to some settlers elsewhere. Signed . . . . . . . . . .

Minister for Lands.
On the 26th February, 1920, the following minute was addressed by the then Minister for Lands to the General Manager, A.B. & I.—

Esperance Mallee Lands.—Please arrange for Mr. Kelso to visit these lands at once, for the purpose of appointing one of the Mallee Bully settlers to act temporarily as agent for the Lands Department and Agricultural Bank Inspector, until there is sufficient work for a full time man.

He should also select roads to be cleared now. The railway will run north and south and long roads to be cleared east and west.

Forests must also be cut down to keep these cleared roads open.

It is realised that the railway can only pay if a large area is cropped. To this end, we must open the land (if not already open) to settlers, and make advances to clear and later to fence.

Mr. Kelso should report on all these matters, and on any others he thinks advisable.

So far as development is concerned, it must be undertaken in the Esperance district, as is done elsewhere.

Signed

Minister for Lands.

The following minute, about March, 1920, was addressed to the Industries Assistance Board by Mr. Grogan, Deputy Managing Trustee of the Agricultural Bank:

Average and Crop Returns of Esperance Mallee Lands.

<table>
<thead>
<tr>
<th>Area</th>
<th>Season</th>
<th>Crop</th>
<th>Wheat</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>under</td>
<td>Hay</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Crop</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>acres.</td>
<td>tons.</td>
<td>bush.</td>
</tr>
<tr>
<td></td>
<td>1913</td>
<td>...</td>
<td>3,062</td>
<td>443</td>
</tr>
<tr>
<td></td>
<td>1914</td>
<td>...</td>
<td>4,777</td>
<td>386</td>
</tr>
<tr>
<td></td>
<td>1915</td>
<td>...</td>
<td>3,197</td>
<td>601</td>
</tr>
<tr>
<td></td>
<td>1916</td>
<td>...</td>
<td>1,937</td>
<td>429</td>
</tr>
<tr>
<td></td>
<td>1917</td>
<td>...</td>
<td>2,540</td>
<td>439</td>
</tr>
<tr>
<td></td>
<td>1918</td>
<td>...</td>
<td>1,701</td>
<td>400</td>
</tr>
<tr>
<td></td>
<td>1919</td>
<td>...</td>
<td>1,064</td>
<td>369*</td>
</tr>
</tbody>
</table>

Wheat average for 7 years—5-5 bushels per acre.
Hay average for 7 years—8 cwt. per acre.

The returns for the season 1910/20 are not complete. Average is taken from the returns to hand.

Board.—On page 114 you decided not to extend the operations of the Industries Assistance Board Act to Esperance mallee lands, but the Hon. the Minister desires a matter of policy (page 110) that settlers in that area should be given the same assistance as T.A.R. settlers elsewhere. The matter is therefore submitted for your further consideration. Above please note the average yield for the past seven years.

Signed. W. G.

The next minute to be found is one addressed to the Hon. the Minister for Lands:—

Esperance Mallee Lands.—Accepting the definite instruction contained in your minute of the 26th ult., page 110 and 119, the duty of the Board must obviously end in pointing out to you that it considers the proposal to grant assistance on Esperance mallee lands unsafe.

In support of this view, the Board directs your attention to the average wheat yields of this territory since 1913, and also to the unfortunate results that have attended its endeavours to help wheatgrowers on mallee lands in the Ongerup, Kyabia and other districts of the State.

If, therefore, your above-mentioned minutes represent your fully considered decision, the Board will take steps to harmonise its administration with Government policy, by voting assistance to Esperance mallee settlers along the lines which have been adopted as the Board's general policy.

The members of the Board, however, must disclaim all responsibility for the losses and disappointments which they consider must inevitably follow.

Respectfully submitted,

A. R. Richardson,
Chairman Industries Assistance Board.

A reply was received from the then Minister for Lands on the 8th April, 1920, the following being a copy of same:—

The General Manager A.B. & I.

Esperance Lands.

After full inquiry into the possibility of wheatgrowing and stock carrying, Parliament decided upon building the line. The line will be built, and to provide freight the land must be brought into use, and as soon as possible. We must, therefore, apply the provisions of the Agricultural Bank Act, and as soon as possible.

You cannot be held responsible for any failure of the land to do what is expected of it.

As far as soldier settlers are concerned, such conditions must be applied as are set up by you as controller.

Signed

Minister for Lands.

The above minute was sent by the Managing Trustee of the Bank to the Chairman of the Industries Assistance Board, with the following comments:—

Chairman L.A.B.:

For your information. It will be necessary to extend the provisions of the L.A. Act to soldier settlers, but the extent of such assistance will be at the discretion of the Board. I assume that the Board will also decide what assistance, if any, will be given to ordinary settlers.

Signed. E. A. McL.

Your Commissioners accept the explanation of the Managing Trustee that in the case of the Esperance lands, the policy of the Trustees was dictated to them by the then Minister for Lands. They acted against their own discretion, and subordinated their trust to the dictates of the Minister.

The Lake Areas, Miners' Settlements (Southern Cross and Murchison), Mr. Hampton, Holleton and Gibb Rock, Unemployed Lumbermen (Yorkerahine), Civil Servants (Kool Koolkool). The Trustees informed your Commissioners that they had no written direction from Ministers to advance on the above-written areas, but that they had verbal directions to do so. Your Commissioners have checked the statement and found it correct.

Your Commissioners questioned Mr. McLarty as to whether he did or did not keep any diary in which could be entered record of such verbal direction given to the Trustees by Ministers. Mr. McLarty said he kept no diary, and if he had he would consider himself acting disloyally to the Ministers if he had made any such entry.

Your Commissioners cannot understand such a statement. If the Minister and Mr. McLarty were acting within their rights in giving such a direction and acting on it respectively, there would have been no necessity for secrecy, and how could Mr. McLarty be disloyal if he had made a diary entry of the directions from time to time to time received by the Trustees.

The attempted settlement of the Lake Areas, Mt. Hampton, Holleton and Gibb Rock, form one of the minor tragedies of the Agricultural Bank. At present the settlers are on an average 40 miles away from the nearest respective railheads; therefore, they have no permanent transport; they have no schools or medical services, and no prospect of obtaining them.
To make matters worse in the Lake Areas (Lakes Carmody, Varley and King) the soil has been condemned by Dr. Teakle, as unfit for continued cereal production. The Lake Areas are dealt with in the report of your Commissioners on the Narrogin District; Mt. Hampton, Holleton and Gibb Rock areas in the report on the Bruce Rock District; the Miners’ Settlement (Southern Cross), in the Kellerberrin District report, and the Miners’ Settlement (Murchison) in the North District report.

Acceleration of Settlement.

After the legislation of 1912, the Managing Trustees says the Trustees were told to advance very freely, and to give settlers permission to get their clearing done by contract, and that these instructions were given in order that the unemployment difficulty in Perth might be relieved. (Question 1347.) Your Commissioners think that this procedure was a negation of the cardinal principle on which the Bank is founded.

From 1912 the operations of the Bank gathered speed and from that year to 1929 the policy of the Bank becomes an obsession for expansion. Lands were surveyed, classified, and thrown open for selection, carrying a guaranteed Bank advance. So great was the rush of applicants for land, that Land Boards were created to deal with and select from the applicants, those to whom the Board was of opinion the blocks should be allotted.

These Boards had to allot the blocks available and could not refuse the applications of men, although they had no knowledge of farming, and no capital, or capital of very limited amount. But the Trustees could refuse to advance to such men. The Managing Trustee said the Bank had to make advances when once the application for land had been granted. (Questions 970, 971 and 972.)

The Trustees were mistaken. They were not bound. The implied obligation to advance was part of the policy when they made themselves the willing instruments of reckless governmental policies of land development.

No doubt there was a great deal of speculation going on in blocks granted or partially improved, and also many men obtained blocks for the sole purpose of getting all the advances they could from the Bank for clearing, etc., and then abandoned the block.

This policy of the Bank—
(a) Encouraged extravagance in its clients,
(b) Correspondingly increased the difficulties of the Bank, and
(c) Created a burden of capitalisation which the industry cannot carry.

1914 Drought—Industries Assistance Board.

In 1914 a bad drought occurred, and in order to relieve necessitous farmers the Legislature enacted the Industries Assistance Board Act of 1915. This Act is referred to now, as its administration was, from 1916, carried out by the Trustees of the Bank, and its Field Inspectors. The operations under this Act are dealt with in Part V. of this Report. This Act is referred to now, as its administration was, from 1916, carried out by the Trustees of the Bank, and the hopelessness of so many of the settlers assisted under the Act.
NEGLIGENCE OF TRUSTEES—LAX CONTROL.

(See also Part IV.)

During the progress of land settlement under the Bank many of the Bank's clients paid off their indebtedness to the Bank from their own moneys or from moneys obtained from the Associated Banks or private investors, and many who did not so pay off punctually paid their instalments of principal and interest due to the Bank.

In many cases, however, the payment of principal and interest fell into arrear, and the accounts were allowed to drift by the Bank. No reasonable explanation has been given to us by the Managing Trustee or the Officers of the Bank for their neglect to obtain such payments.

Poor prices, political interference, sectional bad seasons, expenditure by farmers in further improvements to land, have been suggested as reasons why adequate collections were not made. We have selected a period of good wheat prices between the years 1920-21 and 1929-30, and quote the average export price at Fremantle per bushel for this period:

<table>
<thead>
<tr>
<th>Year</th>
<th>Price per bushel</th>
</tr>
</thead>
<tbody>
<tr>
<td>1920-21</td>
<td>7s 4d</td>
</tr>
<tr>
<td>1921-22</td>
<td>6s</td>
</tr>
<tr>
<td>1922-23</td>
<td>5s 6d</td>
</tr>
<tr>
<td>1923-24</td>
<td>4s 9d</td>
</tr>
<tr>
<td>1924-25</td>
<td>6s</td>
</tr>
<tr>
<td>1925-26</td>
<td>6s 3d</td>
</tr>
<tr>
<td>1926-27</td>
<td>5s 6d</td>
</tr>
<tr>
<td>1927-28</td>
<td>4s 9d</td>
</tr>
<tr>
<td>1928-29</td>
<td>4s 10d</td>
</tr>
<tr>
<td>1929-30</td>
<td>4s 6d</td>
</tr>
</tbody>
</table>

Yet your Commissioners find that during this period of good prices, there was a large accumulation of arrears of principal instalments, while the accumulation of arrears of interest amounted to £619,948.

At no time was any thorough investigation made by the Trustees into the operations of the Bank to ascertain the cause of some of its settlers being successful and clearing up their liabilities, others just holding their own, and others drifting into default. It was apparent to the ordinary observer that all the lands being settled through the agency of the Bank were not productive when lands. It would have been thought that the Trustees would have promptly dealt with such lands, have stopped advancing to settlers thereon when they were continually in default in their payments, and have either repossessed such lands and sold same for such prices as could be obtained, or else financed the settlers to secure and carry sheep. This was not done, and we now find many properties heavily capitalised, with no prospect of the settler's recovery, the settler being carried on from year to year by the Bank in order that the property shall not be abandoned.

Again, in their yearly review (if any) of the Bank's operations the returns from many of its clients must have satisfied the Trustees that such clients by reason of their inefficiency would never make good, but we find such settlers being carried on by the Trustees. The Managing Trustee, on being asked why such a state of affairs was allowed to continue, said that the Bank had developed into a philanthropic institution. (Questions 1216 and 1253.)

Parliament has never, by legislation, interfered with the discretion of the Trustees to make or refrain from making advances. When, therefore, we find the Trustees recklessly advancing, allowing payments of interest and instalments of principal to drift into arrear, allowing unproductive lands on which they had advanced moneys to be cultivated for wheat and inefficient farmers to be carried on by the Bank year after year, then we are forced to the conclusion that the Trustees were not competent to control the affairs of the Bank.

In 1915, when the failure of the crops resulted in such widespread disaster to the farmers, it is apparent that 80 per cent. of the newly settled farmers in Western Australia were not sufficiently established to stand a bad season.

Two of the Trustees of the Bank, as members of the Industries Assistance Board from 1916, and all the Trustees from 1926, had a better experience during that period. They had the knowledge forced on them, as members of the Board, that many of the Bank's securities were bad, that many of the clients the Bank were advancing to were thrifty and inefficient, that many of the lands on which they as Trustees were advancing money would not grow productive crops, that even with the moneys being found by the Board for fodder, seed wheat, machinery, horses and sustenance, the farms were being abandoned. As members of the Board they knew they had to refuse to carry on hundreds of settlers who were not attempting to make good. For instance, on the 31st March, 1924, the Board had 891 stopped accounts, including 302 properties reported as abandoned. (See statement of the Late Mr. Heaton, Manager of the Industries Assistance Board, incorporated in his evidence, page 11.) These matters are dealt with in the report of the Select Committee dealing with the Industries Assistance Board.

Men with the requisite business ability would, with this knowledge, have ceased advancing for the Bank, and waited until a general review of the farming industry could be had. No so the Trustees of the Bank. Your Commissioners find that for the years 1917, 1918 and 1919 the respective advances made by the Trustees were £33,164, £73,830 and £99,891. Bad enough, but still moderate as compared with £402,108 for 1914.

By the year 1923 the Trustees were well in their stride again and for that year £216,574 was advanced.
With all this accumulated knowledge, we should have expected the Trustees to have effected the following reforms:

(a) The creation of an interest reserve fund (if possible).
(b) Reorganisation of the internal administration of the Bank.
(c) Refusal of advances to men with no capital and/or experience.
(d) If advances were made to such men, the amount should have been limited to 50 per cent. of the value of the improvements.
(e) A strict half-yearly review of accounts.
(f) The elimination of inefficient men and unproductive lands from the operations of the Bank.
(g) The consolidation of their securities.

In 1921 the deficiency was £134,497; yet the Bank Trustees advanced £17,500. In 1922 the deficiency was £180,601; advances were £215,871. In 1928 the deficiency was £134,057; advances were £545,177. In 1930 the deficiency was £266,536; advances were £739,600.

Nothing could teach the Trustees; whilst paying over £100,000 a year out of loan moneys to meet their interest bill to the Treasury, they were advancing hundreds of thousands of pounds in which might be termed precarious areas.

At Doverin, two Agricultural Bank settlers whose accounts were good, gave evidence, and, when asked why they succeeded when so many Agricultural Bank settlers failed, they replied, "We have no time for sports during the week, and have to do odd jobs on Sunday." They suggested that many Agricultural Bank settlers could afford to play tennis and attend sports during the week, and did not lift a hand on Sunday. They were asked whether their properties were infinitely superior to the neighbours, and they said "No, they were only on fair average properties." (Question 5346.)

We quote one instance of lax control.

In December, 1931, the Trustees approved the sale of a property, formerly held by "X," to "Y," for £5,185. The property, comprising 1,300 acres, is adjacent to the railway.

To admit a sale at this price, £1,178 of interest was capitalised, and £777 of interest written off. This meant that interest of over £3,000 had been allowed to get into arrear. "Y" came into possession in December, 1931, and has remained in possession ever since. All that he has paid is a sum of £72 for transfer fees. At the present time he is running 10 horses, 51 head of cattle, and 300 sheep under bill of sale to Dalgety & Co. The District Manager for Northam reported to head office in November, 1933, that some action should be taken, and on the 11th of December he again reported, but at the time of our visit in January this year, nothing further had been done.

This is one of the worst cases of neglect we have found, but there are hundreds of cases very nearly as bad.

We might further instance the lax control evidenced by the Trustees over the accounts of their own officers with the Bank. The Trustees had wisely allowed its own officers and/or their wives to become clients of the Bank—there are twenty-six in all.

The total amount advanced is as follows:—Agricultural Bank £31,297, Industries Assistance Board £3,867—total interest outstanding £3,785—total indebtedness at the 30th June, 1933, £59,470.

Lax Control in Respect of Wool and Stock Proceeds under Lien to Stock Firms.

Many clients of the Bank have for years grazed sheep on their farms. These farms were developed on moneys advanced by the Bank and such moneys remained owing to the Bank. Prior to the fall in wool values, there was a great deal of speculative dealing in sheep among the sheep farmers, to the great benefit of the stock firms. When the fall in the price of wool occurred many of the farmers had purchased at from 30s. to £2 per head, and their liabilities to the stock firms for the purchase of the sheep were extremely heavy.

The price of sheep fell proportionately to the fall in wool values. The stock firms, having a lien on the sheep and wool, but no mortgage over the lands on which the sheep were depasturing, had a difficult position to face. The mortgagees of the land had as much right to payment of his interest, so long as the sheep were depasturing on the mortgaged land, as the stock firms had to interest on the amount owed to them.

Your Commissioners do not know what arrangements were made with private mortgagees and stock firms. It has been ascertained that the Trustees of the Bank have allowed, during the last four years, the stock firms to take all the profits derived from wool and sale of stock, allowed the farmer to pay a high rate of interest, up to 8 per cent., to these firms, allowed the interest due to the Bank to remain unpaid, and allowed the improvements on the properties to go back, the result being that the stock firms have collected their interest, made their commission and obtained part payment of the amounts due to them for the sheep. Their accounts are now good instead of being particularly bad, as they were when the slump in wool prices set in.

No serious effort was made by the Trustees to put the Bank on an equality, in respect of distribution of wool proceeds, with the stock firms, until December, 1933. The stock firms having attained a solid position in respect of the amounts owing to them by Agricultural Bank clients, ignored the Bank's claims to such equality. We should have thought that when the slump took place, the Bank, if the stock firms would not have agreed to some pro rata distribution of the stock proceeds, would have insisted on the firms removing the stock from the properties. The Bank held the dominating position, but the Trustees allowed the stock firms to dictate to them and use the Bank's security mainly for their sole benefit.

Your Commissioners cannot state the position better than it appears in the evidence submitted to them by the representatives of the Wool Executive of the Primary Producers' Association of W.A. (Inc.):

"Immediately prior to the wool slump, the price of sheep was abnormally high. They slumped sharply in sympathy with wool. Sheep purchased at up to £2 per head became worth less than 10s. The stock
brokers were faced with terrible losses whenever sheep had to be realised upon. In the majority of cases, however, the settler carried on under impossible conditions, and the Bank's security was used to carry the stock brokers' sheep. Wool proceeds were handled by the stock firms. Usually a certain amount was returned to the settlers for necessities. In some cases there was positive hardship owing to the failure to do even this."

"Meanwhile a high rate of interest was being charged on the fictitious value of the sheep. This charge alone sometimes absorbed half the wool produced. Thus, while unpaid Bank interest was piling up, capital repayments were being secured on stock firms' loans, bad and doubtful debts were being reduced to within safe limits. As the stock firms' position became improved, and became more secure, so did the position of the Bank become more and more dangerous."

No wonder the Managing Trustee described the Bank as a "philanthropic institution."

Your Commissioners would also point out that the stock firms were in many cases supplying super wool packs and cornsacks to the settler at a good commission and on a cash basis.

The Bank's position, as taken from the evidence of District Manager Gillies, Bruce Rock (the best Bank district in the State), is as follows:-

Question 3176. In regard to a man running sheep and having stock lices with the firms, do you see that you get your interest paid out of the wool returns?—No; while the sheep are cumbered by the firm we do not participate in any returns.

Question 3177. So the firms get the debts for sheep paid before the Bank comes in?—Yes.

Question 3178. And out of the wheat proceeds the Bank gets its return?—Yes; we think it good finance to let the present procedure go on, for it means improving the farms and the security.

Whose security, the Bank's or the stock firms? The indebtedness to the Bank being increased year by year, and that of the stock firms being paid off.

Your Commissioners to not wish to criticise the business methods of the stock firms. The executive officers of those firms no doubt acted quite properly, and in the best interests of the shareholders of their respective companies.

Your Commissioners ascertained that the Trustees never insisted on the Agricultural Bank clients signing their wool slips by rail.

Failure to Act on Field Inspectors' Reports.

The evidence of Field Inspectors in several districts discloses in many cases commendatory reports by them against the settlers which were not acted upon by Head Office, and that such settlers, after visiting Perth, could inform the Inspectors as to the nature of their reports. The Field Inspectors say this procedure undermined their authority and disheartened them in their work.

The Managing Trustee and the Deputy Managing Trustee (Mr. Grogan) say that they never allowed their decisions to be influenced by any member of Parliament, and so your Commissioners can only assume that they are responsible for not acting upon the District Inspectors' reports.

Your Commissioners cannot but think that, despite the above occurrences, there must have been such political interference, as, at Question 1881, Mr. McLarty was asked: "No one has had greater experience than you of the difficulties of administering the affairs of the Agricultural Bank. Would you agree that the administration of the Bank be freed from all political and Ministerial control?" And he said: "Yes. I certainly have no hesitation in saying that it should be absolutely free from political control."

Failure to Adopt Business Methods to Increasing Business.

The successive operations of the Bank, gradually transforming it from an Institution providing credit for pioneering into one for financing the manifold activities of farming, should not have been undertaken by Trustees with little knowledge of finance, and insufficient acquaintance with business methods.

The policy of Parliament, by extending the limit of the Bank's advances to £2,000, by making all agricultural, viticultural and horticultural pursuits the subject of Bank advances, by saddling the Bank with the administration and control of the Industries Assistance Board, Soldiers' Settlement Schemes, and Group Settlement Schemes converting the Bank into a very extensive business organisation, the control of which demanded in its executive officers not only a complete knowledge of finance, but business ability of a high order.

Associated banks and the mercantile community know the dangers of seasonal and harvest credit, and how same must be strictly regulated and controlled. With the knowledge gained by years of trading experience, with the assistance of executive heads and staffs trained in the respective businesses it is common knowledge that Banks and the mercantile community generally make losses from time to time in handling farming business.

Did the rigid code of the Civil Service prevent the Trustees from bringing into their service first-class business men at a proper remuneration? Your Commissioners examined the Public Service Commissioner, Mr. Simpson, on this question, and his evidence was that if application had been made to the Public Service Commissioner, he would have considered, and, if necessary, could have granted, any application. The Managing Trustee on this point said that there were just as efficient men in the Civil Service as outside if whose services he could have obtained if the Trustees had required them. But the Trustees felt themselves competent to control the Bank's finances without such assistance.

The Managing Trustee, when examined as to his failure to seek assistance, says (Question 5296): "Of course we were alarmed about the drift, but no one could teach us or tell us what we ought to do or how our business could be improved. We have done everything possible to hold the position and improve it."

With £2,000,000 taken directly or indirectly from Loan Funds to pay interest, with 1,200 abandoned farms on their hands, and with no reserve after handling millions of money, the answer indicates a total absence of appreciation of the seriousness of the position, and consequently the Trustees' unsuitability for the responsible positions held by them.
The operations have resulted in the present unsatisfactory financial condition of the affairs of the Bank. The majority of the accounts in all the districts are considerably in arrear, both as to principal and interest, and when to many of these accounts are added the liabilities of the Lands Department for Crown rents and/or purchase money for Soldier Settlement, and the liabilities to the Industries Assistance Board, the result discloses an aggregate heavily in excess of the value of the properties mortgaged to the Bank.

If the assistance of men accustomed to handling finance, staff organisation, purchases and sales on a large scale, stock dealing and realty sales had been obtained by the Trustees, and if the eagerness of the Trustees to make advances on the fringe of settlement could have been stayed, your Commissioners are confident that many hundreds of thousands of pounds would have been saved to the State.

The Trustees were not in a position to give your Commissioners particulars of the Crown rents payable, year by year, to the Lands Department in respect of the lands mortgaged to the Bank, or the aggregate amount due to the Lands Department for arrears in such payments, and, in the case of clients continually in default to the Bank in respect of principal and interest, the Trustees had made no endeavour to ascertain the amounts due by such clients to outside creditors.

**Dangers Areas.**

The operations of the Bank have been extended to lands upon which no moneys of the Bank should have been advanced for farming. These areas are:

- A. Salmon Gums District
- B. Bulliwall
- C. South Lake Brown
- D. Lakes Carnoby, King and Varley
- E. Mt. Hempton, Halliton and Gibb Rock
- F. Pangrap and Onegrup

These lands are dealt with in the following appendices:

A. Salmon Gums District—Appendix 2.
B. Bullerberia District—Appendix 7.
C. Kununoppin District—Appendix 6.
D. Narrogin District—Appendix 4.
E. Bruce Rock District—Appendix 9.
F. Katanning District—Appendix 3.

These areas are introduced at this point to evidence the want of control exercised by the Trustees over the finances of the Bank.

**Incompetence of the Trustees to Handle the Work they Accepted the Responsibility of.**

We have seen the accumulation of work imposed on the Trustees from time to time as the scope of the operations of the Bank was extended. The capital of the Bank had grown from £100,000 in 1896 to £3,000,000 authorised in 1912. In the following year 1913, the capital was increased to £5,500,000, and in 1914 to £4,000,000. At the present time the authorised capital stands at £6,500,000. Up to June 30th, 1923, advances have been made to the extent of £6,019,623, apart from advances made under Finance and Development Board. This field of the Bank’s operations is dealt with in Part 5 of this Report, under heading “Financial Position of the Agricultural Bank and Industries Assistance Board.”

It has been mentioned that the operations of the Bank were accelerated after the year 1912, and provided sufficient work for the officers to cope with, but in 1916 two of the Trustees of the Bank and all of the field staff of the Bank had the operations of the Industries Assistance Board given to them to handle. The Trustees later on accepted the additional duty of controlling Soldier Settlements, and in 1923 that of Group Settlements.

These operations entailed a great amount of work on the field officers of the Bank, and necessarily on the Trustees and the Head Office staff. It was thought that the Industries Assistance Board Act would be a temporary measure and that the services of the Agricultural Bank Trustees and officers would be required for one year only, but the operations of the Act extended over a period of fifteen years, though in diminishing proportions.

From the year 1913 onward the Bank never paid its way. Yet we find the Trustees, oblivious to the Bank’s financial affairs, taking on the control of millions of money for the Industries Assistance Board and Soldiers’ Settlement. Your Commissioners would again draw attention to the fact that the Board paid to themselves, as Trustees of the Bank £1,193,221 for interest due by Bank clients, who were being fumigated by the Board.

Had the Trustees the capacity to deal with the whole of this work? Your Commissioners think not, as they find the same financial muddle in connection with both the Industries Assistance Board, and the Soldier Settlement Accounts.

No doubt, the work of the Trustees was increased during and after the Great War, by reason of the repatriation of returned soldiers.

In the year 1919, legislation was enacted for the settlement of returned soldiers on the land. The Soldier Settlement Scheme is dealt with in Part VIII of this Report, but it appears to be a pity that, when passing this legislation, the Legislature did not bring into being a separate Board to control moneys found by Parliament for the settlement of returned men on the land.

The effect of this legislation, however, on the operations of the Bank was that after the lands for the settlement of returned men had in many instances been purchased at very high prices, the Bank had to advance to each settler a sum not exceeding £2,500 for the further development of the land. True, the Trustees in this case had the same discretion as with ordinary advances, but your Commissioners recognise that at that time if the Trustees had refused to advance, Parliament would have immediately passed legislation directing them to do so.

However, your Commissioners can find no protest from the Trustees against advancing Bank moneys without any margin of security. The term “without margin of security” is used, as in many cases the productive value of the land after the improvements had been effected, only equalled the price agreed to be paid by the returned soldiers for the land.

During the period 1920 to 1930 the Bank was staggering not only under its own load, but under the additional burden of Soldier Settlement and Industries Assistance Board. The Managing Trustee says that in the year 1917, the position of the Bank was very insecure. (Question 1071.) Wheat was then
5s. 2/6d. per bushel, and he states that the position was relieved by the demand of returned soldiers for the land. Where the relief came from to the Bank it is very hard to say, save that the Bank was no doubt able to sell some of its abandoned farms to returned men.

The Managing Trustee says that the Bank was solvent in 1922 (Question 1103), but in that year legislation had to be passed for reducing the annual installments to be paid by mortgagees in reduction of principal, and in that year also £180,861 was taken from capital to pay interest, and in the previous year £124,440 had been taken from the same source for the same purpose.

In the year 1921 statutory power was given to the Industries Assistance Board to write off such part of the indebtedness of the settler to the Board as the Board might think fit, upon the debtor executing in favour of the Board a legal mortgage over his land and a Bill of Sale over his stock and plant, to secure the repayment of the reduced amount of such indebtedness, together with interest thereon.

This is what the Agricultural Bank calls the "funding of the Industries Assistance Board debts." The sum of £1,290,700 was thus funded, and the funding has had disastrous effects upon the Agricultural Bank and its clients.

The mortgage was by way of being a second mortgage, and was subject to the Bank's first mortgage. These securities took the place of the statutory charges the Board had over the land, stock and plant of the settler.

As the State was the mortgagees both in respect of the Bank and the Board, the effect was nugatory. The result, however, was to overload the properties with mortgage liabilities beyond their true value, and dishearten the settler. It had the further effect that when any of the properties reverted to the Bank, it increased the reserve selling price of the property, as the Bank apparently fixed the amount standing in its books against the property as the reserve price.

From the figures furnished in this Report, it is, your Commissioners venture to say, demonstrated that the Trustees were not competent to deal with the Agricultural Bank's business, much less with the additional business of the Industries Assistance Board and the Soldiers' Settlement Scheme.

Failure of Staff to keep pace with the Operations of the Bank.

The organisation of the Bank did not keep abreast of the development of settlement, the increased work and responsibility accepted by the Trustees, and the consequent work thereby entailed.

An attempt at decentralisation was made in the year 1923, but as very limited authority was given to Branch Managers, no great measure of relief was obtained by Head Office. The result was delay in attending to correspondence of settlers accompanied by late deliveries of super and cornsacks, and the inability of settlers to obtain spare machinery parts expeditiously at seeding and harvest times.

These delays have occasioned a feeling of great dissatisfaction among the settlers, which is being intensified owing to the Bank having had to find sustenance since the year 1929, and to exercise the statutory lien over the crops, which was granted to it by the 1030 legislation.

If the complete decentralisation had been effected, much of the trouble would not have occurred. Head Office does not appear to have been willing to lose control. The District Managers had, or should have had, that local knowledge of the conditions applicable to their various districts, which Head Office never could acquire from the perusal of files and reports. By "local knowledge" we mean the knowledge of the quality of the land, of the client, his methods of farming, his capabilities as a farmer, of the condition of his machinery, plant and stock, of his habits and manner of living.

The District Managers should have been granted greater powers, and decentralisation made effective. Files seem to have been continually passing to and fro, from District to Head Office, and the time taken up by the Trustees in perusing and initialling files should have been given to the major operations of the Bank.

In addition to granting greater powers to the District Managers, travelling Inspectors should have been appointed to regularly visit and report on the work of the District Managers and Field Inspectors, and thus form, through the District Managers, the connection between the mass of clients and the Trustees. No, the Trustees, although having, as before mentioned, insufficient administrative ability, retained control, and if a client required super, cornsacks, or a release of £10 or £15 from his crop proceeds, the matter had to be referred to the Trustees, and the Trustees had to decide whether the client was to be allowed the six tons of super he requisitioned for, or whether he should be allowed only four tons; whether he should be allowed five bales of cornsacks he said he would require for harvesting, or whether he should be allowed only four bales.

Effect of Lax Control on the Outlook of the Farmer.

Your Commissioners would like at this stage of the review of the operations of the Bank to enunciate on the failure of the Trustees to take into account the mentality of the farmer. The principle on which the Bank was established demanded strict compliance by the settlers with their obligations, financial or otherwise. The settlers were indulged, arrears of principal and interest were allowed to accumulate.

The Trustees, by their lax control, established among the settlers a strong body of opinion that they were doing the State a service by remaining on and working the land, and further, that as they only owed the money to the State, and were working for the State by producing wheat and wool, the State could well afford to wait for payment of principal and interest. If it came to the worst, it could write off the indebtedness.

The paternalism, or principle of philanthropy, which characterised the operations of the Bank, failed when pressure had to be applied.

In 1930, when the finances of the Bank became completely disorganised owing to the failure in the supply of loan moneys, the Bank had to make a belated attempt to collect arrears of interest and principal by applying pressure. A spirit of antagonism to the Bank was thus developed and manifested itself against the Bank by the settlers. This antagonism had been accentuated as the Bank has had to enforce its statutory lien, collect crop proceeds, and distribute same under an administration unable to handle the situation. No proper accounts were rendered to the
settler, and he complains bitterly that he never knows what his position is from season to season.

Many of the settlers are so heavily involved that they care nothing about their accounts now, but are quite content so long as the Bank will keep them on their properties. Others resent not being able to ascertain what their financial position is. The continuation of such a system will destroy the money sense in the settler.

Causes Leading up to the Present Financial Condition of the Bank.

The main cause was the policy of development in the wheat areas. Your Commissioners have indicated that there have been two periods of development: in the first period the Trustees pursued a cautious policy, founded on the experience gained from years of advancing and dealing with the activities of pioneering new lands; the second period the Trustees forsaking this sound policy for one of boom, rush of survey and classification, and indiscriminate allotment of advances to applicants. The complete unsuitability of many of the applicants for farming was ignored. The Managing Trustees said: “We could only find out by experience if a client was suitable.” The taxpayer was paying for the Trustees to purchase this experience.

Land settlement was allowed to become a speculative business, and not restricted to men who wanted to make a home of their farms.

The Bank was forced, or the Trustees imagined themselves compelled, to lend the moneys of the Bank to men ignorant of farming, and on lands which could not be said to be satisfactory securities, particularly so in respect of light lands.

“Large numbers of these holdings (abandoned farms) consist of the lighter class of land which has failed, in ordinary methods of cultivation, to give payable crops. The practical demonstration of how these light lands can be made to support settlement would be of inestimable value to the State, and would help the Bank towards the solution of the most serious of its difficulties.” (Extract from 1921 report of Trustees.)

Again the Trustees assisted to settle lands so far distant from permanent transport that it necessitated expensive haulage of wheat to railheads.

In 1917 the Report of the Trustees to Parliament reads:—“The policy of settlement under which all new areas were made available for settlement, contemplated that every settler should eventually come within a 2½ mile radius of a railway. The failure to carry this policy to fulfilment has placed the Bank in the position of an army that has got beyond its supports.”

The Trustees always appear to have seen the better course, but to have almost invariably followed the worse.

Political interference has also played its part. There is no doubt that many appeals have been made by members of Parliament to the Bank, either personally or through the Minister who is assumed to have controlled the Bank, and these appeals were successful, resulting in the Trustees releasing funds to unsuitable men, and for the development of unsuitable lands, and allowing inefficient settlers to remain in occupation at accumulating losses to the Bank.

The rush of returned men for repatriation, the purchase of lands at a time when wool and wheat commanded high prices and created high land values, and the large advances which the Trustees were directed to make to soldier settlers; all these have been contributing factors to the present collapse.

The Industries Assistance Board (the Trustees of the Bank under another name) recklessly piling up indendues on the Bank’s securities, may be one of the causes contributing to the hopeless outlook of very many of the settlers.

The granting of advances for fallow and for seasonal credit through the Bank, Industries Assistance Board and/or Finance and Development Act, either by way of cash payments or Treasury guarantees, with statutory liens or common law charges to secure the repayment thereof, the collection and distribution of the proceeds of the crops, and in many cases the re-advancing of such part of the proceeds as came to the Bank or Board, has led to such an involved mass of indendues and securities that it is extremely difficult, if not impossible, for the settler to understand his account.

Your Commissioners are of the opinion that it was a mistake for the above-named institutions to attempt to collect the whole of the debt from the crop proceeds annually, as the debt was represented by no assets, and the continued exercise of the statutory lien or common law charge necessitated a policy of guarantees by the Bank and/or the Board for required supplies, or a refunding of the proceeds of the crop to the settler (wholly or partially).

Duty of the Trustees to Place the True Position of the Bank before Parliament.

The Trustees have never faced the financial position of the Bank, and such financial position has never been placed before Parliament by the Trustees. If the Bank’s policy had been dictated by the Ministers, as alleged by the Trustees, then the Trustees had each year an opportunity of telling Parliament the fact, and expressing their disagreement with the Ministerial policy and the undermining of their discretion by Ministerial control. Parliament was never informed of the actual shortage between the yearly interest collected from settlers and the yearly amount which had to be found for interest payments to the Treasury, contributions to sinking fund and administration expenses.

We have been referred by the Trustees in this connection to their Reports to Parliament for the years 1921, 24, 25, 26, 27, 28, 29, 30, 31, and 32, and they claim to have been more than frank in placing the financial position of the Bank before Parliament each year.

Apparently, the Trustees place a different construction on the word “deficiency,” as used by them in their Reports, to that placed thereon by you Commissioners. The Trustees claim that under the Bank Act, 1922, they were entitled to use principal repayments, namely, money repaid to the Bank by the mortgagees of the Bank, in permanent reduction of their liabilities, in payment of interest to the Treasury and contributions to sinking fund.

When the Trustees in their Reports refer to “deficiencies” they appear to refer to deficiencies between the interest collected and paid, and do not take into account administration expenses and use
of principal repayments, and apparently treated an amount as being paid for interest which they held on behalf of the settler and re-advanced to him for seasonal credit.

When your Commissioners use the term "actual shortage" they mean the yearly amount which had to be made good by the Trustees, either from principal repayments and permanent reduction of liability and/or loan moneys to make up interest payments and contributions to sinking fund, payable to the Treasury, and administration expenses.

Your Commissioners are of the opinion that, unless the actual shortage was known to Parliament, the financial position was not placed before Parliament from year to year in a straightforward manner.

Your Commissioners propose to deal shortly with the Reports which the Trustees have referred to in this connection, in order that the relative attitudes taken up by the Trustees and your Commissioners can be readily ascertained.

Though actual shortages occurred in every year from 1914 onwards, the first reference thereto in the Trustees' Reports to Parliament was in the year 1924. On the 30th June, 1924, the accumulated actual shortage was £641,193.

In the Report to Parliament for that year the Trustees say—

The interest rates on loans made during the year have been maintained at the previous year's level, viz., seven per cent. to ordinary civilians and six and one half per cent. to discharged soldier borrowers, the latter also receiving the concession rates provided by statute in respect of the first £200 of advances. While it is apparent that seven per cent. represents the limit a developmental institution can demand on its advances, it is equally apparent that in the absence of access to other sources of profit the Bank cannot continue to provide the existing credit facilities without showing an increasingly heavy loss on its operations.

In the Report for the year 1925, attention is called to the necessity of using borrowed money to pay interest on soldiers' capital. The actual shortage for the year 1925 was £81,906.

In the year 1926 the Trustees report that collections were again insufficient to meet the interest on capital, the deficiencies being £22,678 1s. 2d. (ordinary settlers) and £22,418 13s. 11d. (discharged soldier settlers) respectively. The actual shortage for that year was £107,746.

In the Trustees Report for 1927, on page 8, the reasons for increased Bank interest commitments are stated as follows:—

(a) Increase in the average rate of interest payable to the Treasury.
(b) Interest paid on capital which has been lost through bad debts, etc.
(c) Borrowing capital to help pay interest to Treasury on Soldier Settlement capital.

The actual shortage for this year was £72,924. In the 1928 Report, page 7, attention is drawn to the fact that the Treasury in connection with Soldiers' accounts, recouped interest losses by reducing the capital account, instead of crediting Trust account. This had the effect of showing a shortage on interest collections.

It is further stated that a cash deficiency of £11,215, together with the cost of administration, had to be financed by further borrowing. The actual shortage for that year was £103,983.

In the 1929 Report, the deficiency financed by borrowing is stated to be £86,480. The actual shortage was £134,497.

In the Report for the year 1930, the Trustees showed the deficiency for the year as £86,655 13s. 6d. They say: "The growth of interest arrears was responsible for the Bank having to continually draw additional capital from the General Loan Fund to meet interest commitments to the Treasury and defray administration expenses.

The annual deficiency in the collection of cash for the past three years is as follows:—

<table>
<thead>
<tr>
<th>Date</th>
<th>Amount</th>
</tr>
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<tbody>
<tr>
<td>30th June, 1928</td>
<td>£11,215 10 8</td>
</tr>
<tr>
<td>30th June, 1929</td>
<td>£64,909 6 11</td>
</tr>
<tr>
<td>30th June, 1930</td>
<td>£85,853 13 9</td>
</tr>
</tbody>
</table>

The actual shortages for those years were £102,983, £134,497, and £256,356 respectively.

In the 1932 Report the Trustees show a deficiency of £240,926. The actual shortage for that year was £134,130. In this year the Bank commenced the year with a credit balance of £201,924, being the balance of capital raised and not appropriated to loan.

In the year 1933 the actual shortage was £292,386, and the accumulated shortage from the year 1914 to 30th June, 1933, was £1,989,436.

In many years profits were shown on the Balance Sheets which had not been earned. Parliament was never specifically informed of the great shortage between the interest collected and that which had to be paid to the State on moneys borrowed for the purpose of the Bank and that this shortage was being made good from principal moneys. Parliament was never specifically informed of the hundreds of thousands of pounds of loan money which had been advanced on unproductive wheat lands. Parliament was never specifically informed that the Trustees had ceased to exercise discretion when making advances on areas which had been thrown open for settlement, but were merely acting as agents for the Minister in carrying out Government policy. Parliament was never specifically informed of the hopeless collapse of the Esperance Settlement. Parliament was never specifically informed that the Trustees had no reserves to meet losses and no means of creating same.

If the Trustees had placed the financial position before Parliament and had honestly expressed in their annual reports their disagreement with Government policy, the taxpayer would know that he had his own representatives to blame for the present debate.

Operations in respect of Unproductive Wheat Lands.

In the following matters the Trustees must bear all responsibility. Firstly, they failed to realise that wheat was being grown on unproductive lands, and that losses were being made on such accounts, even when wheat was at good prices. They had reports before them from their District Inspectors. They were advised in many cases that the only chance a settler had of making good was to swing over to sheep. At this time the Trustees had
ample funds at their disposal, say, during the period from 1929 to 1939, but they would not take advice. Their main aim was wheat production, and to follow settlement on the outside fringe of the wheat belt.

In the period, 1920 to 1929, the Trustees advanced over three million pounds. In the opinion of your Commissioners, they should have consolidated their securities, converted unproductive wheat lands into sheep and oats, eliminated the unfit settlers, established their existing clients, and left the “edge of settlement” severely alone.

The production of wheat in unproductive lands which were capable of carrying sheep was continued, even though during the period of such production sheep were plentiful and cheap. The Trustees had only to provide rabbit netting and fencing wire; the settler would have found all the labour, and the Bank might have had to find £100 to £150 for an additional dam. If the Bank had not the powers to purchase sheep for a client, the stock farms would have found the sheep. With sheep the settler had a chance of paying his interest and part of his instalments; he had none producing wheat alone.

Many of the settlers stated they were compelled year after year to put in wheat on unproductive wheat lands. These statements were supported in part by certain of the Field Inspectors. The Managing Trustee denies this statement, and said that the Trustees never compelled settlers to sow wheat; but the Trustees did not give your Commissioners any reasonable explanation as to why unproductive wheat lands were cropped year after year, or why such settlers were not financed by the Bank to change over from unproductive wheat production to sheep and oats.

Again, in the north-eastern and eastern farming lands, where in the closing months of the growing season, the rain is apt to cut out, fallowing and keeping the fallow clear are essential. Without sheep it is almost impossible after some years of cropping to keep the fallow clear. The Trustees never insisted on the settler getting ready for sheep and stock up, or even assisting him to do so, but relied on him with insufficient horse-power and farming plant to grow wheat at a profit, the consequence being the present bad state of the settlers’ accounts with the Bank.

In the year 1921 we find the Trustees complaining of the unproductivity of light lands. In 1927 we find them advancing readily on light lands. When questioned on this, the Managing Trustee said that the light lands referred to in the 1927 report were the light lands of the northern areas.

Secondly, the Trustees should not have advanced on morrel country securities. There is perhaps no greater contributory factor to the losses that must eventually be written off by the Bank than the result of making advances on these securities. It has been a well-known fact for many years that morrel country is always treacherous for wheat unless you have a heavy rainfall and have stock to pack the soil when wet. It is true that this type of country carries good feed, principally barley grass, but unfortunately great belts of morrel country have been developed by the funds of the Agricul-

... tural Bank in districts where we have an annual rainfall of from 10 inches to 12 inches, where no provision has been made for fencing for sheep. Therefore, it is impossible to give this type of soil the required treatment.

May we quote one instance? Lake Brown is a district where much of this type of country is found. Grey sandy morrel country; a type of country with a very wet season will buy the farmer up with a phenomenal crop. Then for a succession of years—low averages, with painfully monotonous regularity.

This district was settled originally by civil servants. After a period it was abandoned. After the War, returned soldiers were settled there. Again 20 farms have been abandoned.

The following evidence given before the Commission makes it incomprehensible why the Trustees, who understood this type of country advanced so extravagantly:—

District Manager, E. A. Cook, Kununurra. (Question 2728, page 621).—Lake Brown was settled in 1912 and abandoned. This area was reserved for settlement, and again 20 farms are abandoned. The area is only suitable for grazing, being morrel country—30 per cent. of my territory is morrel country.

Field Inspector Eddie. (Question 2747, page 625).—I have always been scouring morrel country. The settlers have no chance of succeeding. Our rainfall cuts off in September, the same as in the Bullchan and Lake Brown areas, which were a failure before this new area was thrown open. The average yield in my district is eight bushels. Some farmers grew an average of four bushels. The cost of production 28s. per acre. The advances made are about £3 per acre.

Field Officer Austin. (Questions 2704, 5, 6, page 613).—This area has many morrel farms in this district. The Bank is still advancing money to keep the man farming there. The holding of stock would help the position. Forty of these farmers get about seven bushels average.

A morrel farm is a bad security.

T. E. Handley, former, of South Lake Brown, put in the following returns of his cropping operations from 1928 to 1933 inclusive:—

(See Table 2771, page 630.)

Mr. Handley attributes the low yield to morrel country and salinity.

Question 2750. Is that the old civil servant settlement?—Yes. Mr. McLarty said the returned soldiers should not have been put on it.

Mr. H. H. Hoddinott, Walgoolgan (Question 2908, page 651).—I have 1,000 acres, 850 acres of which are morrel country. My liability to the Bank is £4,400. My average yield for the last five years has been seven bushels per acre.

Mr. Battford, District Manager, Kellereurria (Question 2966, page 658).—I think that at least half of the amount will be lost.

Mr. Wadnell, North Walgoolgan (Question 2851, page 653).—My average yield is 16 bushels per acre. I have mostly gimlet and a little gum country. I am on the edge of the morrel belt. I have 90 acres. I try to work it wet. My neighbours adjoining morrel country; their yields are about six to nine bushels per acre.
Thirdly, the Trustees kept the inefficient farmer on the land. The thrifty Agricultural Bank settler, during the period of good prices, having paid to the Bank interest and principal instalments, put his profits back into improvements. The untimely did not, and did not even pay the Bank the interest and principal instalments due by him, with the result that he now has no money and a partially improved property which the Trustees are afraid to take over.

Even when the maximum advance was increased to £2,000, the Trustees might have known the settler without capital could never establish himself on a thousand-acre farm, and they should have been more than cautious as to the person, and upon what property they advanced the £2,000.

Securities.

The Trustees have never had a valuation made of their securities. Your Commissioners prepared a return for the Trustees to furnish them (copy of which is shown in Appendix 13). On submitting same to the Managing Trustee he said that it would take his officers two years to complete it. He said that the Bank had never had a valuation made, as bad accounts were coming under the notice of the Trustees from time to time, and they did not trouble about the good accounts. Had the Bank had a valuation of its securities made from time to time, it would have taken a month of six weeks to furnish the return asked for.

As this return could not be obtained, your Commissioners can only approximate the value of the Bank's securities from information gained from the Field Inspectors and from the inspections they have made of such properties as they could afford the time to inspect in the various districts.

Your Commissioners accordingly prepared a second form (Appendix No. 14) and asked the Bank to nominate six farmers in each district to attend and give evidence before the Commission, and at the same time fill in and complete these returns. This was done, and an abstract of such returns appears in Appendix No. 15.

These forms were also sent out to the Primary Producers' Association and Wheatgrowers' Union and Returned Soldiers' League, with a request that their representatives who were to attend and give evidence before the Commission, should fill in and complete same, but your Commissioners received very few of these returns, and the ones they did receive were incomplete. Your Commissioners have attempted to give an approximation of the value of the Bank's securities, but need hardly stress the point that it is only an approximation.

Your Commissioners could not give the necessary time to check the mortgage securities now held by the Bank. This must be one of the first tasks undertaken by the new management.

Returned Properties.

This, we think, is a more euphonious term than "abandoned farms." "Abandoned farms" conveys an impression of an extremely poor property which a good farmer, after years of hard work, has to for-sake and abandon. As a matter of fact, a reverted property of the Agricultural Bank represents a property in many cases which has been thrown back on the Bank's hands by reason of—

(a) The poorness of the land.
(b) The incapacity of the settler.
(c) The land being put to a wrong use; e.g., growing wheat on sheep and oats country.
(d) The land having been selected originally for speculative purposes, and the settler fails to find a buyer.
(e) The settlers merely selected the land to work on it so long as the Agricultural Bank advances continued. Immediately they ended, they left.
(f) Remoteness from permanent transport, and therefore from the amenities of life.
(g) Salinity in the soil, or
(h) Over-capitalisation.

Many of these reverted properties will be taken up again, and will provide homes for hundreds of settlers. It may be asked, why should there be over 1,200 reverted properties in the Bank's books? The lands have been surveyed and classified, firstly by the surveyor of the Lands Department, secondly have been classified by the Inspectors of the Agricultural Bank, and with these classifications one would expect to find a sufficient area of good land on each block to make it productive. Unfortunately, such was not the case.

Lands were passed by the Bank Inspectors for small loans which were insufficient to bring same into productive stage. It was found that settlers were granted blocks, having 630 acres of first-class land, but a big area of second and third-class land, which had to be fenced and paid for, and which had very little productive value. The Trustees were looking for trouble, but as the Managing Trustee says, "We had to follow settlement."

Again, the efficient man would have made a living from the commencement on some of these reverted properties, but the wrong type of man got them.

Again, many of the reverted properties were persevered with as wheat farms, when their yearly average did not exceed eight bushels. These are the "light lands" referred to by the Trustees in their reports. The Trustees should never have advanced on them in the first place, but having commenced advancing, they should have insisted on their being put to the best use. A large amount of Industries Assistance Board liability accrued on these light lands.

Again, much of the country west of the Great Southern, and for some 20 miles east, is not wheat country—purely sheep and oats, and Agricultural Bank clients have "gone broke" on it, trying to grow wheat.

Remoteness from railway, and salinity have caused many abandonments, and these causes speak for themselves.

On fair lands the heavy Industries Assistance Board indebtedness caused over-capitalisation. The burden of this disheartened the settler, and he left.

Over-capitalisation is one of the tragedies of repatriation.

The returned men never had a chance on many of the properties. That deadly bullet, interest, killed the men from the start. Not that they always paid
the interest, but the accumulations of purchase price instalments and interest became too great a burden. Incapacity to make farmers was of course an added cause. We have seen that class farms in a repurchased estate abandoned by men after years of hard work had been put into them. It will thus be seen that the abandonment arises from many causes, but, of course, the primary cause was that the Trustees wrongly thought they could not select the man who was to go on the land, and they would advance on poor to fair properties with too great an area of second and third class land, for a moneyless man to take hold of.

The abandonment was fairly regular from 1914, and instead of accepting same as a warning, and reorganising their methods of advancing, by classifying the men who were going on the land, and more strictly classifying the lands, the Trustees failed to realise the seriousness of the position, and continued the policy of making new advances.

As some 700 to 800 properties were on the Bank's hands before the depression, and the number had been steadily increasing, month by month, it is reasonable to expect that some very special efforts would have been made to dispose of these assets by improving the present system and creating an assets realised department under efficient control. The system followed appears to have become stagnant.

No revaluations; no writing down of values, except in comparatively few instances; no energetic steps taken to sell; no complete register of all the Bank's properties for sale is kept in district offices for easy reference, and no employment of outside agents. An office was opened in Melbourne for three months, and no competent rently superintendent was put in charge; one of the District Managers was sent to take charge there. The result was that not one property was sold.

The new management will have to deal with these reverted properties, and your Commissioners have no doubt they will do so with success. May your Commissioners suggest to them to have full reports made by the Managers, with their valuation, and then have the reports checked by a Chief Inspector, reserves to be finally fixed by the Board. No doubt money will have to be spent in putting these properties in order, but the work can be done by the local Agricultural Bank clients. There does not appear to be any necessity to hurry, a selection of properties from each district to be handled under a system of improvement and subsequent sale, but progress should be made as the market absorbs them.

Fund the purchase price, land rents and interest, and spread payments over thirty years or such shorter period as may be required. Improvements to be maintained. No further Bank advances. Form a realisation department to deal with sales. As properties are got ready for sale, give properties to selling agents, they have auctions from time to time.

Your Commissioners merely suggest and do not recommend. The good it would mean to the State need hardly be stressed if 300 of these properties could be put into production each year. The process of sale adopted now, to men without capital and the Bank continuing to carry the load, should be ended.

Road Boards.

The financial position of many of the road boards in the wheat areas of the State is critical. This position is occasioned by the failure of the Agricultural Bank clients to pay either current or any part of the arrears of road board rates, and/or vehicle taxes.

This failure to pay by the Agricultural Bank clients is having a three-fold effect:—

1. The boards have no money to maintain the roads in a proper manner.
2. The boards have not the money to deal with the vermin on reverted properties of the Bank in their districts.
3. The farmers who pay their rates complain that they are doing so in order to maintain the roads which are used by the non-payers equally with themselves. They threaten to discontinue paying unless the Agricultural Bank settlers pay their current yearly rates.

In every case in which the chairman of a road board gave evidence before the Commission, he stated that if the Associated Banks had not paid the rates for their clients, the boards would have ceased to function. Evidence was to the effect, also, that if the financial position of the boards did not improve, and Agricultural Bank clients did not pay their current rates, the present members of the board would retire, and therefore in all probability the board would cease to function, or else the area of choice of road board members would be extremely limited.

The Trustees say they have no money to pay; the Government say it is none of their business, and that the board should take action against the defaulters. The board reply, "If action is taken what better position are we in, save that we have a barren judgment against the settler?"

The logical conclusion of the above facts is that the road boards will cease to function, the roads will not be maintained, and when the wheat industry recovers, the road boards will have to provide a large capital outlay to restore the roads to a fit condition. This state of affairs should not be allowed to become operative, and the new management should give their immediate attention to assisting the boards by finding a certain amount of money for the current rates of Agricultural Bank clients.

It should be mentioned that certain of the boards allow work to be done by settlers against rates, but the boards complain that the work done is unsatisfactory. The men do not understand the work and excessive prices are demanded by them for their labour.

What has been the Value of the Operations of the Bank to the State?

Your Commissioners appreciate the fact that the collapse of the wheat industry appears to be imminent in all wheat countries in the world, unless the production is drastically curtailed. Your Commissioners, however, are reporting on the operations of the Bank during a period of forty years, and therefore must direct attention to the fact that the result of these operations, even had there been no collapse in wheat prices, would have resulted in less to the State.
The economic development of Western Australia, owing to the absence of a uniform quality of land, demanded the closest consideration by State instrumentalities. This attention was not given, with resultant loss to the State.

Your Commissioners quote two instances of railway construction—Katanning to Pingrup, and Borden to Ongerup; leaving out, of course, the costly mistake of Norseman to Esperance.

Not only do these railways show a heavy loss, but the State, through the Bank, has to maintain the farmer on the lands opened up by these railways.

KATANNING TO PINGRUP SECTION.

<table>
<thead>
<tr>
<th>Station or Siding from</th>
<th>Season 1932–1933</th>
<th>Wheat (tons)</th>
<th>Wool (bales)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kibbleup</td>
<td>1932–33</td>
<td>46</td>
<td>1</td>
</tr>
<tr>
<td>Badgingup</td>
<td></td>
<td>320</td>
<td>5</td>
</tr>
<tr>
<td>Ongerup</td>
<td></td>
<td>1,395</td>
<td>7</td>
</tr>
<tr>
<td>Koolgup</td>
<td></td>
<td>1,375</td>
<td>13</td>
</tr>
<tr>
<td>Kiwiberup</td>
<td></td>
<td>744</td>
<td>9</td>
</tr>
<tr>
<td>Mooraoming</td>
<td></td>
<td>771</td>
<td>4</td>
</tr>
<tr>
<td>Nyabing</td>
<td></td>
<td>1,501</td>
<td>8</td>
</tr>
<tr>
<td>Chinchop</td>
<td></td>
<td>1,118</td>
<td>3</td>
</tr>
<tr>
<td>Pingrup</td>
<td></td>
<td>5,368</td>
<td>6</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>11,289</td>
<td>59</td>
</tr>
</tbody>
</table>

Interest                              £7,300 per annum.
Maintenance of Track, Buildings, etc. £2,000 per annum.

BORDEN TO ONGERP SECTION.

<table>
<thead>
<tr>
<th>Station or Siding from</th>
<th>Season 1932–1933</th>
<th>Wheat (tons)</th>
<th>Wool (bales)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borden</td>
<td></td>
<td>3,144</td>
<td>29</td>
</tr>
<tr>
<td>Laurier</td>
<td></td>
<td>806</td>
<td>3</td>
</tr>
<tr>
<td>Toompup</td>
<td></td>
<td>907</td>
<td>5</td>
</tr>
<tr>
<td>Ongerup</td>
<td></td>
<td>1,365</td>
<td>14</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>6,118</td>
<td>61</td>
</tr>
</tbody>
</table>

Interest                              £1,000 per annum.
Maintenance of Track, Buildings, etc. £600 per annum.

The distance from Katanning to Pingrup is 59 miles, and on this railway during the 1932-33 season, 135,228 bags of wheat were carried, in addition to 59 bales of wool. On the Borden-Ongerup line, 26 miles, 35,058 bags of wheat were carried, and 92 bales of wool.

The earnings of this quantity of freight are, of course, infinitesimal, as compared to the interest on the cost of construction and maintenance of the railways. There would, of course, be some freight for superphosphates, and some passenger traffic.

Your Commissioners do not anticipate that the number of bales of wool carried will represent the wool production of this district, as the Bank did not insist on their clients sending the wool by rail.

The Esperance railway carried last season, 134,000 bags of wheat and a clip from 9,000 sheep, from stations and sidings over 126 miles.

Probably there are many other railways showing similar losses; such as the Waring-Bowelling, and Narrogin-Davida railways.
whole of the wheat industry of the State had to be maintained.

Your Commissioners roughly estimate that 3,000 farmers will require an average expenditure of £500 per farm for reconditioning plant, increase of horse-power and provision of fencing and water, making a total of £1,500,000.

To this may be added the cost of sheep, assuming that 500 of the 3,000 already have sheep. The average flock to be provided for 2,500 farms would be 300, so that 750,000 sheep in all would be required at an estimated cost of £1 per head—£750,000, making a total of £2,250,000. This expenditure would be spread over a period of say five years.

Eliminating progeny, an income of £225,000 from wool might be expected at the present price of wool (average fleece 6 pounds, 300 pounds to the bale, £15 per bale).

The interest on £2,250,000 at 5 per cent. would be £112,500. This, of course, would be a big rate of interest to pay for the money, and it might be obtained at a much lower rate.

It may reasonably be concluded from these figures, that if a special advance was made to the Bank for the above purpose, the Bank would be enabled from the wool returns of the farmers, not only to pay interest on such advance, but would be enabled to form a redemption fund for liquidation of same.

The farmer after paying interest on his portion of the special advance, and such yearly instalments which he would be required to pay as a proportionate part of his contributions to sinking fund, would have the balance of his wool returns, and the profits from the progeny, to maintain himself and probably to pay the whole or part of the interest due by him to the Bank on his main indebtedness to the Bank.

The property would be improved by stocking and in the event of wheat recovering, the farm would be in a greatly improved condition for wheat-growing if same could be profitably grown thereon.

Has the policy of land settlement in Western Australia justified itself from the Imperial and/or the Australian point of view? "In the present condition of world affairs no country can have a greater asset than habitable territory available for occupation. Australia has this in abundance, and particularly Western Australia. National security and material well-being alike suggest the need for reasonable expedition in filling empty spaces; happiness and true greatness demand a wise discrimination in the process."—"Japan, Mistress of the Pacific"—Etherton and Tiltman.

If mistakes have been made and great losses incurred, have not great gains been made in the establishment and maintenance of a virile population on the vacant lands of the State? Your Commissioners have seen the men, women and children in the wheat and sheep areas. No nation could have a greater asset.

If, from a State aspect, the acceleration of settlement has been a financial mistake, from a national aspect would it not be fatal to let the present occupants drift from their farms to be maintained in the cities on the dole? The endeavour to keep them there must be the work of all classes, politicians, merchants, railway men, waterside workers, superphosphate companies, bankers and private investors. There must be no class distinction; united effort must be made and money must be found to put and maintain the farming industry in at least a healthy condition. Get the proper men in charge of the Agricultural Bank, and the initial mistakes may be turned to good account for the State.
PART IV.

Internal Administration and Organisation of the Bank.

PARAGRAPH 2 (1)—TERMS OF COMMISSION.

(a) The Trustees, their appointment, tenure of Office and the extent to which the Trustees have any share and/or responsibility in the administration and policy of the Bank.

Your Commissioners have in Parts II. and III. of their Report dealt fully with the abovementioned matters.

The Trustees consist of the Managing Trustee, appointed by the Governor—salary £1,500 per year (full time), and two Co-Trustees, appointed from time to time for a term of two years, and remunerated by the payment to them respectively of £3 3s. for each sitting, such payment not to exceed a maximum amount of £250 per year (part time).

These two Trustees receive travelling expenses, and also receive other allowances for sitting as members of the Industries Assistance Board.

The Managing Trustee is responsible for the administration of the Bank, but the Trustees state they accept no responsibility for the land settlement policy of the Bank, regarding themselves merely as administrative officers to carry out the Government policy of settlement.

When the bulk of work thrust upon the Trustees, which has been dealt with in Parts II. and III. of the Report of your Commissioners, is considered, it will be realised that no Government could expect to have a Bank controlling 14 millions of money efficiently controlled by one whole-time and two part-time executive officers.

(b) and (c) Head Office Management, Control and Management of District Offices and Field Staffs.

Your Commissioners have dealt in Parts II., III., VI. and VII. with the management and control of head office and staff, and have gone very fully into the results obtained by the management.

Your Commissioners are recommending an entire change of management, and for the purposes of re-organisation, such new management will have the opportunity of considering the reports made by your Commissioners on the various agricultural districts visited by them, and also the three schemes for the re-organisation of the staff of the Bank—one prepared by Mr. G. W. Simpson, the Public Service Commissioner, another submitted by Mr. G. B. Carlisle, a former sub-accountant of the Bank, and another submitted by Mr. W. A. White, a former official of the Bank, and now Director under the Farmers' Debts Adjustment Act.

Your Commissioners are of the opinion that the management and control of the district managers and field staff have been very ineffective. The Managing Trustee admits he should have appointed more executive officers, including a chief inspector.

If reference is made to the concluding portions of this Part of your Commissioner's Report, under heading "Complaints Regarding Land Transactions of Bank Officials," it will be noted that your Commissioners are of the opinion that the conduct of the two officers referred to demanded their immediate retirement.

Your Commissioners find, however, that after due inquiry had been made by the Managing Trustee into the respective cases, the two officers are still retained in the employ of the Bank. Such laxity of control must tend to have a bad influence upon the officials of the Bank.

It is anticipated that men of executive ability will comprise the new board of management, and that, with the information mentioned already before them, they will not require any suggestions from your Commissioners as to the manner in which their work should be done.

(d) The Relative Costs and Expenditure incurred, and the possibility and probable methods of effecting Savings and Economy.

The administration of the Bank's affairs for the year 1932-33 cost £90,779. This figure does not include salaries paid to two of the Trustees, and approximately £2,000 of the amount is rebated by other Departments.

Exclusive of two Trustees, 206 officers are employed by the Bank, and there are 13,521 accounts, made up as follows:

<table>
<thead>
<tr>
<th>Accounts</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agricultural Bank</td>
<td>8,543</td>
</tr>
<tr>
<td>Soldier Settlement</td>
<td>3,565</td>
</tr>
<tr>
<td>Group Settlement</td>
<td>1,716</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>13,824</td>
</tr>
</tbody>
</table>

Of the total cost of administering the Bank's affairs for the year, an amount of £25,884 was expended in connection with head office and the balance, viz. £65,415, in respect of the branches of the Bank.

The percentages of the cost of administration against collection of principal and interest, and the average cost in respect of Bank clients for the year 1932-33 are as follow:

- Cost of administration to interest collected—30 per cent.
- Cost of administration to principal collected—69.93 per cent.
- Cost of administration to principal and interest collected—81 per cent.
- Average cost per account—£6 11s. 4d.
Particulars of cost of administration are set out in Appendix No. 24. Particulars of the number of officers employed and the average cost of administration per account at branches are as follow:

**YEAR 1932-33.**

<table>
<thead>
<tr>
<th>Branch</th>
<th>No. of Staff</th>
<th>No. of Accounts</th>
<th>Field Officers' Salaries and Allowances</th>
<th>Total Cost of Administration per Account</th>
<th>Field Officers' Salaries—Average Cost per Account</th>
<th>Cost of Administration—Average Cost per Account</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bruce Rock</td>
<td>12</td>
<td>900</td>
<td>£1,700</td>
<td>£4,101</td>
<td>£17 9</td>
<td>£4 13</td>
</tr>
<tr>
<td>Bunbury</td>
<td>13</td>
<td>1,120</td>
<td>2,650</td>
<td>4,849</td>
<td>2 6</td>
<td>4 10</td>
</tr>
<tr>
<td>Busselton</td>
<td>18</td>
<td>894</td>
<td>3,853</td>
<td>6,278</td>
<td>4 0</td>
<td>7 0</td>
</tr>
<tr>
<td>Denmark</td>
<td>12</td>
<td>571</td>
<td>1,954</td>
<td>5,922</td>
<td>5 3</td>
<td>6 17</td>
</tr>
<tr>
<td>Geraldton</td>
<td>14</td>
<td>19</td>
<td>2,046</td>
<td>6,063</td>
<td>3 2</td>
<td>6 3</td>
</tr>
<tr>
<td>Katanning</td>
<td>12</td>
<td>1,170</td>
<td>1,780</td>
<td>4,348</td>
<td>1 10</td>
<td>3 18</td>
</tr>
<tr>
<td>Kellerberrin</td>
<td>18</td>
<td>1,104</td>
<td>3,396</td>
<td>6,406</td>
<td>2 18</td>
<td>6 10</td>
</tr>
<tr>
<td>Kununoppin</td>
<td>15</td>
<td>1,184</td>
<td>2,470</td>
<td>6,168</td>
<td>2 1</td>
<td>4 7</td>
</tr>
<tr>
<td>Manjimup</td>
<td>20</td>
<td>957</td>
<td>4,341</td>
<td>6,782</td>
<td>4 10</td>
<td>7 1</td>
</tr>
<tr>
<td>Narrogin</td>
<td>21</td>
<td>1,780</td>
<td>4,235</td>
<td>7,594</td>
<td>2 7</td>
<td>4 10</td>
</tr>
<tr>
<td>Northam</td>
<td>19</td>
<td>1,540</td>
<td>3,785</td>
<td>6,607</td>
<td>2 9</td>
<td>4 7</td>
</tr>
<tr>
<td>Salmon Gums</td>
<td>9</td>
<td>512</td>
<td>1,710</td>
<td>3,646</td>
<td>3 6</td>
<td>6 18</td>
</tr>
<tr>
<td>Perth</td>
<td>88</td>
<td>1,105</td>
<td>3,579</td>
<td>25,364</td>
<td>3 4</td>
<td>5 11</td>
</tr>
</tbody>
</table>

| Special Inspectors | ... | ... | £615 | ... |

Totals and Averages: 226, 13,834, £37,921.

The cost of administration in the Bunbury, Busselton, Denmark and Manjimup Branches, averaged from £4 5s. 10d. per account at Bunbury to £7 1s. 8d. at Manjimup, the Field Inspectors' salaries and allowances averaging £2 5s. 3d. per account at Busselton and £4 1os. 8d. at Manjimup.

In the wheat and wool districts, the average cost of administration per account was from £3 15s. 3d. at Katanning to £6 18s. 6d. at Salmon Gums, while the cost of Field Inspectors' salaries and allowances averaged per account £1 9s. 10d. at Katanning to £3 6s. 9d. at Salmon Gums.

As shown in the above figures, a staff of 63 was required to handle 3,551 accounts in the Group Districts, or an average of 56 accounts to each officer, whereas in the wheat and wool districts the average number of accounts to each officer employed is 76. At Narrogin 21 officers control 1,789 accounts, whereas at Manjimup 20 officers control 957 accounts.

In the Geraldton District 14 officers control 819 accounts, whereas 12 officers control 1,170 accounts in the Katanning District.

The number of Field Inspectors employed in the various districts and the average number of accounts controlled by each are as follow:

<table>
<thead>
<tr>
<th>District</th>
<th>No. of Field Inspectors</th>
<th>No. of Accounts</th>
<th>Average No. of Accounts per Field Inspector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bruce Rock</td>
<td>4</td>
<td>900</td>
<td>225</td>
</tr>
<tr>
<td>Bunbury</td>
<td>6</td>
<td>1,120</td>
<td>188</td>
</tr>
<tr>
<td>Busselton</td>
<td>6</td>
<td>571</td>
<td>99</td>
</tr>
<tr>
<td>Denmark</td>
<td>5</td>
<td>571</td>
<td>114</td>
</tr>
<tr>
<td>Geraldton</td>
<td>4</td>
<td>1,130 (50)</td>
<td>280</td>
</tr>
<tr>
<td>Kellerberrin</td>
<td>8</td>
<td>1,104</td>
<td>138</td>
</tr>
<tr>
<td>Kununoppin</td>
<td>6</td>
<td>1,184</td>
<td>197</td>
</tr>
<tr>
<td>Manjimup</td>
<td>12</td>
<td>957</td>
<td>80</td>
</tr>
<tr>
<td>Narrogin</td>
<td>10</td>
<td>1,780</td>
<td>179</td>
</tr>
<tr>
<td>Northam</td>
<td>9</td>
<td>1,640</td>
<td>171</td>
</tr>
<tr>
<td>Salmon Gums</td>
<td>4</td>
<td>515</td>
<td>128</td>
</tr>
<tr>
<td>Perth</td>
<td>38</td>
<td>1,105</td>
<td>29</td>
</tr>
</tbody>
</table>

Totals and Averages: 88, 13,834, 187.

Two Field Inspectors in the Narrogin District have only 142 clients between them, one having 68 and the other 74.

From the foregoing it will be seen that there is no uniformity in connection with branch management. The Katanning Branch Office, which your Commissioners found to give most evidence of efficient control, particularly in respect of collection of interest, averaged less per account than any other office, and their four Field Inspectors average 250 accounts each, whereas at Manjimup 12 Field Inspectors average only 80 accounts, and at Geraldton six Field Inspectors average 190 accounts each.

Almost the same number of Field Inspectors are employed to-day to administer the affairs of the Bank, when no advances are being made, for improvements, as were required during the years 1927/28 to 1930/31 when £2,076,495 was advanced to clients for farm improvements.

A Chief Inspector is employed in the South-Western District, but no such officer has been appointed in the wheat and wool districts, in which uniformity of control is urgently required.

While each branch office had lists of Bank clients, showing total indebtedness in respect of each, copies of same were not obtainable at Head Office of the Bank, and therefore were not available for the scrutiny of responsible officers in Head Office; so that individual cases of excessive outstanding of interest owing to inefficient organisation, were not seen by them.

Branch Managers and Field Inspectors stated in evidence that while Head Office sent out circular letters regarding collection of interest, these were not followed up and nothing further was done. Head Office sent out officers to inspect the Branch accounts, but from information and evidence taken, these officers only remained in the Branch Office for two or three days, once and sometimes twice per year: insufficient time to examine satisfactorily outstanding accounts and office routine.

It is suggested in the recommendations made by your Commissioners that the necessity for so many Field

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*In the Katanning District, in addition to the above accounts, Inspector Smith, of Ravensthorpe, who is employed on part time, has 50 accounts.*
Inspectors be closely inquired into, as your Commissioners find that the present operations of the Bank do not now require SS Field Inspectors, that much of the work now carried out by these officers could be carried out in the ordinary way by correspondence, and that there is now no necessity for Inspectors to call upon each Agricultural Bank client.

Your Commissioners also suggest that the Bank's operations both inside and outside the office, be subject to constant and complete inspection by a Chief Inspector, to control outside work, and an Inspector of Accounts to control management of Branch accounts.

Further remarks concerning the management of the Branches are included in your Commissioners' separate reports in respect of each Agricultural Bank District, being Appendices Nos. 2 to 9.

Your Commissioners are of the opinion that the new management will be enabled to effect many economies and economies after a considered scheme of re-organisation has been brought into effect, as it is anticipated that the policy of the Bank for the future will be cessation of advances, and the consolidation and liquidation of the assets of the Bank.

(a) Does the appointment under and in accordance with the Provisions of the Public Service Act, 1904, of the Officers engaged in the services of the Bank insure efficiency?

Your Commissioners are of the opinion that it does not.

In expressing this opinion, your Commissioners do not wish in any way to derogate from the efficiency of the members of the civil service.

The effective administration of the Bank required men specially trained in banking and commercial life as chief executive officers, and these men needed a staff trained in the Bank and kept there.

(f) Should not the Internal Administration and Organisation of the Bank be vested in an independent Statutory Board?

Your Commissioners are of the opinion that the control of the Bank should be invested in a board of three, one of whom should represent the Treasury. The board should be appointed for a term of seven years, with power to engage and dismiss all employees, and the board should be free from all political interference.

The men appointed to the board should be qualified to deal with the complicated and difficult affairs of the Bank, and will be required to be paid a salary commensurate with these qualifications.

Complaints Regarding the Land Transactions of Bank Officials.

During the course of your Commissioners' inquiries, several statements were made regarding the actions of certain officials employed by the Bank and in two instances, as a result of definite complaints submitted to them in respect of land transactions, your Commissioners made investigations, and after a perusal of the files, decided there was sufficient evidence to make full inquiries.

The complaint against Acting District Manager R. H. Fauekner was that whilst holding an important position under the control of the Trustees of the Agricultural Bank, he induced, as friends, Larson Bros., to purchase a farm alleged to be the property of one Mr. X., when in fact Mr. X. with Mr. A. Fauekner as a sleeping partner only, took an option of purchase over this property in the Lamb Bank, with a view to its disposal to Larson Bros., at £2 10s. per acre. That £300 was paid as a deposit on the 20th November, 1927, by Larson Bros. and Fry, and Mr. X. did not exercise his option until next day, the 21st November, 1927.

The following is a copy of Larson Bros.' letter to your Commissioners:

On the 4th November, 1927, William Larson, Oscar Larson, and Alfred Noraway Fry, all of Northcliffe, left there on a trip to Narrabeen, with the intention of buying a wheat farm. The cash to be provided by the three shareholders.

On reaching Pemberton, a distance of twenty miles from Northcliffe, we met a certain Mr. Fauekner, who held an important position in the Agricultural Bank in W.A. He asked where we were going for, and when we told him he asked what he was going for? As a result, for a farming property, he advised us not to go, as he had a property that would suit us and if we would wait a week or so, he would send us down full particulars.

We then returned to Northcliffe, Mr. Fauekner following in his car, and during the evening it was arranged that we should receive full particulars of property and, if we were still prepared to go on it, arrangements could then be made for us to pick Mr. Fauekner up in Perth, and he would take us to inspect the property. These arrangements were eventually carried out, and we arrived in Perth on Friday, November 18th, 1927, and interviewed Mr. Fauekner. He informed us that he would make arrangements in the office so that he would not have to be there on Saturday morning, at the same time informing us that he wished a friend of his, a certain Mr. X., to accompany us on the trip.

After his office hours that evening, we were invited by Mr. Fauekner to his private residence, where a little later, Mr. X. arrived and we were introduced to him. We left Perth that night in our own car, Mr. Fauekner and Mr. X. accompanying us. We all put up at a hotel in Northam, from where we proceeded early next morning, arriving at Narrabeen just before noon, where Mr. X. interviewed a business man of that town, after which we went direct to the property which is 14 miles from Narrabeen. We spent several hours inspecting the property, C. Larson being in company with Mr. X. and W. Larson, and A. Fry in company with Mr. Fauekner, the latter cautioning that the price would be £2 10s. per acre, with a deposit of £300 Mr. Fry asked if Mr. X. could reduce the deposit, as if we took the property over we would have big expenses at first, owing to the property being bare of any machinery, etc. Mr. Fauekner said it was impossible to reduce the deposit. Nothing definite was arrived at, until we got back to Mr. Fauekner's residence in Perth the following evening (Sunday), and Mr. X. had gone home. A little later in the evening, whilst we were having dinner, Mr. Fauekner asked us if we intended to buy the property, and when we informed him we were prepared to purchase on his terms he said he would phone Mr. X. On Mr. X.'s arrival it was suggested by Mr. Fauekner that a cheque for £300 should be made out in Mr. X.'s name. Two cheques were then made out, one by Mr. A. X. Fry, for £300, as he was taking a half share in the property and the other for £300 by O. W. Larson jointly, who were acquiring the other half share. Mr. X. then informed us that he would, on the morrow, have an agreement fixed up. Arrangements were made at the same time that W. Larson should hold side on the property in a fortnight's time, which eventually he did on December the 6th, 1927, taking with him two farm hands from the South-West to work the property.

On one occasion when O. Larson happened to meet Mr. Fauekner in the South-West, Mr. Fauekner complained that he had not yet received his share of our deposit from Mr. X., and Mr. Fauekner suggested that half the property should be transferred to W. Larson, thus giving
On behalf of the firm of your Commissioners found that the matters mentioned in the above letter were not included on the file. The following letter, dated the 12th November, 1927, was written by Mr. X.:

I am prepared to increase the offer to £5,000, and I will inspect and confirm not later than Monday, the 12th inst.

Further, it was admitted in evidence by both Mr. X. and Mr. Fauckner that the property was inspected on the date mentioned in Larsson Bros.’ letter.

That the deposit of £300 was paid on Sunday, 20/11/27, prior to the option being exercised with the Agricultural Bank on the 21/11/27. Your Commissioners requested Mr. X. to produce his Bank deposit receipt.

Mr. Fauckner’s Evidence—

Q. 2409. Are you aware that a report has been submitted to the Commission that affects you personally, relating to the sale of an Agricultural Bank property?—Yes. I will be glad of an opportunity to ventilate the matter, and stated, later on, “Larsson Bros. told me they were looking for land, I knew Mr. X. was interested in a Nungarin property. I suggested that he should allow my friends to take it over. Larsson Bros., Fry, etc., and I inspected the property.”

Q. 2410. Did Mr. X. own the property then?—Yes.

Q. 2411. You are definite on that point?—I am certain of it. We returned to Perth on Sunday night, and went to my home. The arrangements were finalised, both Larsson Bros. and Fry handing their cheques to Mr. X. I say, I do not know how it was applied. I received by way of commission £50 or £200 from Mr. X.

Q. 2412. We are inquiring into the part you played in the matter.—I negotiated the sale from Mr. X. to Larsson Bros. and Fry. I worked in their interest and endeavoured to help them.

Q. 2413. You were negotiating the sale for Larsson Bros. at the time the Bank was selling the property to Mr. X. Head Office file states, later on, “Mr. X. has not seen the property, but he is being advised by Mr. Fauckner.” In a letter dated 12-11-27 Mr. X. wrote, “I am prepared to offer £5,000. I will inspect the property and confirm not later than 21-11-27.” Later you will see the property was sold to Larsson before the Agricultural Bank had accepted Mr. X.’s offer.—I was not aware of that.

Q. 2414. What price did Mr. X. sell to those buyers?—At £2 10s. per acre.

Q. 2415. You were getting sovereigns out of it?—Mr. X. wanted the property, and I was working for my friends.

which showed the above amount was lodged on the 21/11/27.

Mr. X. stated in evidence: “He never saw the property prior to accompanying Fauckner, Larsson Bros. and Fry to inspect the property. That was acting on Mr. Fauckner’s advice.”

Larsson Bros. and Fry purchased the property, 2,832 acres, at £2 10s. per acre, 7,600 Mr. X. purchased from the Agricultural Bank for £300, £5,600 difference.

£2,180

The Bank received only the transfer fees out of the transactions.

Mr. X., in evidence stated: The property was sold to Larsson Bros., on a freehold basis. Out of the deposit he agreed to pay land and road board rates due, and the difference was to be equally divided between Mr. X. and Mr. Fauckner.” He also produced a partnership agreement signed by himself and Mr. Fauckner in respect to the property, and receipt of having paid Mr. Fauckner £100 10s. 6d., the amount actually due to him.

Mr. Fauckner in his considered statement said he only acted as friends to both parties in negotiating the sale. That he received by way of commission, an amount of £300 to £400.

Your Commissioners quote extracts from the evidence of both Mr. X. and Mr. Fauckner, Acting District Manager:

Mr. X.’s Evidence—

Q. 2506. Are you a farmer also?—No.

Q. 2507. Have you ever held a property?—I held a farm for a short while at Nungarin, the only property I ever had.

Q. 2571. We are concerned about the date you received a cheque from Larsson Bros. as deposit on this property?—I cannot be sure. I did the cheque I received was held in trust until the matter was finalised.

Q. 2525. From whom did you receive the cheque?—Larsson Bros. and Fry. Actually from Fry. The cheque was for £300, dated in February 1928. I received another cheque for £400.

Q. 2573. Were you in partnership with Fauckner?—I have here the deeds of sale of land; also the arrangements entered into with Fauckner, the contract of partnership. Mr. X. further stated, later on, “I bought the property early in November, and sold it to Larsson a month later.”

Q. 2532. Fauckner told me he was selling on commission for you; when did you enter into partnership with Fauckner?—I have here evidence of the distribution of the money. (Evidence submitted.)

Q. 2538. What would be the total amount Fauckner received?—£110 0s. 6d.

Q. 2534. Did you pay any deposit to the Bank for the property?—A condition was that I had to pay fees. That was all they got out of it?—I signed a mortgage to the Bank.

Was it ever discharged?—No. They still have recourse against it.

Q. 5304. States, later on, “We are concerned only about the date of Larsson’s letter. We send on looking up the file the dates agree. For instance, on the 25-11-28, you obtained an option over the property until 21-11-28. On the 18th of the same month Larsson Bros. and Fry were invited to Perth by Fauckner. On the 17th you met Larsson Bros. at Mr. Fauckner’s house by arrangement. In company with Larsson Bros. and Fry you and Fauckner proceeded to Nungarin on the 18th, inspected the property on the 19th, returned to Perth on the 20th.
Your Commissioners are satisfied after examining all the facts given in evidence, and considering same, and after inspecting the partnership agreement between Mr. X. and Mr. Fauckner, that Mr. Fauckner did not disclose to them the truth regarding his relations with Mr. X. and Larsson Bros. over the sale of the Nungarin property.

He led your Commissioners to believe that Mr. X. was the owner of this property, and that on behalf of his (Fauckner's) friends (Larsson Bros.), he induced Mr. X. to agree to Larsson Bros. taking over the property.

Your Commissioners can only arrive at the one conclusion, namely, that Fauckner introduced the property to Mr. X., and Mr. X. acquired an option from the Agricultural Bank, Fauckner having first found Larsson Bros. & Fy to probable buyers. Fauckner brought these prospective buyers to Perth, and after inspection, they purchased the property from Mr. X., and immediately the sale was effected, and a deposit of £300 was paid, Mr. X. next day exercised his option with the Bank.

That such action by an officer of the State was a grave abuse of his office. Mr. Fauckner's imperative duty was to disclose to the Managing Trustee of the Bank that he was acting as a vendor and making a profit on the transaction. He did not do so, and the Bank had no knowledge that he was in any way interested in the transaction; therefore Mr. Fauckner made a secret profit.

Mr. Fauckner was first examined at Northam on the 9th January, 1934. Subsequently Mr. X. was examined in Perth on the 9th of February, 1934.

After the examination of Mr. X., Mr. Fauckner on the 20th February wrote to your Commissioners as follows:

When in town on Saturday afternoon last I met Mr. X. and he furnished me with a resume of the evidence he had placed before the Commission in respect to the above inquiry. The information rather startled me and following a general review I was very quickly convinced of the unreliability of the evidence as furnished by myself and which I hasten to assure you was supplied without refreshing my memory in regard to the history of the case.

As from the inception the whole of the business with Larssons was transacted by Mr. X. and for years I had persuaded myself that what I had received out of the transaction was simply equivalent to that of a commission. I had in addition quite overlooked the existence of a written agreement between Mr. X. and myself and had never read it although my signature is attached thereto.

The position as accepted by me is that the property was sold to Larsson and Fy on 21st November, 1927. I received payment of £110 6s. 8d., by two cheques dated June, 1928, and March, 1929, respectively, and an agreement of partnership dated June, 1929, exists between Mr. X. and myself.

It is agreed that in neglecting to refresh my memory of the Larsson case I erred seriously. I would, however, plead extenuating circumstances brought about mainly by incessant night work. This may be verified by reference to the Kellermann office, where I was stationed for seven months last year, whilst my time at Northam has been fully occupied in the field and office owing principally to the accumulation of arrears of work brought about by the unfortunate ill-health of Mr. Morrell.

I feel assured that up to date I have enjoyed the confidence of my fellow officers in the Service, and this confidence I am most anxious to preserve. I would therefore welcome a close investigation into my work and reputation generally should the members of the Commission so desire.

With keen appreciation of the consideration already extended to me by the Commissioners,

I am, etc.,

E. H. Fauckner.

It will be seen that the statements contained in this letter are in direct contradiction to the evidence given by Mr. Fauckner at Northam, and it must be remembered that such evidence was given by Mr. Fauckner after due consideration, as he stated that he was "glad to have the opportunity of ventilating the matter," thus showing that he had knowledge of the matter having been referred to the Commissioners previously to his being asked to explain his part of the transaction.

Your Commissioners have considered this letter very carefully but there is nothing contained therein which would lead them to vary the conclusions they have arrived at.

As Mr. Fauckner occupies a senior position on the staff of the Agricultural Bank, your Commissioners considered it advisable to examine the Managing Trustee on the matter. The Managing Trustee's evidence is contained in questions 3341 to 3415, and may be summarised as follows: If an officer of the Bank made a secret commission on the sale of an Agricultural Bank property, the Managing Trustee would disapprove of it very seriously, and if he had evidence he would not keep the man five minutes, as it was very improper that an officer of the Department should be interested in that way; but the Managing Trustee saw no objection to an officer of his Department being a secret owner of an Agricultural Bank property, realising on it, and appropriating the profit he made out of the deal.

Your Commissioners cannot agree with the Managing Trustee's contention, as they think a secret partnership is equally bad as taking a secret commission.

The complaints against Field Officer Roberts were equally as grave, in respect to the abuse of his official position.
The following is a brief resume of the complaint referred to, taken from Head Office file; also from evidence given before your Commissioners:

Mrs. B. made application for a loan from the funds of the Agricultural Bank. On the 10/1/29 Inspector Roberts made the following classification of her land—290 acres first-class, 2,000 acres second-class. After considerable inquiry the Bank approved of £150 at 3%, per acre, and £150 at 1½% per acre. Eight months later a further loan of £400 was applied for. The same field officer classified the land as 100 acres of heavy forest country, and within ten days of this second classification, the wife of this field officer entered into a partnership agreement with Mrs. B.

The Managing Trustee on page 28 of this file refers to the embarrassing position the Trustees were placed in, due to this field officer's wife acquiring a half interest in Mrs. B.'s property, simultaneously with the redescription on a 100 per cent, basis. The Managing Trustee called for a check inspection by another officer, and he classified the property as 400 acres first-class, the balance "B" grade first-class.

Within 10 months from the 10/1/29, the date the field inspector's wife signed the partnership agreement, to the 11/1/30, an additional sum of £1,575 was advanced on this property, or a total of £3,955 on a property originally classified as 290 acres of first-class land.

Within three months of signing the partnership agreement, the field officer's wife purchased Mrs. B.'s half share for £800—£150 cash, balance over a period of years.

On the 26/3/31, this field officer's wife held a meeting of creditors under the Farmers' Debts Adjustment Act. The following figures were presented:—Unsecured creditors, £300 16s. 0d., Secured creditors £5,150, Debts due to Field Inspector, £4,878 10s. 0d. At this meeting no arrangements were made with the creditors with a view to carrying on. The Agricultural Bank went into possession of the property.

Mr. Grant, District Manager, Geraldton, after the above complaint was brought before his notice, in evidence stated inter alia:

Question 4107. First tell the Commission how you justify the unusual advance in this property "irrespective of whether it was a bank officer's property," with a doubtful classification of 2,000 acres second-class country?—We find it a difficult matter to decide amongst ourselves which hand is A grade, second-class.

4110. What is your considered opinion now of the position as shown on the file?—My opinion is that the whole thing is very questionable.

4111. When the field officer's wife called a meeting of creditors, it was found that stewards, keepers, men, and clearing contractors' money was drawn from the farm labour fund; yet the men were not paid. Money was advanced by the Bank for all these purposes referred to?—Yes, we did pay the debt incurred by Mrs. B. to Mr. Osmond. The farm was a financial disaster.

4113. And here Roberts goes on merely as an inspector after three years. Have you recommended his dismissal?—I qualified him by recommending his transfer, because he was an expert classifier.

4114. When a loan was first applied for, this expert classifier described the block as 290 acres first-class. He is no expert there?—No, but a man is allowed to change his mind. He changed his mind when his wife purchased half interest.

4142. But if there were 360 acres heavy timber country on the block there is no question to it the classification is there?—No.

4292/25. An officer wants another qualification, integrity, and I say integrity is absolutely lacking in this case. This is one of the most scandalous cases we have had during the Commission's investigations.—Would the Commission call for Inspector Roberts' file at head office and ascertain what I said?

4283/35. Are you satisfied that the Bank's money was spent on the property?—No. I found there seemed to be a shortage of improvements to cover the amount advanced.

Inspector Roberts in evidence stated:

4294. What is your explanation of the difference between your first and second classifications of this property from 290 acres first-class to 800 acres first-class?—In the personal equation of Mrs. B. the whole property was classified.

4285. Personal equation. Assuming that is the basis upon which you classified, what was the personal equation when you classified the second time, and found 900 acres first-class land?—My wife decided to go into partnership with Mrs. B.

4286. Then the personal equation jumped up 100 per cent.—With my knowledge. I had that in view when I made the classification.

4272. I take up this attitude. When you first made the classification, you did so to belittle the property, and make Mrs. B. feel she had no hope of success, or else in your second classification you were deliberately misleading the Bank in order to get a 100 per cent loan on your wife's property?—My classification was not misleading.

4278/80. You saw what your personal equation and knowledge did in this case. Within eighteen months you were bankrupt.

Your Commissioners perused this officer's personal file. In addition to having been unsuccessful in borrowing from the Bank, several references are made to private loans obtained from farmers.

In a letter dated 14/3/1932 (the Managing Trustee), the following is an extract therefrom:

I have for some time been dissatisfied with the action of Inspector Roberts. His financial position and land transactions are likely to bring discredit on the Bank. He also lacks tact in his official duties. I am forced to the conclusion that Roberts is not a satisfactory inspector, and that consideration should be given to his retirement.

District Manager Grant's reply, recommending this officer's transfer, previously referred to in Mr. Grant's evidence, appears in this file. He concludes this letter by stating that Inspector Roberts asked permission to leave this district for a few days in order to see the Managing Trustee.

In March, 1933, the Managing Trustee wrote the District Manager, Geraldton, that consideration should be given to the retirement of Field Inspector Roberts. In March, 1934, the Commissioners find that Field Inspector Roberts is in charge of the Midtown area of the Geraldton District, and he was examined in regard to his wife's transactions with Mrs. B. and his valuation of the property. (See Questions 2606, et seq.)

Your Commissioners fail to understand this laxity of control in permitting an officer to remain in the services of the Bank who was concerned in such a questionable transaction as that disclosed by the evidence.
PART V.

Financial Position of the Agricultural Bank and Industries Assistance Board.

(Paragraph 2 (2)—TERMS OF COMMISSION).

The Trustees appointed under the Agricultural Bank Act, control the operations of the Agricultural Bank, Soldiers' Settlement, Industries Assistance Board and Group Settlement, under Acts of Parliament relating to each. At 30th June, 1933, the principal and interest balances at these accounts were as follows:

<table>
<thead>
<tr>
<th>Institution</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£ s. d.</td>
<td>£ s. d.</td>
<td>£ s. d.</td>
</tr>
<tr>
<td>Agricultural Bank</td>
<td>5,305,565 12 6</td>
<td>990,837 2 10</td>
<td>6,306,402 15 4</td>
</tr>
<tr>
<td>Soldiers' Settlement</td>
<td>4,374,063 15 6</td>
<td>704,570 12 1</td>
<td>5,078,634 7 7</td>
</tr>
<tr>
<td>Industries Assistance Board</td>
<td>1,582,161 2 1</td>
<td>301,521 6 1</td>
<td>1,883,682 8 2</td>
</tr>
<tr>
<td>Group Settlement, Section 5</td>
<td>2,211,714 1 3</td>
<td>227,524 17 5</td>
<td>2,439,238 18 8</td>
</tr>
<tr>
<td>Group Settlement, Section 8</td>
<td>212,998 11</td>
<td>16,099 9 6</td>
<td>229,098 3 6</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>£13,086,503 5 4</strong></td>
<td><strong>£2,360,053 7 11</strong></td>
<td><strong>£16,046,556 13 3</strong></td>
</tr>
</tbody>
</table>

The above does not include indebtedness in respect of Bacon and Butter factories, viz.—

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>26,050 1 7</td>
<td>14,485 1 16</td>
<td><strong>£41,535 19 8</strong></td>
</tr>
</tbody>
</table>

Although each of the above-mentioned institutions is governed by a separate Act of Parliament, the majority of the settlers' accounts include transactions with two, and many others with three of these. Therefore, as the aggregate indebtedness applies to the settlers assisted by the Agricultural Bank, the amounts outstanding in respect of each institution have been brought under one head for comparative purposes.

The total indebtedness at 30th June, 1933, viz. £16,046,556 13s. 3d., was in respect of 12,838 accounts, of which 1,215 related to abandoned Agricultural Bank properties, particulars of which are as follows:

<table>
<thead>
<tr>
<th>No. of Settlers</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£ s. d.</td>
<td>£ s. d.</td>
<td>£ s. d.</td>
</tr>
<tr>
<td>Ordinary Settlers</td>
<td>748</td>
<td>329,877 0 0</td>
<td>262,639 13 9</td>
</tr>
<tr>
<td>Soldiers Settlers</td>
<td>333</td>
<td>465,018 10 0</td>
<td>190,749 7 9</td>
</tr>
<tr>
<td>Group Settlers</td>
<td>136</td>
<td>283,616 0 1</td>
<td>27,477 10 6</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>1,215</strong></td>
<td><strong>£1,308,342 2 1</strong></td>
<td><strong>£386,845 11 1</strong></td>
</tr>
</tbody>
</table>

Two hundred and twenty-seven of the above holdings carried additional debts to the Industries Assistance Board, totaling £350,820.

Taking the above figures into consideration, the position of the Bank's active accounts and those connected with abandoned farms at 30th June, 1933, are as follows:

<table>
<thead>
<tr>
<th>Accounts</th>
<th>No. of Settlers</th>
<th>Principal Outstanding</th>
<th>Interest Outstanding</th>
<th>Total</th>
<th>Average Indebtedness</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>£</td>
<td>£</td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td>Active Accounts</td>
<td>11,623</td>
<td>12,477,094</td>
<td>1,973,806</td>
<td>14,450,896</td>
<td>1,284</td>
</tr>
<tr>
<td>Abandoned Farms</td>
<td>1,215</td>
<td>1,290,512</td>
<td>396,348</td>
<td>1,686,860</td>
<td>1,213</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>12,838</strong></td>
<td><strong>£13,668,606</strong></td>
<td><strong>£2,369,033</strong></td>
<td><strong>£16,046,539</strong></td>
<td><strong>£1,248</strong></td>
</tr>
</tbody>
</table>
The operations of the various institutions controlled by the Trustees under separate Acts of Parliament, with the exception of pastoral holdings in the north, extend throughout the agricultural areas of the State, and the average indebtedness at 30th June, 1933, in respect of the accounts conducted under same, including both active accounts and those in connection with abandoned Bank properties, is as follows:

### Statement of Principal and Interest Balances at Districts at 30th June, 1933.

<table>
<thead>
<tr>
<th>District</th>
<th>Number of Settlers' Accounts and Abandoned Farms</th>
<th>Principal Outstanding</th>
<th>Interest Outstanding</th>
<th>Total</th>
<th>Average Liability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat and Sheep Districts</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bruce Rock</td>
<td>700</td>
<td>1,120,819</td>
<td>169,083</td>
<td>1,290,302</td>
<td>1,086</td>
</tr>
<tr>
<td>Geraldton</td>
<td>707</td>
<td>690,554</td>
<td>124,307</td>
<td>814,861</td>
<td>1,040</td>
</tr>
<tr>
<td>Kellerbearn</td>
<td>1,014</td>
<td>1,402,373</td>
<td>220,890</td>
<td>1,623,263</td>
<td>1,083</td>
</tr>
<tr>
<td>Kanamooko</td>
<td>1,097</td>
<td>1,533,394</td>
<td>272,605</td>
<td>1,806,000</td>
<td>1,305</td>
</tr>
<tr>
<td>Narrabup</td>
<td>1,691</td>
<td>1,885,395</td>
<td>398,274</td>
<td>2,283,669</td>
<td>1,385</td>
</tr>
<tr>
<td>Northam</td>
<td>1,691</td>
<td>1,603,115</td>
<td>268,829</td>
<td>1,871,944</td>
<td>1,286</td>
</tr>
<tr>
<td>Salmon Gums</td>
<td>388</td>
<td>697,463</td>
<td>167,676</td>
<td>865,139</td>
<td>1,364</td>
</tr>
<tr>
<td>Wheat, Sheep, Orhcds and Dairyiing Districts-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Katanning</td>
<td>1,170</td>
<td>778,508</td>
<td>172,008</td>
<td>950,516</td>
<td>876</td>
</tr>
<tr>
<td>Perth</td>
<td>1,106</td>
<td>925,653</td>
<td>113,077</td>
<td>1,038,730</td>
<td>979</td>
</tr>
<tr>
<td>Orchards and Dairyiing Districts-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Banbury</td>
<td>950</td>
<td>610,194</td>
<td>76,276</td>
<td>686,470</td>
<td>715</td>
</tr>
<tr>
<td>Bussellton</td>
<td>384</td>
<td>1,101,592</td>
<td>156,132</td>
<td>1,257,724</td>
<td>1,066</td>
</tr>
<tr>
<td>Denmark</td>
<td>871</td>
<td>347,875</td>
<td>57,875</td>
<td>405,750</td>
<td>710</td>
</tr>
<tr>
<td>Manjimup</td>
<td>896</td>
<td>1,000,418</td>
<td>162,633</td>
<td>1,163,051</td>
<td>1,268</td>
</tr>
<tr>
<td>Totals</td>
<td>12,838</td>
<td>3,840,503</td>
<td>529,003</td>
<td>4,369,506</td>
<td>21,248</td>
</tr>
</tbody>
</table>

Complete Statement—Appendix No. 20.

Since the decentralisation of the Bank's business into Agricultural Bank districts, in 1921-22, the Bank's loan fund capital account, including Soldiers' Settlements and Group Settlements (Section S) has been increased from £2,292,239 at 30th June, 1921, to £1,498,435 at 30th June, 1933. During that period settlers' unpaid interest increased from £353,303 to £1,746,993, and no provision was made in the nature of reserves to meet any loss of interest and principal, although an accumulated profit of £73,906 was shown at 30th June, 1931, and £7,531 at 30th June, 1932; whilst during that period from 30/6/21 the sum of £1,609,001 was taken from settlers' repayments of principal moneys and General Loan Funds to enable the Bank to pay interest on capital to the Treasury. The following statement sets out the Bank's position in this connection:

### Agricultural Bank—Soldiers' Settlement and Group Settlement

<table>
<thead>
<tr>
<th>Years</th>
<th>Bank's Capital</th>
<th>Settlers' Unpaid Interest</th>
<th>Accumulated Balances at Profit and Loss Account</th>
<th>Settlers' repayments of Principal and Loan Moneys used to pay Bank's Interest, etc., to Treasury</th>
</tr>
</thead>
<tbody>
<tr>
<td>1920-21</td>
<td>6,292,839</td>
<td>353,303</td>
<td>Profit 43,917</td>
<td>283,635</td>
</tr>
<tr>
<td>1921-22</td>
<td>7,028,833</td>
<td>463,665</td>
<td>18,437</td>
<td>484,996</td>
</tr>
<tr>
<td>1922-23</td>
<td>7,734,740</td>
<td>541,226</td>
<td>2,220</td>
<td>560,546</td>
</tr>
<tr>
<td>1923-24</td>
<td>8,440,821</td>
<td>627,584</td>
<td>Loss 15,906</td>
<td>643,193</td>
</tr>
<tr>
<td>1924-25</td>
<td>8,971,735</td>
<td>682,034</td>
<td>37,382</td>
<td>738,416</td>
</tr>
<tr>
<td>1925-26</td>
<td>9,260,811</td>
<td>725,300</td>
<td>75,230</td>
<td>800,530</td>
</tr>
<tr>
<td>1926-27</td>
<td>9,335,890</td>
<td>688,304</td>
<td>60,137</td>
<td>908,437</td>
</tr>
<tr>
<td>1927-28</td>
<td>9,826,370</td>
<td>672,107</td>
<td>30,233</td>
<td>1,000,400</td>
</tr>
<tr>
<td>1928-29</td>
<td>9,557,039</td>
<td>701,273</td>
<td>Profit 11,587</td>
<td>1,190,759</td>
</tr>
<tr>
<td>1929-30</td>
<td>10,156,573</td>
<td>972,206</td>
<td>22,894</td>
<td>1,195,495</td>
</tr>
<tr>
<td>1930-31</td>
<td>11,009,250</td>
<td>1,354,309</td>
<td>Loss 77,936</td>
<td>1,936,341</td>
</tr>
<tr>
<td>1931-32</td>
<td>11,235,346</td>
<td>1,520,162</td>
<td>7,831</td>
<td>1,691,040</td>
</tr>
<tr>
<td>1932-33</td>
<td>11,498,435</td>
<td>1,746,993</td>
<td>Loss 117,725</td>
<td>1,993,436</td>
</tr>
</tbody>
</table>

The amount of settlers' repayments of principal moneys and loan funds taken to pay interest to the Treasury represents the drift in the Bank's affairs which has occurred since 1913/14. At that date there existed a shortage of £31,816 between the cash receipts and payments. The amount required to meet this deficiency, which covered administration expenditure, sinking fund contributions, and payments of interest on capital to the Treasury, was obtained from repayments of principal moneys by settlers and general loan funds, and as shown above, this deficiency increased to £283,635 at 30th June, 1921, and to £1,983,435 at 30th June, 1933. (Particulars set out in Appendix No. 12.)
The Bank during the years 1913-14 to 1st January, 1933, was working on a margin of one per centum between the rate of interest at which money was obtained and the rate charged to settlers, and an average of approximately three shillings and fourpence per centum in respect of Soldiers' Settlement accounts. It was therefore necessary to collect a high percentage of the interest due to enable the Bank to meet its obligations. The percentage of collections, however, for the period mentioned, on the approximate figures supplied by the Bank, was only 62.02 per cent. Therefore, the main reasons for the shortage set out above was the failure of the management to collect sufficient of the interest moneys owing each year, from the settlers, and the increasing amount of irrecoverable losses upon which no interest was collectable.

It has been contended that against the amount taken from repaid principal moneys and general loan funds to pay interest on capital, etc., to the Treasury, viz., £3,981,338, the Bank has an asset in the interest outstanding at 30th June, 1933, viz., £1,746,993. Of this amount, however, only £1,374,658 is due by settlers, much of which is uncollectable, and of the balance, viz. £102,336, an amount of £850,890 is outstanding in respect of abandoned Agricultural Bank properties, of which, it is estimated, not ten per cent. will be collected, and £15,456 on account of butter and bacon factories. The experience in the past has been that outstanding interest has increased year by year, and correspondingly the gap between the Bank's actual receipts of interest, commissions, fees, etc., and payments of interest to the Treasury, contributions to sinking fund, and payments of administration expenses has widened.

During the past three years the maximum rates of interest charged to settlers have been reduced as follows:—

**Ordinary Department**—
- 6% as from 1st January, 1931.
- 5½% as from 1st July, 1932.
- 5% as from 1st January, 1933.

**Discharged Soldier Settlement Section**—
- 6½% as from 1st January, 1931.
- 4½% as from 1st August, 1931.

A comparison of interest earnings of 1932-33 with those of the previous year is as follows:—

<table>
<thead>
<tr>
<th></th>
<th>1932</th>
<th>1933</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ordinary Department</td>
<td>8,363,426</td>
<td>8,288,295</td>
</tr>
<tr>
<td>Interest on Advances</td>
<td>323,426</td>
<td>328,295</td>
</tr>
<tr>
<td>Interest on Overdue</td>
<td>207,419</td>
<td>214,286</td>
</tr>
<tr>
<td>Interest on Advances</td>
<td>32,950</td>
<td>31,546</td>
</tr>
<tr>
<td>Interest on Overdue</td>
<td>210,350</td>
<td>207,419</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>201,700</strong></td>
<td><strong>207,419</strong></td>
</tr>
</tbody>
</table>

Corresponding with the reduction of interest charges as shown above, the margin of interest between the rate at which money is obtained and the rate charged to settlers has now been reduced; and as set out in the remarks of this report concerning the Bank's Profit and Loss Account, even if the whole of the interest charged against clients and abandoned farms during last year had been collected, the amount would have been insufficient to meet interest payments to the Treasury on the Bank's capital for that year, together with an amount of £64,156 as a reserve to cover losses of interest; the Bank's only other source of revenue was far from sufficient even to pay administration expenses.

To further embarrass the management, losses in respect of Soldiers' Settlement, which prior to 30/6/32 were met from special Treasury funds provided by the Commonwealth, will, from that date, be borne by the Bank. These losses, which will be of a substantial nature, will further increase the Bank's financial difficulties.

The condition into which the finances of the Bank have drifted preclude any possibility of correction without substantial State and/or Commonwealth assistance. The Bank was unable to meet interest and administration expenses from earnings during the years of good wheat and wool prices, viz. 1921 to 1930, when the margin of interest in favour of the Bank was one per centum, as during those years the shortage between receipts and payments increased from £283,635 to £1,365,905. The margin of interest upon which the Bank is now working, as already pointed out, has been reduced to 10s. per centum. Losses of nearly £1 of which, besides being collected from settlers, and consequently greater sums will be required in the future to bridge the gap, or cover the deficiency on each year's operations.

During the year ending 30/6/33, a sum of nearly £200,000 was taken from repayment of principal moneys and general loan funds to cover the deficiency for the year, and under the present conditions still greater sums will be required in the future.

With a continuance of the conditions outlined above, it is obvious that in course of time the Bank will have absorbed and expended in payment of interest on capital to the Treasury and contributions to the sinking fund, all the principal and interest moneys which it will be possible to collect. It will then have reached the stage when its only recorded assets in the balance sheet will be a sinking fund insufficient to liquidate the total indebtedness and uncollectable outstanding of principal and interest, and will be forced to rely upon advances from general loan funds, not only to pay interest to the Treasury, but also to meet the administration expenses of the Bank.

Towards correcting the Bank's financial position and making provision for future satisfactory control of finances, action is required in several directions. In this connection, several measures in respect to control of both head office and branch accounts, collections, and other departmental matters are the concern of the administration. The State, however, must recognise the Bank's unsound financial position, and instead of making further advances from general loan funds, to enable the Bank to pay interest on the capital, the State should accept full responsibility for the portion of the overload of indebtedness which the Bank's resources are wholly incapable of carrying. The State which, in the past, has forced responsibility for financial special settlements on to the Bank, should now accept responsibility for the following:—

1. All losses on advances made to date, including interest thereon, on account of Agricultural Bank, Soldiers' Settlements and Group Settlements.
2. Future losses of principal and interest in connection with Soldier Settlement.
3. Full responsibility for any future loss of principal or interest in respect of special settlements, such as Miners' Settlements and the 3,500 Farms Scheme, until such time as they have been developed to a satisfactory state of production.

4. All future losses sustained in respect of settlement in Esperance, Lake Brown, Bullinlah, and settlements established more than 15 miles from railway communication.

The losses that have been sustained to date, and those that will inevitably occur as a result of the Bank's operations and the establishment of Group Settlements, apart from the cost of roads, water supplies, and contingent losses in connection with non-paying railway services in poor, sparsely settled districts, such as Nyabing-Pingrup, Bordeu-Ongerup and Norseman-Esperance, etc., must eventually be borne by the taxpayers of the State, as their share of the State's successive land settlement policies.

As previously stated, interest on the Bank's loan capital account and sinking fund contributions, have been largely paid from settlers' repayments of principal and general loan funds, an amount of £292,396 being taken from this source for that purpose during year 1923-24, and a total of £1,983,436 since 1913-14, and as two converging lines must meet, so inevitably must the Bank, if it continues with this method of finance, eventually absorb its capital and continue irrevocably to use general loan funds to pay interest on capital and administration expenses.

As shown in detail in Part VI of this Report, the losses sustained by the State to date, and the future losses estimated by your Commissioners are as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agricultural Bank</td>
<td>£6,121,700</td>
</tr>
<tr>
<td>Estimated Future Interest</td>
<td>£4,695,653</td>
</tr>
<tr>
<td>Estimated Future Principal</td>
<td>£12,304,600</td>
</tr>
<tr>
<td>Total Estimated Future Losses</td>
<td>£19,644,702</td>
</tr>
</tbody>
</table>

As stated in Part VI of this Report, owing to the absence of essential data upon which to make a valuation of the Bank's securities, and the Managing Trustee's evidence that it would take two years to obtain a valuation, the estimated losses could only be roughly arrived at. Your Commissioners, therefore, having no data to guide them in this connection have estimated what, in their opinion, will be the probable losses sustained by the State in respect of the total indebtedness to the Agricultural Bank at 30th June, 1933.

**The Agricultural Bank.**

**Balance Sheet and Profit and Loss Statement.**

The Agricultural Bank Act of 1894 contained no provision regarding the furnishing of balance sheets and reports. An amending Act of 1906, however, required the Trustees in every year to furnish a balance sheet and report to the Minister for Agriculture upon the operations of the Act, and that every such balance sheet and report together with the report of the auditor, be laid, as soon as possible before both Houses of Parliament. The requirements of the 1906 amending Act, in this connection, have been continued to the present, the provisions also being contained in Section 41 of the Consolidated Act of 1930.

The first financial statement concerning the Bank's operations was that prepared at 30th June, 1898, for the period 1894 to 30th June, 1898, when a statement of the bank's receipts and payments for that period was drawn up.

Statements of a somewhat similar nature were prepared each year for the years 1898-99 to 1904-5; then, in order to comply with the requirements of the amending Act of 1906, a balance sheet and profit and loss statement were prepared.

**Balance Sheet and Reports to Parliament.**

Section 41 of the Agricultural Bank Act, 1906, provided that the Bank's balance sheet and report, together with the report of the auditor, be laid each year, before both Houses of Parliament.

Balance sheets and profit and loss statements for each year were produced to your Commissioners and examined, but reports for years 1913-14, 1914-15, 1915-16, 1918-19 and 1919-20 were not obtained, there being no record that these were prepared for those years, and your Commissioners could find no record that either balance sheets or reports were presented to either House of Parliament for years 1913-14 to 1922-23 inclusive, with the exception of 1917-18. The auditor's reports were not laid before Parliament as required by Section 41 of the Agricultural Bank Act, thus denying Parliament information concerning the drift in the Bank's affairs, to which Parliament was entitled under the Act.

Statements representing the Bank's operations have, since 1906, been prepared each year in the form of balance sheets and profit and loss accounts. These statements, however, did not disclose the bank's unsatisfactory position.

**Profit and Loss Statements.**

The profit and loss statements, representing the Bank's yearly operations, prior to those prepared for years 1931-32, 1932-33, were of an elementary nature, being the mechanical result of the system employed.
to comply with the requirements of the Act, and did not represent, even approximately, the correct yearly results of the Bank's operations.

Accrued interest in respect of all advances made by the Bank, together with certain sundry items, including commissions, application and other fees, and exchanges, were taken to the credit of the profit and loss account, while the interest on capital, administration expenditure, sinking fund contributions, losses on realisation and reserve for depreciation on offices and cottages, were charged against the account.

The accrued interest transferred to the profit and loss account included accrued interest on all advances in respect of Agricultural Bank, Discharged Soldiers' Settlements, Butter and Bacon Factories, and advances in respect of Group Settlements (Section 8), since 1921.

**Accrued Interest.**

Until 1931-32 no provision was made in the profit and loss accounts for any loss of interest, and in 1931-32 and 1932-33 statements, £60,947 and £64,166 respectively, were set aside, as reserve for loss of interest on abandoned holdings. The establishment of this reserve largely contributed to the alteration of net profits of £75,696 shown at the profit and loss account at 30/6/31, to a loss at this account of £117,725 for the year ending 30th June, 1933, two years later.

From 1906 to 1930/31 accrued interest on all advances had been transferred to the profit and loss account, irrespective of whether such interest was collectable or not, and no provision was made for any loss in respect thereto. At 30th June, 1933, there were 1,080 properties in the Bank's possession (exclusive of abandoned Group Settlement Farms, 135) upon which £1,384,267 was outstanding, interest representing £359,371 of this amount.

Interest and interest on unpaid interest in respect of these properties, some of which have been abandoned for many years, and which one Bank official stated in evidence could not be sold at any price, has been included in such accrued interest, and taken to the credit of the profit and loss account, together with accrued interest in respect of many hopelessly over-capitalised properties until 1931/32, and no reserve was established during those years to cover losses.

Numerous instances were noted in which, although a realisable value, substantially below the amount of client's indebtedness, was placed upon advances made in respect of certain abandoned farms, the Bank continued to charge interest and interest on unpaid interest on the full sum advanced, and the amount so charged was taken to the credit of the profit and loss account.

In this connection, the Auditor General's report on the operations of the Bank for year ending 30th June, 1933, which was prepared after the date of the appointment of this Commission, states, "Interest is charged and shown as earnings in the profit and loss account on practically all advances, also on arrears of interest until the debts are written off on realisation."

As many repossessed farms have remained unsold for many years, it is apparent that with the continuance of the present method of taking interest on same to the credit of the profit and loss account, the longer the farms remain unsold, the longer the annual profit and loss account will contain increasingly large sums of interest, and as no schedule of bad and doubtful accounts has been prepared for the purposes of assessment of ultimate losses, and the establishment of sufficient reserves, the result is that profits over a number of years have been inflated, and consequently the Bank's yearly financial operations have been misrepresented.

**Administration Expenses.**

The Bank's administration controls the operations of the Agricultural Bank, Discharged Soldiers' Settlement, Industries Assistance Board, and Group Settlement. The total administration expenditure has been divided between the Agricultural Bank and the Industries Assistance Board, and for years 1920/21 to 1929/30, approximately half the total cost of administering the affairs of the Agricultural Bank, Discharged Soldiers' Settlements and Industries Assistance Board has been borne by the last-named; during those ten years £373,090 was charged to the Agricultural Bank and £369,483 to the Industries Assistance Board, a large proportion of which was subsequently written off by the Treasury as excess cost of administration.

In this connection the late Sub-Manager of the Industries Assistance Board stated in evidence that although the volume of work of the Board was not so great in years 1927, 1928 and 1929, the Industries Assistance Board paid half the total cost of administration. The result of such inequitable distribution of administration expenditure was to relieve Agricultural Bank revenue, inflate the profits, and misrepresent the Bank's yearly expenditure on administration, as although the Industries Assistance Board was managed by the Agricultural Bank Trustees, any losses sustained by the Board were the responsibility of the Treasury, and in no way affected the Agricultural Bank.

**Accumulated Profits.**

During the year 1913/14 accumulated profits totalling £45,882 were used to redeem mortgage bonds and although losses were shown during certain subsequent years, an accumulated profit of £73,096 was shown at 30/6/31, and £7,851 at 30/6/32. While the Bank showed an accumulated profit at 30th June, 1931, as mentioned above, no reserve was established to meet any loss of interest, and as accrued interest taken to the credit of the profit and loss account included accrued interest on all advances, both in respect of active accounts and abandoned Agricultural Bank farms, much of which is uncollectable, it is obvious that the value of the declared accumulated profits is incorrect and misleading. As previously dealt with in this Report, while the Bank showed accumulated profits as the result of its operations, it was forced to use repayments of principal moneys by settlers and general loan funds to meet interest payments to the Treasury, and sinking fund contributions. The shortage in this connection, brought about principally by failure to collect interest from settlers, totalled £1,088,493 at 30th June, 1933.
Margin of Interest to Meet Bank's Commitments.

The Bank, on account of Ordinary Department, Soldiers' Settlement, and Group Settlement accounts, is now working on an interest rate margin of ten shillings per cent, that being the difference between the rate of interest paid on capital by the Bank and the rate of interest charged to settlers.

The position created under this arrangement is disclosed by the profit and loss account for year ending 30th June, 1933. For that year the interest paid by the Bank to the Treasury was £514,213 and the total interest charged to Bank's clients was £568,173. After providing £54,156 for reserve for loss of interest on abandoned holdings, the amount remaining, viz., £564,617 is £10,196 short of the amount required, as shown hereunder:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total interest due including interest on abandoned holdings</td>
<td>£564,617</td>
</tr>
<tr>
<td>Interest paid to Treasury</td>
<td>£54,156</td>
</tr>
<tr>
<td>Reserve for loss of interest on abandoned farms</td>
<td>£578,000</td>
</tr>
<tr>
<td>Deficiency</td>
<td>£10,196</td>
</tr>
</tbody>
</table>

As the Bank, therefore, is dependent upon 100 per cent. collections of interest, as shown above, the desperate position of the Bank is made evident by comparing the interest charged to settlers with the amounts collected from them for year 1932/33 as set out hereunder:

- Interest charged on all advances, including Agricultural Bank abandoned farms and over-capitalised properties during year 1932-33: £588,173
- Total amount collected from settlers during the year 1932-33 for current and overdue interest: £294,896
- Balance due to the Treasury: £293,277

The amount collected, namely, £294,896, even though it includes current and overdue interest, represents only 51.9 per cent. of the amount charged for the year.

Agricultural Bank's Balance Sheets.

A balance sheet has been prepared each year since the passing of the amending Act of 1906; the balance sheets, however, did not disclose the Bank's correct financial position at the close of each year.

In the balance sheet for year 1932-33 the assets include, in sundry borrowers, principal £9,918,678, and interest £746,093—a total of £10,665,471. This amount covers principal and interest due by settlers in respect of Agricultural Bank, Soldiers' Settlement Scheme, Butter and Bacon Factories, and advances in respect of Group Settlement since 1930. Against the total amount due as shown above, viz., £11,665,671, a general reserve of £167,547 has been established, of which £125,104 was added during years 1931-32 and 1932-33. (Particulars of reserves—Appendix No. 21.)

Valuation of Securities.

Until 1931-32 the Bank's balance sheets did not indicate in any way the extent of possible losses in respect of its advances and unpaid interest. The balance sheets for 1931-32 and 1932-33 included provision for bad debts on foreclosed properties; this amount, totalling £167,547, made up as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profits used to redeem mortgage bonds 1913-14</td>
<td>£45,882</td>
</tr>
<tr>
<td>Reserve against losses</td>
<td>£121,655</td>
</tr>
</tbody>
</table>

Special Undertakings.

A balance sheet has been prepared in respect of special undertakings and settlements. The payment of any ultimate loss in connection with these has been guaranteed by the Treasury. The Agricultural Bank merely acts in the capacity of managers and collectors of these undertakings.

The total of the balance sheet for 1932-33, viz., £2,577,183 of these special undertakings and settlements, however, has been incorrectly included as both liabilities and assets in the Agricultural Bank balance sheet.

In connection with the Bank's balance sheets and profit and loss accounts, the Managing Trustee gave the following evidence:

**Question 1270.** In the balance sheet for 1907 there is unpaid interest £10,000. That is the first year I can find that item in. Do you know anything about that?—No.

**1280.** You cannot tell us whether that was accrued interest or what it was?—I would refer that to Mr. Grogan. He should, of course, be given an opportunity to refresh his memory in regard to the matter.

**1281.** Can he tell us also as to provision for bad and doubtful debts?—Yes.

**1282.** Did the balance sheets show the real position of the Bank?—Yes, so far as I am aware.

**1283.** By Mr. Diamond: That is as far as book values go. It could not show the true position of the Bank?—We are not in the position of an ordinary trading concern. There has not been any valuation.

**INDUSTRIES ASSISTANCE BOARD.**

On September 21, 1922, a Select Committee, consisting of Messrs. W. G. Angwin, P. E. Gibson, G. G. Latham and J. T. Lathey, M.A., were appointed by Parliament to inquire into the administration of the Industries Assistance Board.

The Report was completed on the 4/12/1923, and duly presented to Parliament. That Report deals with the whole ramifications of the Industries Assistance Board.
Your Commissioners desire to deal mainly with the effect of the operations of the Industries Assistance Board on the Agricultural Bank's securities.

On the 22/8/1916, Messrs. A. R. Richardson, Chairman, F. V. Cooke and R. M. Leake were appointed to the Board. The first-mentioned two, Messrs. Richardson and Cooke, were also Trustees of the Agricultural Bank. Therefore, almost from its inception the Industries Assistance Board was controlled by the Trustees of the Agricultural Bank. Notwithstanding the bold policy of advancing 100 per cent. of the value of the improvements to the mortgagors, the Trustees who were in control of the affairs of both Bank and Board approved, through the Board, of still further advances in respect to the same securities, with the result that the present high capitalisations of many of the Bank's properties are largely due to the operations of the Industries Assistance Board.

It would appear that advances were made year after year without fully considering either the personal equation of the client, or the class of country upon which advances were made. Efficient farmers on good holdings very quickly paid off their Industries Assistance Board indebtedness, whilst poor properties, and still worse, inefficient farmers, have been carried on year after year, building up an enormous indebtedness, which was eventually funded. If any of these properties were abandoned, considerable amounts had to be written off by the Treasury, no loss being suffered by the Bank, who held first mortgages. In support of this we have the evidence of the following District Manager and Field Inspectors:

**District Manager** (Question 2929, page 625) — Most of the trouble has been due to over capitalisation by the Industries Assistance Board. The poorer the property, the heavier the liability added to it by the Industries Assistance Board.

**Field Inspector** (Question 3154, page 625) — When properties are abandoned they are unpalatable because of the state in which they are left. The bulk of the farms are over capitalised, if you take in the Industries Assistance Board debt. In the early days the Industries Assistance Board handed money out with both hands. The credit authority was passed on the area actually cropped. I was always against that system.

**District Manager** (Question 3233, page 708) — A write down is necessary on a number of properties. They are highly capitalised owing to the Industries Assistance Board accounts. The trouble was, acreage was put in, irrespective of farming methods, in order to get a large advance, with the result the crops did not meet the advances made against them. It was a serious thing for the Bank when the debt had to be funded.

The Industries Assistance Board was of incalculable assistance to those farmers who appreciated the original intention of the Act, and were placed in a sound position as a result.

The lack of administration on the part of the responsible officers and the Trustees, in advancing on poor properties year after year, also to farmers who had not the capacity to make good, has developed a standard of business morality: "It's the Government. Why pay?" This destroys initiative and self-reliance, so essential to a man who takes up farming as a vocation.

The Industries Assistance Board Act was passed in 1915 in order to meet special conditions brought about by the severe drought conditions of 1914. This special legislation has been re-enacted each year to the present.

At 30/6/33, the Board's capital liability was £1,972,109, an increase of £50,291 against that of the previous year, and 1,425 settlers were still indebted to the Board, an increase of 60 against the number assisted during the previous year; the increase being due to miner settlers' accounts being taken over by the Board. The particulars being as follows:

**NUMBER OF SETTLERS INDIcATED FOR ASSISTANCE.**

<table>
<thead>
<tr>
<th>Year ended</th>
<th>Ordinary</th>
<th>Soldier</th>
<th>Ordinary</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>30th June, 1932</td>
<td>403</td>
<td>699</td>
<td>302</td>
<td>1,393</td>
</tr>
<tr>
<td>30th June, 1933</td>
<td>404</td>
<td>699</td>
<td>303</td>
<td>1,396</td>
</tr>
</tbody>
</table>

The funded accounts referred to above are those where debts due to the Board as a result of advances made for cropping were funded or capitalised, and the settler released from the exacting requirements of the Act in respect of the Board's control of crop proceeds. The remainder of the Board's clients, numbering 563, receive assistance in the ordinary way, their crop proceeds being controlled by the Board.

At 30/6/33, an amount of £1,207,706 was due to the Board in respect of 502 funded accounts, representing an average of £2,411 per account, and £56,050 was due in respect of 493 ordinary accounts, an average of £1,120 per account.

The Board's accumulated loss at 31/4/31, viz. £748,472 was written off by the Treasury, £132,974 being contributed by the Commonwealth, and from that date to 30/6/33, two and a quarter years, a further loss of £126,291 has accumulated.

The hopelessness of the Bank's financial position can be seen on reference to revenue accounts, prepared for the year ended 30th June, 1933, when interest paid to the Treasury on loan account and administration totalled £113,410, while the whole of the interest charged on active accounts and abandoned properties for the year, and other receipts totalled only £82,607, leaving a deficiency on these two items for the year, if the whole of the interest due were collected, of £31,406. In addition, however, reserves for bad and doubtful debts and amounts written off charged to this account totalled £86,332, giving a loss at this account for the year of £67,736.

The Industries Assistance Board revenue account is set out hereunder:

**THE INDUSTRIES ASSISTANCE BOARD REVENUE ACCOUNT FOR TWELVE MONTHS ENDED 30TH JUNE, 1933.**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>£ s. d.</th>
</tr>
</thead>
<tbody>
<tr>
<td>To Balance brought forward from previous year</td>
<td>573,277 19 6</td>
</tr>
<tr>
<td>Interest on Loan Expenditure</td>
<td>105,403 6 8</td>
</tr>
<tr>
<td>Administrative Expenses</td>
<td>8,000 13 8</td>
</tr>
<tr>
<td>Bad Debts</td>
<td>23,023 6 7</td>
</tr>
<tr>
<td>Canceled Debts</td>
<td>4,163 19 9</td>
</tr>
<tr>
<td>Reserve for Bad and Doubtful Debts-Interest</td>
<td>8,583 2 4</td>
</tr>
<tr>
<td></td>
<td><strong>£297,327 7 9</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Particulars</th>
<th>£ s. d.</th>
</tr>
</thead>
<tbody>
<tr>
<td>By Interest accrued on advances</td>
<td>81,919 1 9</td>
</tr>
<tr>
<td>Sundry Receipts</td>
<td>5 11 6</td>
</tr>
<tr>
<td>Commissions received</td>
<td>2 3 8</td>
</tr>
<tr>
<td>Realised Profits on Assigned Accounts</td>
<td><strong>£ a. d.</strong></td>
</tr>
<tr>
<td>Harris, Scarfe &amp; Co.</td>
<td>6 10 4</td>
</tr>
<tr>
<td>International Harvester Co.</td>
<td>81 7 0</td>
</tr>
<tr>
<td>Balance—Loss carried forward</td>
<td>126,320 13 6</td>
</tr>
<tr>
<td></td>
<td><strong>£297,327 7 9</strong></td>
</tr>
</tbody>
</table>
Balance Sheet and Revenue Account.

Section 27 of the Industries Assistance Board Act of 1915 provided that in every year the Colonial Treasurer shall cause to be prepared a financial statement and to report upon the operations of this Act, and every such statement and report, together with the report of the Auditor General, shall be laid as soon as practicable before both Houses of Parliament. The requirements of the Act in this connection were duly complied with.

Accrued interest on advances, commissions, etc., were taken to revenue, and interest on loans, administration expenses, cancelled debts and reserves for bad debts were charged against same. At 30th June, 1933, the account showed an accumulated loss of £125,321, which was brought about during the past two years by losses on realised and cancellations, and reserves for bad and doubtful debts.

During the existence of the Board the following aggregate amounts were paid by the Industries Assistance Board on behalf of settlers to Government Departments:

<table>
<thead>
<tr>
<th>Department</th>
<th>Subsidiary Clauses</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lands Department</td>
<td>Land Rent</td>
<td>£64,114</td>
</tr>
<tr>
<td>Do.</td>
<td>Wire Network</td>
<td>0,020</td>
</tr>
<tr>
<td>Agricultural Bank</td>
<td>Ordinary Interest</td>
<td>677,070</td>
</tr>
<tr>
<td>Do.</td>
<td>Soldier Settlement Account</td>
<td>202,867</td>
</tr>
<tr>
<td>Public Works Department</td>
<td>Water Rates</td>
<td>66,820</td>
</tr>
<tr>
<td>Do.</td>
<td>State Land Tax</td>
<td>21,367</td>
</tr>
<tr>
<td>Do.</td>
<td>State Revenue Tax</td>
<td>1,572</td>
</tr>
<tr>
<td>Do.</td>
<td>Federal Income Tax</td>
<td>12,426</td>
</tr>
<tr>
<td>Do.</td>
<td>State Income Tax</td>
<td>12,427</td>
</tr>
<tr>
<td>Seed Wheat Board</td>
<td>Pre-Assistance Debts</td>
<td>33,830</td>
</tr>
<tr>
<td>Various Departments</td>
<td>Civil Service Settlement</td>
<td>930</td>
</tr>
<tr>
<td>Do.</td>
<td>Tasmania Settlement</td>
<td>941</td>
</tr>
<tr>
<td>State Implement Works</td>
<td>Machinery, etc.</td>
<td>27,368</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>£2,025,519</strong></td>
</tr>
</tbody>
</table>

In addition to the above amounts the Board paid during the same period £11,025,024 for and on behalf of the farming industry to the business community of the State.

Payments in respect of the above were made by the Board on behalf of settlers who were "fully" assisted, irrespective of whether their crop proceeds were sufficient to cover such advances, the difference between payments made on behalf of the settlers and proceeds from crops being provided from loan funds.

The Trustees of the Agricultural Bank assisted, irrespective of whether their crop proceeds were sufficient to cover such advances, the difference between payments made on behalf of the settlers and proceeds from crops being provided from loan funds.

The equal distribution of the cost of administering the affairs of the various institutions and special settlements associated with the Agricultural Bank, between that institution and the Industries Assistance Board, has already been referred to in this Report, in connection with Agricultural Bank finances; the above statement bearing out the claim that the distribution was of an equitable nature; as in the statement set out above the amount of £308,942 13s. 8d. has been written off on account of excess cost of administration, and interest on capital over interest earnings, discounts, etc.

The Board, as already pointed out, has assisted many farmers to make good. The heavy losses sustained, however, in the majority of accounts handled by the Board, almost nullify the value of the work the Board has done in this connection. The taxpayers of the State have already shouldered a loss of £15,495 upon which interest must be paid by them, and in 2 years a further loss of £125,321 has accumulated, which will eventually place an additional burden of interest on them. Of the balance of principal and interest due to the Board, outstanding at 39/6/33, namely £1,194,356 (after allowing £38,239 reserve for the year) it is estimated that very little of these outstandings will be collected.

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The losses sustained to date, as stated above, together with the estimated loss, particulars of which are shown in Part VI. of this Report, total £3,073,384. This would represent approximately the loss which the taxpayers of the State will be called upon to bear, as a result of the operations of the Industries Assistance Board to 30th June, 1933.

Owing to the manner in which the accounts of the Board have been kept it is impossible to ascertain how much of the total amount advanced, or paid, to the various Government Departments, and used to pay administration expenses, was from loan funds, and how much from crop proceeds.

In this connection, however, the Managing Trustee (question 5244) stated that the bulk would come from loan moneys.

As previously pointed out, the Board's accumulated loss at 31/3/31, viz. £748,472, was written off by the Treasury, £132,974 being contributed by the Commonwealth; a summary of the amounts is as follows:

- Loss on trading: £25,378 2 3
- Excess cost of administration and interest on capital over interest earnings and discounts etc.: £308,942 13 8
- Bad debts: £371,194 15 7
- Cancelled debts: £42,063 10 2

£748,472 1 8

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PART VI.

Methods of Raising Capital—Losses, Sustained and Future.

(Paragraph 2 (2) Subclauses "a" to "e").

(a) Method of Raising Capital.

Under the Act No. 38 Victoria No. 31. (The Agricultural Bank Act of 1894) capital was raised by the issue of mortgage bonds. This authority was continued in the Act No. 15 of 1906 (Section 16.)

The total amount of mortgage bonds raised from 1895 to 1914 inclusive was £2,323,100, and the amount redeemed in the same period was £757,100, the balance unredeemed being £1,566,000.

Under the amending Act, No. 54 of 1912 (Section 5) authority was given by Parliament for the Governor to issue inscribed stock subject to the General Loan and Inscribed Stock Act of 1910, to the extent of the mortgage bonds outstanding, the bonds to be cancelled. This was done in 1914, and inscribed stock to the amount of £1,500,000 was issued in lieu thereof.

Parliament authorised other loan funds to be used for the purposes of the Bank in the Loan Appropriation Acts from year to year, as required.

The authorised capital of the Bank was raised by amending Acts to a total of £5,500,000 in Act No. 33 of 1928, and although Section 16 of the Act provides that the amount raised by the Treasurer from time to time by the issue of mortgage bonds shall not exceed in the aggregate the sum of £5,500,000, still the preceding Section (15) provides that the funds necessary for carrying on the Bank shall be such moneys as may be raised by the issue of mortgage bonds, and such other moneys as may from time to time be appropriated by Parliament for the purpose. The effect of the last-named section is to place no limit upon moneys which may be appropriated by Parliament for the purposes of the Bank.

The total loan funds provided were, for the year ended 30th June, 1914:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agricultural Bank, Ordinary Department</td>
<td>£7,118,574</td>
</tr>
<tr>
<td>(A reduction of £147,188 12s. 2d. was made by the adjustment of the Sinking Fund under the Financial Agreement)</td>
<td></td>
</tr>
<tr>
<td>Soldiers' Settlement Scheme</td>
<td>£5,902,732</td>
</tr>
<tr>
<td>Total</td>
<td>£13,021,307</td>
</tr>
</tbody>
</table>

Of this amount £551,783 2s. 3d. has been written off as the Bank's capital in the Ordinary Department, and £285,531 6s. 11d. in the Soldiers' Settlement Scheme, by contributions from the Commonwealth for losses in this scheme, and the above amount of Sinking Fund.

The repayments in the Soldiers' Settlement Scheme paid direct to the Treasury, which includes recoveries from 2½ per cent. Commonwealth concession, amounted to £1,210,699 15s. 6d.

There was a further amount provided from the Treasurer's Advance, in connection with Group Settlement (Section 8) of £1,503 9s. 3d., and £5,131 17s. 2d. from the Group Settlement Loan Vote.

Provision made for Payment of Interest on the Capital Raised.

Provision made for Contributions to Sinking Fund for the Repayment of each Capital.

In the Principal Act, No. 15 of 1906, it was provided in Section 15, "the principal sum and interest for which any mortgage bond may be issued shall be chargeable upon and paid out of moneys arising from the operations of this Act, and, so far as funds for the payment of any such principal sum and interest shall not be available under the operations of this Act, any such sum or interest shall be chargeable upon and paid out of the Consolidated Revenue Fund. Such last-mentioned fund shall, in respect of any such payment, be reimbursed out of moneys to be provided by Parliament."

This section was not given effect to. Where there was a shortage in funds to pay interest, the Consolidated Revenue Fund was not charged, but the Treasury passed a credit to the Bank's Profit and Loss Account in the Treasury books and debited interest in suspense; as the Bank collected the outstanding interest, the Suspense Account was credited and the Treasury credit eventually cleared. This method was employed until year 1913-14.

In the Amendment Act, No. 54 of 1912, Section 4, it was provided "that the interest on and contributions at a rate to be prescribed by the Colonial Treasurer to the Sinking Fund for the redemption of moneys appropriated by Parliament to the purposes of the principal Act shall be defrayed by the Bank out of principal and interest paid by the mortgagors to whom advances have been made out of moneys so appropriated."

In Section 5 provision is made for interest and for contributions to a Sinking Fund for the redemption of inscribed stock or debentures to be paid by the Bank to the Colonial Treasurer half-yearly and applied by the Colonial Treasurer to recoup the Consolidated Revenue Fund in respect of such interest and contributions; but your Commissioners can find no authority to allow repayments of principal advances to be used for this purpose in connection with inscribed stock. This stood at £1,500,000 in 1914 on the conversion of the mortgage bonds, and it forms part of the capital of the Bank.
The interest on this amount for which the rate was 4 per cent. is £63,640 and the contributions to the Sinking Fund which commenced on the 1st January, 1917, £7,830 per annum, or a total of obligatory payments to the Treasury of £68,460 per annum for 3½ years and £70,470 for 10½ years. This money had to be paid from the ordinary income of the Bank, not from repayments by mortgagees of advances made.

The figures quoted apply to 30th June, 1927, from which date adjustments were made in 1930 in accordance with the Financial Agreement Act. Since 1927 the interest and Sinking Fund contributions provided by the State under the Financial Agreement Act, on the amount of inscribed stock loan, were:

<table>
<thead>
<tr>
<th>Interest (£ per cent.)</th>
<th>£</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Inscribed Stock 7%</td>
<td>45,546</td>
</tr>
<tr>
<td>(b) Inscribed Stock 6%</td>
<td>3,916</td>
</tr>
</tbody>
</table>

The payments to the Treasury for interest and Sinking Fund contributions on all loan moneys including the above, where no other Bank funds have been available, have been made by using repayments by clients of advances, or fresh loan moneys provided by the Treasury.

The total amount of capital used for this purpose as at 30th June, 1933, was £1,983,436.

Particulars of interest payments and contributions to the Sinking Fund made to the Treasury and the Commonwealth Bank, are contained in Appendix No. 22.

(b) Operations of the Bank under the Finance and Development Board Act, 1930, and the Amendments thereof.

The effect upon the transactions, affairs and operations of the Bank of the provisions of the Finance and Development Board Act, 1930, as at present administered.

Under the Finance and Development Board Act, No. 47 of 1930, a Board was created consisting of the Managing Trustee of the Agricultural Bank (Mr. McIlardy), the Under Treasurer (Mr. Berkeley) and the Public Service Commissioner (Mr. Simpson). This Board was given the power and authority to raise money by debentures for the purpose of the Agricultural Bank Act.

All funds of the Agricultural Bank, Returned Soldiers' Settlement Board, and Industries Assistance Board, were vested in the Finance and Development Board, and the securities held by the institutions mentioned were to be held in trust by them on behalf of the Finance and Development Board. That is to say, the securities and funds were handed over to the control of that Board.

By an Act, No. 18 of 1931, Section 14 of the Act of 1930 was repealed and it was provided that moneys borrowed by the Board might be raised by inscribed stock or debentures, or partly in one way and partly in the other. Relative provisions were inserted in the present Act, complementing the provisions in the 1930 Act, so as to include inscribed stock.

The Board raised £700,000 by the issue of debentures, of which £200,000 was for cropping advances. The amount of £125,000 was repaid from cropping proceeds and the balance of the cropping loan, £75,000, stands as an overdraft at the Commonwealth Bank.

The balance of the debentures, £500,000, which matured in June, 1932, were not renewed, and this, less a sinking fund of £7,689, paid to the Bank, stands as a loan of £852,311 at the Commonwealth Bank payable on demand.

Apart from raising the £700,000 loan and making the money available for the purposes of the Bank, the Finance and Development Board have taken no action in controlling the Bank's affairs.

Mr. C. W. Simpson, Public Service Commissioner and a member of the Finance and Development Board, in reply to Question 5031, as to what was the real object in passing the Finance and Development Board Act, stated as follows:

Question 5031. What was the real object in passing this measure?—I should say the real object was to enable the Government to obtain additional capital to assist the various undertakings that they desired to carry through. The Loan Council came on the scene, and under the Loan Council provisions, we found that certain States were handicapped more than were others, in so far that many large concerns in the Eastern States, such as water boards, harbour boards, and tramway boards, had their own identity and were able to finance their own requirements by going on the market in their own names. Their securities were quite good. When the Loan Council was formed under the Financial Agreement, it was definitely understood—and although it was not part of the legislation, the legal authorities said it was quite in order—that any Government could take away any activities they pleased from the operations of Government control, place them under independent boards and enable the independent boards to finance requirements by public subscriptions or public loans. The Finance and Development Board, I think, was really created to overcome the anomalies that existed, namely, that all our activities were under Government control, and we were getting an unfair share, in the opinion of the then Treasurer, of the money allocated by the Loan Council. By creating the Board and allowing them to go on the market and raise funds for the Agricultural Bank, a further amount of capital would be made available. I do not think there is any doubt that that was the intention of the Act.

The total liability for loan moneys due to the Treasury (including the amount of inscribed stock referred to) at 30th June, 1933, was £1,906,124 15s. 8d., and the amount due to the Commonwealth Bank was £567,311, and to the Lands Department for recoup to the Treasurer's advance and Group Settlement vote £76,640 6s. 5d.

(c) and (e): Amount of loss of capital suffered by the Bank in various Districts of the State, respectively, in which the Bank is operating.

The following amounts represent actual losses sustained by the Agricultural Bank, Soldiers' Settlement Industries Assistance Board, and Group Settlements (Sections 5 and 8) to 30/6/33:

<table>
<thead>
<tr>
<th>Description</th>
<th>£</th>
<th>£</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agricultural Bank</td>
<td>135,830</td>
<td>141,809</td>
</tr>
<tr>
<td>Group Settlement (Section 8)</td>
<td>2,750</td>
<td>2,095</td>
</tr>
<tr>
<td>Soldiers' Settlement</td>
<td>356,605</td>
<td>351,807</td>
</tr>
<tr>
<td>Loss Recoveries from Commonwealth</td>
<td>338,472</td>
<td>601,476</td>
</tr>
<tr>
<td>Total</td>
<td>17,937</td>
<td>30,392</td>
</tr>
</tbody>
</table>

48,325

<table>
<thead>
<tr>
<th>Description</th>
<th>£</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industries Assistance Board</td>
<td>748,472</td>
</tr>
<tr>
<td>Less amount written off Soldiers</td>
<td>132,974</td>
</tr>
<tr>
<td>L.A.B. Accounts and recovered from Commonwealth</td>
<td>415,498</td>
</tr>
<tr>
<td>Group Settlement (Section 5) (prior to handing over to Agricultural Bank)</td>
<td>4,095,653</td>
</tr>
</tbody>
</table>

£5,946,700

Particulars of above are contained in Appendix No. 23.
Losses sustained prior to the Bank's decentralisation scheme of 1922 were not shown in districts. Therefore the actual losses at Agricultural Bank Districts can only be shown since the date of their establishment, the particulars being as follows:

**LOSS ON REALISATION OR REVALUATION.**

<table>
<thead>
<tr>
<th>District</th>
<th>Agricultural Bank</th>
<th>Soldiers' Settlement</th>
<th>Industries Assistance Board—Principal and Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Principal</td>
<td>Interest</td>
<td>Principal</td>
</tr>
<tr>
<td>Bruce Rock</td>
<td>15,159</td>
<td>10,637</td>
<td>5,649</td>
</tr>
<tr>
<td>Bunbury</td>
<td>6,759</td>
<td>6,663</td>
<td>117,949</td>
</tr>
<tr>
<td>Busselton</td>
<td>87</td>
<td>167</td>
<td>...</td>
</tr>
<tr>
<td>Denmark</td>
<td>1</td>
<td>...</td>
<td>4,763</td>
</tr>
<tr>
<td>Geraldton</td>
<td>8,036</td>
<td>6,955</td>
<td>8,158</td>
</tr>
<tr>
<td>Katanning</td>
<td>21,260</td>
<td>26,836</td>
<td>25,873</td>
</tr>
<tr>
<td>Kellerberrin</td>
<td>8,493</td>
<td>7,105</td>
<td>375</td>
</tr>
<tr>
<td>Kunnawarin</td>
<td>4,629</td>
<td>6,250</td>
<td>4,411</td>
</tr>
<tr>
<td>Narrogin</td>
<td>11,290</td>
<td>14,547</td>
<td>13,713</td>
</tr>
<tr>
<td>Northam</td>
<td>17,451</td>
<td>17,678</td>
<td>15,979</td>
</tr>
<tr>
<td>Perth</td>
<td>17,451</td>
<td>18,737</td>
<td>150,000</td>
</tr>
<tr>
<td>Salmon Gums</td>
<td>9,365</td>
<td>2,530</td>
<td>...</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>£108,080</strong></td>
<td><strong>£116,218</strong></td>
<td><strong>£356,003</strong></td>
</tr>
</tbody>
</table>

The accounts of the Industries Assistance Board were not kept in such a manner as to permit of principal and interest losses being separately obtained.

Mr. Donovan, one of your Commissioners, desires to dissociate himself with this section of the Report, as he is bringing in a minority Report in connection with the following section.

In addition to the losses actually sustained to 30th June, 1933, the following losses are estimated in connection with all securities:

<table>
<thead>
<tr>
<th>Amount, Total Indebtedness, 30th June, 1933—</th>
<th>Estimated Amount of Loss.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Account.</td>
<td></td>
</tr>
<tr>
<td>Agricultural Bank</td>
<td>£12,304,600</td>
</tr>
<tr>
<td>Industries Assistance Board</td>
<td></td>
</tr>
<tr>
<td>Soldiers' Settlement</td>
<td></td>
</tr>
<tr>
<td>Group Settlement</td>
<td>£386,649</td>
</tr>
<tr>
<td>Abandoned farms of Agricultural Bank, Soldiers’ Settlement, and Group Settlement</td>
<td>£84,393</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>£13,712,553</strong></td>
</tr>
<tr>
<td>Estimated future losses, viz. £6,121,700, represents 38·05% of the total amount due, viz. £16,088,691.</td>
<td></td>
</tr>
</tbody>
</table>

The absence of essential data precluded a valuation of the Bank's securities, and therefore your Commissioners were compelled to estimate roughly losses on the evidence of witnesses, general information obtained, and inspections of Agricultural Bank securities in various districts.

<table>
<thead>
<tr>
<th>SUMMARY OF LOSSES.</th>
</tr>
</thead>
<tbody>
<tr>
<td>£</td>
</tr>
<tr>
<td>Actual losses to 30th June, 1933</td>
</tr>
<tr>
<td>Estimated additional losses</td>
</tr>
<tr>
<td><strong>Add estimated Interest on actual losses from date of writing off to 30th June, 1933</strong></td>
</tr>
<tr>
<td><strong>£5,184,600</strong></td>
</tr>
</tbody>
</table>

There was a transference of their accounts by many of the financial clients of the Agricultural Bank to the Associated Banks, between the years 1922 and 1929.

During the period 1/7/27 to 30/6/31, an amount of £2,676,406 was advanced by the Bank mainly in new districts situated on the fringe of settlement, the full production stage in connection with which would only be reached in 1930/31; and during that period wheat fell from 5s. 5½d. per bushel f.o.b. in 1927/28 to 2s. 3½d. in 1930/31. Your Commissioners have taken these facts into consideration, together with the extremely low and unpayable average wheat yields obtaining over a number of years, in certain districts, and the absolute necessity for further advances to enable farmers to carry sheep, in order to rescue some of the Bank's assets in many districts, when estimating the future losses of the Bank's outstanding amounts of principal and interest.
The releases from liability of Bank debtors, as distinguished from losses suffered upon realisation by the Bank of its securities.

From evidence and inquiries it has been ascertained that release from liability of the Bank's debtors has been almost simultaneous with the abandonment of the farms. Your Commissioners were not advised of any case where any part of advances made to a settler was recovered after abandonment of the farm.

In this connection, in reply to questions, the Managing Trustee gave the following evidence:

Question 5318. Was any attempt made to follow up Mr. . . . . . . . ? — Not so far. We can do so if we think it advisable.

5319. Do you make it a practice to follow up? — No. We have a right to do it but very few clients are worth the trouble.

5322. As a matter of policy you do not do it? — No.

Cases were noted where unsatisfactory clients obtained heavy advances on their farms, from the Bank, and subsequently abandoned the farms. The same settlers were again substantially assisted with Bank funds in other districts. One particular case brought before the notice of the Commission was that of a defaulting settler who abandoned a farm on a repurchased estate, upon which he had obtained very heavy advances. He later selected land in the same Agricultural Bank district where he was known to be an undesirable settler, and at 30th June, 1933, owed further sums to the Agricultural Bank of £1,680 17s. 3d. principal, and £271 18s. 6d. interest, making a total of £1,061 15s. 11d.

The policy of the Bank in practically waiving claims against clients who have abandoned farms, has induced speculation in lands, in which the Bank is interested.

One instance was noted in which an Agricultural Bank repossessed farm was taken up by speculators who immediately sold it at a substantial profit. In this case, however, the purchaser did not complete the sale, and although the vendors were joint mortgagees they have not even been requested to dissay their liability to the Bank in respect of the farm, which is again abandoned, although the property has remained in their names for several years. Particulars regarding this case are especially referred to in Part IV. of this Report.

(d) Values of existing securities held by the Bank in relation to outstanding advances, classified in relation to districts respectively, and classified accordingly as the proper ties, the subject of the said securities are still in the possession of the mortgagees, are or are in the possession of the Bank as mortgagee, exercising its remedies or powers under the securities relating thereto.

Your Commissioners are unable to furnish values of existing securities as the Bank is without data upon which such valuations might be made. In answer to a question, the Managing Trustee stated that it would take two years to value the Bank's securities.

The only valuation which the Bank has in respect of its securities is the price at which the land was purchased from the Crown, less unpaid instalments, plus advances made for improvements, and as the Bank has advanced 100 per cent. of the cost of improvements, the unsatisfactory nature of the basis on which the Bank's valuations of its securities have been made, can be readily appreciated.

The Bank has placed a realisable value upon certain abandoned Agricultural Bank holdings, but no action has been taken to obtain anything in the nature of a valuable valuation in respect of all abandoned properties in the possession of the Bank.

PARAGRAPH 23, SUBCLAUSES (a) to (j)

Terms of Commission.

(a) The formation of a policy or various policies.

This matter has been dealt with exhaustively in Parts II. and III. of the Report of your Commissioners. As mentioned therein, the policy pursued by the Trustees in the earlier history of the Bank was one of advancing cautiously up to the amount of the value of the improvements from time to time fixed by Parliament, and within the scope also fixed by Parliament. There came a time, however, when the Trustees abandoned the exercise of their discretion and the policy of the Trustees became a governmental policy of land settlement, the Trustees regarding themselves purely as instruments for carrying out this policy.

(b) The question whether or not any principle has been adopted, under which the amounts of advances made to persons in the various districts aforesaid have been limited to specific amounts which have been definitely fixed in relation to the said districts respectively.

Some of the matter contained in dealing with this paragraph of the terms of the Commission has already been incorporated in the main part of the Report, but it had to be repeated in order to deal with the reference contained in the above-mentioned paragraph.

Discretion regarding the amount to be advanced on any property has remained wholly with the Trustees, and in this connection the Trustees created two zones, the first being west of the outer rabbit-proof fence and the second zone on the eastern side of the fence. The limit of advances in respect of the former was that prescribed by the Act, viz., £2,000, and £1,500 was the limit fixed on holdings situated in the outer zone. The limit of advances fixed in respect of the outer zone was not adhered to, however. Advances to miner settlers at Southern Cross were increased in many cases to £2,000, and other instances were noted in which advances in excess of £1,000 were made.

At Dartmoor, a settlement near Ajana, advances were limited to 75 per cent. of the value of improvements, and light country, 50 per cent., and at Mol­levin advances were limited to 75 per cent. of the value of improvements.

The above advances had reference only to the Agricultural Bank. Further advances to a limit of £500 were made under the Discharged Soldier Set-
tlemcnt Act; still further advances of an almost unlimited nature were made under the Industries Assistance Board Act, and many settlers obtained advances and operated under all three Acts.

<table>
<thead>
<tr>
<th>Accounts</th>
<th>Zone</th>
<th>Limit</th>
<th>Agricultural Bank Principal at 30th June, 1933</th>
<th>S.S.S. or I.A.B. Principal at 30th June, 1933</th>
<th>Interest Outstanding at 30th June, 1933</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>£</td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td>Mr. A.</td>
<td>2</td>
<td>1,500</td>
<td>2,262</td>
<td>501</td>
<td>2,765</td>
</tr>
<tr>
<td>Mr. B.</td>
<td>2</td>
<td>1,500</td>
<td>2,320</td>
<td>527</td>
<td>2,647</td>
</tr>
<tr>
<td>Mr. C.</td>
<td>2</td>
<td>1,500</td>
<td>2,323</td>
<td>542</td>
<td>2,641</td>
</tr>
<tr>
<td>Mr. D.</td>
<td>2</td>
<td>1,500</td>
<td>2,323</td>
<td>499</td>
<td>2,683</td>
</tr>
<tr>
<td>Mr. E.</td>
<td>2</td>
<td>1,500</td>
<td>1,376</td>
<td>260</td>
<td>3,171</td>
</tr>
<tr>
<td>Mr. F.</td>
<td>2</td>
<td>1,500</td>
<td>1,050</td>
<td>320</td>
<td>3,159</td>
</tr>
<tr>
<td>Mr. G.</td>
<td>2</td>
<td>1,500</td>
<td>1,077</td>
<td>779</td>
<td>3,708</td>
</tr>
<tr>
<td>Mr. H.</td>
<td>2</td>
<td>1,500</td>
<td>1,233</td>
<td>366</td>
<td>3,901</td>
</tr>
</tbody>
</table>

There are 34 accounts in respect of farms in the south Southern Cross district, on which Agricultural Bank indebtedness of principal exceeds £2,000. All of these properties are in the outer, or No. 2 Zone. In many cases it is noted that when an account reached the maximum under the Agricultural Bank Act and the Discharged Soldier Settlement Act, further assistance was rendered under the Industries Assistance Board Act.

The question whether the making of advances to settlers for following and the provision of seasonal credit by the Trustees was a policy formulated by them or was a procedure forced on them is difficult to determine. The better opinion is that the Trustees, in forcing the policy of land settlement, found that settlers could not produce without the provision of seasonal credit, and the Trustees had to find it for them. It may therefore be said to be a necessary consequence of a bad policy of land settlement.

Method of Granting Loans.

This reference has already been dealt with in Part II. of your Commissioners’ Report. In order to say a cross reference, your Commissioners now summarise the above-mentioned methods.

The original Agricultural Bank Act of 1894 provided that the Manager, with the approval of the Governor, might make advances to farmers. The Act of 1906 provided that the Bank might, if the Trustees thought fit, make advances to farmers. By an Act of 1912 the Bank was empowered to make advances to persons engaged in the business of farming or grazing, or in agricultural, horticultural or pastoral pursuits, to an amount not exceeding £2,000, or in any industry that the Governor might by proclamation declare to be a rural industry, for any purpose incidental to, or in aid of, any such business, pursuit or industry, including the erection of a dwelling house for the borrower, or any land occupied or used by him in connection with such business or industry.

Prior to the establishment of the decentralisation of the Bank’s business, viz. 1921-22, application for loans was made to Head Office, reported upon by the management, and the approval of the Governor obtained under certain circumstances. After that date, applications for loans were lodged at the district office: the Branch Manager decided whether such applications were to be reported upon by the Field Inspector; and the reports received in this connection were submitted to the Trustees for decision.

Although in the main the defined policy of the Bank has been followed when making advances, still, the following accounts disclose the departure from this policy in respect of the indebtedness occurred:

At the present time few loans are made, and those only in very special cases. Refunds of interest paid under the Bank’s statutory lien for payment of one year’s interest, are made to settlers, but apart from these the loan transactions of the Bank, which assured such huge proportions during the years 1921 to 1922, have now almost ceased.

The extent to which a policy (if any) has been followed, or is being followed, in regard to the observance of a margin of security when loans are made.

(c) and (d) If such a policy of granting loans has not been, or is not being followed, the question whether or not it is in the best interests of the State to continue making advances without the observance of a definite margin of security.

Your Commissioners wish to repeat the observation prefacing the previous clause.

The Agricultural Bank Act of 1894 fixed the advance at £400, and no advance was to exceed one-half the fair estimated value of improvements.

The Act of 1906 extended the maximum advance from £400 to £500, and three-quarters in lieu of half, and the fair-estimated value of improvements.

By an Act of 1902 the advances were limited to one-third of the fair estimated value of the land with the improvements made thereon, except in the case of horticultural and viticultural lands, which should not exceed one-half, and that no less than one-third of such advances should be expended on land and improvements, and the advance must be limited to the sum of £1,000.

In the 1906 Act, Section 28, advances could be made up to £300 to the full value of improvements. Further advances not exceeding £200 to one-half the value of additional improvements. An advance for discharge of a mortgage already existing was limited to three-fourths (¾) of the value of the improvements already made on the holding. Total advances to any one person were reduced to a limit of £500, and advances to purchase stock were limited to £100.

By the amending Act, No. 50 of 1909, advances for ring-barking, clearing, fencing, draining, or water conservation, could be made up to £400 to the full value of the improvements. Further advances could be made up to £250, to one-half the value of additional improvements.

Advances for purchase of stock and machinery were limited to £100, and the total advance to any one person was not to exceed £750, provided that,
where any land was held by two or more persons as joint proprietors, the amount to be advanced, in the discretion of the Trustees, could be multiplied by the number of joint proprietors.

Under the Amendment Act of 1912, No. 18, Sections 28 and 29 of the principal Act (No. 15 of 1890) were repealed, and under Section 3 of the new Act, the limit of an advance was extended to £2,000 and advances were made to the full value of improvements.

Your Commissioners do not think a margin of security has always been maintained in making advances. Your Commissioners are recommending that no new accounts be opened, but in the event of this recommendation not being given effect to, then your Commissioners say that if new advances are contemplated, then reversion should be made to the original advances of 50 per cent. of the value of the improvements effected.

(c) The payment of interest and repayment of advances, and the methods used by the Bank for enforcing repayment of advances or payment of interest.

As previously stated in this Report, unpaid interest by settlers increased from £24,800 at 1910 to £305,072 at 30/6/29, and £1,746,993 at 30/6/33.

During the period 1920-21 to 1932-33 circular letters regarding payment of interest were sent out by Head Office, impressing upon branch offices the necessity for collection of outstanding amounts, but from evidence received, these instructions were not followed up by Head Office. In this connection the following evidence was received by the Commission:

Evidence from a Branch Manager.

Question 2589. Does the Head Office of the Bank inquire as to what you are doing to collect arrears of principal and interest payments?—No, not in one way, but Head Office sends out circulars instructing us to follow up interest accounts and not to allow our energies to flag. That has always been so. I can produce copies of the circulars.

2590. Head office does not write asking why you have not shown results in the collection of interest arrears?—No.

2591. Does Head Office not see that you carry out instructions?—No.

2592. So far as Head Office is concerned, their circulars are sent out and that is the end of it?—Yes.

Evidence from a Branch Accountant.

Question 2594. You say that before that time, failure to collect interest was due to the system adopted by the I.A.B.?—Yes.

2595. Under what authority were further advances made?—I do not know. It was done in Perth. We had nothing to rely upon for the collection of Agricultural Bank accounts, except by way of correspondence. The administration of the Agricultural Bank and the I.A.B. was the same, but the clients were not always the same. We have two classes of settlers: those under the I.A.B. and those under the Agricultural Bank. We debit the I.A.B. account with their interest and credit the Bank account. The I.A.B. pays the Bank's interest.

2596. Then how do you account for all the arrears of interest?—The bad cases have paid no interest at all.

2597. What discrimination was made between worthy and unworthy farmers?—I cannot say. That was for the District Manager. I have seen a list of adverse reports. In some cases advances were made to indifferent men. To a great extent that was responsible for our schedule of interest arrears and outstanding payments of principal.

Evidence from a Branch Manager.

Question 2598. Mr.______, an ex-inspector for the Bank, has a property at Meredith, of 500 acres, and has accumulated interest of about £3,000. Can you explain how that happened under your control?—Mr.______, took over the property under the S.S.S. and put in a fair amount of his own money. He was doing reasonably well until he decided to take over an abandoned property, carrying a big load of debt. That was five or six years ago. On the original property he was only a poor farmer and his interest was accumulating. No action was taken against him, although we reported on him a number of times.

2599. A bad farmer, in default to the Bank and allowed to take over an abandoned farm, and accumulated his obligation. Why did the Bank allow it?—Because the abandoned property was going back to nature, and it was hoped that Mr._______ might sort it out. I am not sure whether the property was actually abandoned. I will submit a report on the case.

2600. Mr.______, of Meredith, in a good position, drawing a salary of £7 weekly, has a property there, considerably in default. What is the explanation there?—The trouble was due, not to the present holder, but to his brother from whom he took over. That has been the subject of a great deal of correspondence. Mr._______ was told that foreclosure proceedings would be taken.

2601. Is it not a fact that you have leased the property to one Mr._______?—Yes, Mr._______ is the lessee. I think he guarantees the payment of a certain amount, and the difference will be paid by Mr._______.

2602. Where does the fault lie, with Head Office?—Both this office and Head Office. We have not worried about the account, for the security is sound.

2603. What source of revenue has the Agricultural Bank?—There is a difference of one per cent. between the interest we pay and the interest we charge.

2604. That is the only money you receive to pay your overhead expenses. If you fail to collect interest how are you to pay those expenses?—I have no idea.

2605. You realise the importance of collecting interest in order that sufficient money will be released to pay overhead expenses?—I do.

During the course of your Commissioners' inquiries, it was found that officers employed by the Bank, or their wives, owned properties upon which advances have been made by the Bank, and in the case of one field inspector, £4,894 10s. 9d. has been advanced upon a property owned by his wife, and upon which outstanding instalments of principal totalled £2,181 6s. 9d., and unpaid interest £1,461 4s.

The intolerable position created by a field inspector, employed by the Bank, owing such a considerable amount of interest, arrears, despite any reason which may be advanced, is a challenge to the Bank's management, and an embarrassment to its officers in the collection of interest due to the Institution.

In this connection, it is doubtful whether the action of the Bank is not contrary to Section 13 of the Agricultural Bank Act, 1930.

Interest collections have, since 1930, been covered by the Bank's statutory lien, and therefore little is left to the management in this respect, excepting to see that the proceeds of wheat, wool, etc., are expeditiously applied in terms of the statutory lien, and the balance made available to the Bank's clients without undue delay, thereby causing the least possible inconvenience to them.

As previously stated, prior to year 1930, when the Bank obtained a statutory lien for interest, circular letters were sent periodically to branches by Head Office, but, as shown, these were not followed up by enforcing payment of interest in special cases in each Agricultural Bank District. Had this been done, a
sense of obligation to the Bank might have been impressed on defaulting clients, with resultant benefit to the Bank, and although the provision of the Bank's statutory lien for interest has rendered it unnecessary for special activity being exercised in the collection of interest, your Commissioners are not satisfied that adequate action is taken at the present time to safeguard the Bank in the collection of principal and interest moneys. In this connection the following evidence, taken from Bank officials and others confirms the views expressed by your Commissioners:

Field Officer (Question 2142, page 398).—I foreclosed on one property because I felt we were not getting the wheat. I also served a distraining notice on the man. The farmer, however, interviewed members of Parliament and he was reinstated. This man was £220 in arrears of interest.

Question 2148, page 294. I receive more from grazing leases on abandoned farms than I did in interest payments from the original settlers.

It is an economic loss to grow wheat on the Great Southern lands, as it is only 8 bushel country.

Question 2192, page 326. Mr. . . . . . owes the Bank £3,300 and £810 interest. His position is largely due to extravagance and bad management. He makes too many visits to Perth. I have reported him several times. He makes a point of having his file sent to head office, and he gets head office to deal with his case.

Field Officer (Questions 2795-6, pages 529-530). I reported continually regarding settlers who defaulted, but head office took no notice. In my district late deliveries of super have meant a reduction of yields by one-half.

A settler on the Queanbeyang Estate with about 2,000 acres had a total indebtedness of £20,400. A railway had been promised. If the property could be written down by £5,900, the present owner should have the advantage of it.

District Manager (Question 2725, page 620). Give names of several settlers whom he reported and recommended foreclosure, upon which no action was taken, and sustenance still given.

Field Officer (Question 2785, page 636). We report the indifferent farmers to the District Manager, who reports to head office accordingly. Nevertheless the men are kept on for various reasons, perhaps political influence.

Questions 2788, 9, 90, page 617. Re Mr. . . . . . , arrears of interest £617, I have put the position before the District Manager several times. The client earns £7 per week and is in a position to pay. I have never known definite action to be taken by head office. Sometimes a man goes to Perth, and that is the finish of it to me.

Mr. . . . . . , arrears of interest £700, I have reported this man, suggesting that he should be forced from his property, but no action is taken.

Question 2810, page 659. Re Mr. . . . . . , arrears of interest £1,800. He has a good property; adjoining the town. A late Inspector of the Agricultural Bank. His trouble is the removal of farming. No action was taken to dispose of the property. Instead the Bank sold him an adjoining property, but have since foreclosed.

District Manager (Questions 2804, 5, page 671, and 355, 6, 7, page 973). Questioned in respect to default by the above clients:—We have not worried about the account because the security is sound.

Question 2885, page 671. If you fail to collect the interest, your only source of revenue, how are you to pay salaries, etc.? I have no idea.

Question 3035, page 676. The Bank has to pay interest regularly. What is the concomitant for the Bank? —That it should receive from the settler interest on the amount advanced.

Question 3036. Does it do that?—No.

Then you have been galloping to bankruptcy for 15 years?—I am afraid so.

Field Officer (Question 3147, page 683). 50 per cent. of my farmers paid interest. The other 50 per cent. went in for motor cars, etc.

Mr. . . . . . . . , Kondinin (Question 2190, page 320).

My Agricultural Bank book shows a total of £2,400 as having gone through it, but I did not have a penny of it. I have put in altogether 14,000 bags of wheat and have not had an acknowledgment for one of them. As the settlers have no money they have lost the money sense. When the Bank turn them down they have a grudge against it. The Bank really does not know what our securities are.

(f) The operation and enforcement of statutory liens for the benefit or protection of the Bank.

The Bank had always been pressing Parliament, according to the Managing Trustee's evidence, to give the Bank a statutory lien over the crops, but Parliament always refused to do so.

However, in 1930 this legislative action was taken, and the Bank was granted a statutory lien over the crops for one year's interest and all moneys advanced for cropping requisites. Enforcing this lien greatly increased the antagonism of the settler to the Bank, particularly when the Bank had to release part of the crop proceeds held by them to the settler for maintenance.

The granting of this lien was given too late, if it was right to give it at all.

The only advantage the Bank obtains from it now is superintending the expenditure of the settler.

The Managing Trustee says the Bank was forced by circumstances to give way to quite a number of creditors, with the result that under their lien they come about last on the list, instead of first. Super, cornsacks, insurance, harvesting and cropping requisites, and machinery payments all have to come before the Bank's interest. It is the same with fuel for tractors.

It appears to your Commissioners that as the Bank is readvancing in so many cases to the settler the yearly interest received under its lien, for sustenance, is really providing, as mortgage of the land, the funds for cropping for the benefit of the mercantile community.

This is a matter to which the new management must give serious attention, as it stands in the same category as the stock firms getting all the profit of the wool grown on sheep depasturing on the Bank's securities, and the Bank getting no return for their principal money.

(g) The principles (if any) adopted by the Bank in connection with the cancellation of debts owing to the Bank, the release from liability of the Bank's debtors, and the writing off of losses suffered upon the realisation by the Bank of its securities; the manner in which such debts have been cancelled and such releases from liability have been effected, and such losses on realisation have been written off.

(h) The measures (if any) adopted by the Bank to cover losses suffered by the Bank on realisation of securities or otherwise.

The losses on realisation have been from time to time charged against the profit and loss account for the years during which the debts were written off.

There has been no principle followed by the Trustees for cancelling debts after realisation, or releasing the debtor from liability, and no action has ever been taken, except in very few instances, against the debtor to recover losses. Book entry of the loss was the last thing done.
There has been no writing off except on realisation, and interest has been charged on all debts owing, whether good or bad. The Auditor General in his report for the year 1933, page 32, comments on this practice. Your Commissioners have already referred to the methods of the Trustees of charging interest on these bad accounts.

(i) The responsibility (if any) of the Trustees of the Bank for losses suffered by the Bank in connection with Special Settlement Schemes.

Special Settlement Schemes were inaugurated and/or carried on by the Trustees under verbal or written Ministerial direction. The repayment of the money advanced on many of them was guaranteed by the Treasury.

It appears to your Commissioners that taking the guarantee was equivalent to a man guaranteeing his own payment.

The Trustees should have exercised their discretion, no doubt, but did not, when told to carry on by Ministers. The only responsibility for acting thus is a moral one.

(ii) The efficiency of the methods adopted by the Bank in disposing of properties under the powers and authorities contained in the securities relating thereto. (General Summary.)

In the opinion of your Commissioners, as appears from this Report, no efficiency was shown by the executive officers of the Bank in dealing with abandoned or repossessed properties.

Amalgamation of Accounts.

It appears desirable that the necessary legislation or authority be obtained to amalgamate the accounts of clients. In some cases individual clients have up to 20 accounts under the various heads, namely, Agricultural Bank, Soldiers' Settlement Scheme, and Industries Assistance Board. The adoption of the practice suggested would very materially reduce the work at branches, effect a considerable saving in the use of stationery and books, and remove the confusion now experienced by clients regarding information as to details of their liabilities to the Bank.

Interest on Accounts.

The present method of arriving at interest, and issuing statements in relation thereto, is slow and cumbersome, creating delays and consequent irritation to the Bank’s clients. It is suggested that the system followed by the Associated Banks be introduced, whereby placing the Bank in a position to advise its clients of interest due immediately after the yearly balancing period, instead of within a period of two months, as at present.

Sale of Abandoned Farms.

A vigorous policy for the disposal of these should be introduced forthwith. Many farms have been in the books of the Bank, unsold, for a great number of years, resulting in steady depreciation in value. It is desirable that all abandoned farms be revalued, and, if necessary, the employment of outside established selling agents should be arranged, with the object of realising on the lands without undue delay. It is suggested that shorter terms than those at present allowed under the Act might be arranged when the opportunity arises.

Particulars of all abandoned farms for sale should be kept in a special register at the Head Office and at branches to allow of ready reference to same in the case of inquiries being made, and more publicity than at present given is desirable with a view to finding buyers.

Branch Managers and Field Inspectors should be specially directed to the necessity of realising on the lands at the first favourable opportunity.

Closer discrimination than that given in the past should be introduced with a view to eliminating as far as possible new clients who may prove undesirable. It is found that in many instances the client taking over an abandoned farm is no more capable than the previous occupier.

Bank’s Securities, Mortgage over Stock, etc.

A check of the items appearing on the stock mortgages, etc., with the livestock, implements, etc., on the farm should be made at least each year by the Bank officials, and a record of such check kept either at the branch or head office. It is noted that since the Commission was appointed, this system is being introduced.

Correspondence.

Very numerous complaints have been heard of delay in replying to correspondence, at times involving clients in loss owing to the late delivery of super and other requirements. With reasonable care no grounds for complaints of this nature should exist.

Statements of Accounts.

Great dissatisfaction has been expressed to your Commissioners regarding the paucity of information supplied in these, and the absence therefrom of amounts received for customers’ credit. The Bank’s clients should have furnished to them at least each half-year all details respecting debit and credit entries in connection with their accounts with the Bank.

Premises—Head Office.

These are old, and present a gloomy, ill-kept appearance; if suitable premises are not available, the partitioning off of the various departments of the present premises requires re-arranging, and the general surroundings improved so as to allow of the business being conducted with greater facility and in less depressing surroundings, permitting of easy supervision of the staff, and better access to the public.

With reference to the country branches, it is suggested that for the convenience of the public and to preserve privacy in the general office, a direct passage-way to the manager’s and accountants’ offices be provided when erecting or re-arranging partitions, fittings, etc. Provision should also be made for the protection of files, at the branches, both against destruction by fire and otherwise. The inconvenience which would be suffered in the event of loss or destruction of these files can be easily realised.

Custody of Cash at Branches.

At some branches the officer in charge of cash has direct access to same at any time. This is undesirable, and each safe should have two locks, one key being in the hands of the officer in charge of the cash, and the other in the hands of the accountant.

The cash safes should be placed in a position which will not be easily accessible to unauthorised persons.
At one branch the cash safe—a small one—is immediately under a side window, which could be easily entered from the vacant land adjoining the premises.

Field Inspector's Diary.

The information written up by field inspectors should contain a brief reference to requisitions, complaints and other matters of interest, transpiring on the occasions of such officers' visits to farms. This should be brought under the branch manager's notice as early as circumstances require, and without undue delay.

Branch Managers' Qualifications.

Your Commissioners were surprised to learn that managers in charge of the branches in many cases have little (if any) knowledge of the conduct of the internal affairs of the office. It is recommended that a position of such importance should, in the interests of the Bank's business, be filled by officers having both inside and outside experience, and that an opportunity be afforded members of the staff to qualify for such positions.

Annual Conference between Trustees and Branch Managers.

It is recommended that an annual conference be held at Perth, between the branch managers and the Trustees of the Bank at a time which might be regarded as most advantageous to the Bank, with a view to bringing about uniformity of practice, considering suggestions and generally dealing with matters which may be of assistance in the conduct of the Bank's affairs in the various districts in which it is operating.

Paragraph 2 (4)—Terms of Commission.

Operations and effect of the provisions of the statutes hereinafter mentioned in relation to various objects of such statutes in so far as the said statutes or any of the provisions thereof have been administered by the Bank, namely:

(a) The Agricultural Bank Act, 1906, and amendments.

Your Commissioners have dealt very fully with this reference in Parts II., III., and IV. of their Report on the operations of the Bank.

(b) The Industries Assistance Act, 1915, and amendments.

See Finance Report of your Commissioners—Part VI.

(c) Discharged Soldiers' Settlement Act, 1926, and amendments.

See Part VIII. of your Commissioners' Report.

(d) The Group Settlement Act, 1925, and amendments.

See remarks of your Commissioners in the introductory observations of your Commissioners to their Report.

(e) The Finance and Development Act, 1930.

Your Commissioners have reported on this Act—see paragraph a (2) (b)—Terms of the Commission, Part VI. of this Report.
PART VII.

Agricultural Bank—Audit of Accounts and Report thereon by the Auditor General.

In every commercial undertaking the strict yearly audit of the accounts and the reporting thereon by the auditor is of the utmost importance.

This was recognised by Parliament when passing the Agricultural Bank legislation of 1906. Sections 40 and 41 of that Act provided:

(a) the accounts of the Bank shall, once at least in every year, be audited by the Auditor General, or such other auditor as the Governor might appoint for the purpose;
(b) the Auditor General, and any other auditor so appointed, shall, in respect of such accounts, have all the powers conferred on the Auditor General by any law in force relating to the auditing of public accounts, and;
(c) in every year the Trustees of the Agricultural Bank shall furnish a Balance Sheet and Report to the Minister for Agriculture upon the operations of the Act, and every such balance sheet, together with the report of the Auditor, shall be laid as soon as possible before both Houses of Parliament.

Undoubtedly the audit required under these sections is a separate audit of the Bank’s accounts, and a separate report was to be made by the Auditor General or any auditor appointed by the Governor. No auditor has ever been appointed by the Governor, and the work has been done by the Auditor General.

In the year 1907 the above-mentioned principle was recognised by the Auditor General, Mr. Toppin, as, in his Report to Parliament on the Public Accounts, referring to the accounts of the Agricultural Bank for that year, on page 153, he states inter alia:

These accounts have been examined as far as possible before Parliament by the Minister. It is therefore not produced here.

The Report of the Auditor General for that year was apparently not laid before Parliament, as in his Report to Parliament on Public Accounts for the year ending 30th June, 1908, he includes therein his Report on the Agricultural Bank Accounts at page 155, and he then prefaced his Report by the following statement:

It is understood that the report of the Auditor General on the accounts of the Trustees for the year 1906-7 was not laid on the Table of the House (it being considered, no doubt, that the certificates on the accounts covered the report). It has been decided this year to reproduce (as shown hereunder) the report dealing with the examination for the year 1907-8.

The procedure adopted by him for the year 1907-8 was followed by the Auditor General for the years 1908-9, 1909-10, 1910-11, and 1911-12.

In 1912-13 there was no report by the Auditor General on the Agricultural Bank accounts, the only reference thereto being the following:—‘The accounts for 1912-13 have not been received, although the bulk of the checking work has been completed.’

It is tragic that the negligent methods adopted from then on, in auditing by the Auditor General, should synchronise with the passing of the 1912 revolutionary legislation, which required a stricter system of accounting and auditing.

In his Report on Public Accounts for the year 1913-14, there are only two references by the Auditor General to Agricultural Bank affairs, namely—‘The accounts to 30th June, 1923, have been audited and reported upon. Those for the year ended 30th June, 1914, have not been received for examination.’ Page 85.

At page 22 there is a short reference to the profit and loss account of the Bank, which is not of sufficient importance to be quoted.

The Report of the Auditor General on Public Accounts for the year 1914-15 contains no reference to the 1913-14 Agricultural Bank accounts, or any report thereon, and the following is the only reference to such accounts:—‘Examinations for the year 1914-15 are complete, but the Report is still to be forwarded.’

In the 1915-16 Report the only reference is:—‘Reports forwarded 1910-17.’ The Auditor General states in his Report regarding the Agricultural Bank:—‘The accounts have been examined as far as possible to the 30th June, 1917. The work had to be discontinued pending the completion of books, balancing of accounts and completion of statement. The balance sheet and profit and loss account have not yet been completed.’

Your Commissioners would have expected to find some severe criticism from the Auditor General on the unsatisfactory book-keeping methods of the Agricultural Bank.

In 1917 the Auditor General makes only one reference to Agricultural Bank accounts, namely:—‘Accounts examined to 30/6/1918. Continuous examination work up to date.’

The same short reference is given in the 1918-19 Report on Public Accounts:—‘Agricultural Bank accounts examined to 30/6/1918. Completion of audit for 1918-19 awaiting finalising by the Bank of General Ledger accounts. The work is almost completed.’

The comments for the last two years are astounding, as evidencing not only the negligent method of book-keeping by the Agricultural Bank, but the failure of the Auditor General to severely criticize these methods, which prevented his auditing the accounts and making his Report to Parliament, if he ever intended to make any.
For the year 1919-20 there is no Report whatever on Agricultural Bank accounts by the Auditor General, apparently no audit and certainly no Report. Your Commissioners have not been able to peruse any of the Reports of the Auditor General on Agricultural Bank accounts, mentioned by him in his brief yearly comments since the year 1912. These Reports (if any) have never been laid before Parliament.

From the year 1920-21 the Auditor General drops all pretense of making a Report to Parliament on Agricultural Bank accounts, or sending such Report to the Trustees of the Bank. In his Reports to Parliament on Public Accounts he makes each year a short reference to Agricultural Bank accounts.

In the 1921-22 Report on Public Accounts by the Auditor General, the reference to the Agricultural Bank occupies a quarter of a page, although the Audit Inspector's Report on Agricultural Bank accounts for that year was a very full one, comprising 16½ pages of closely typed foolscap, reporting a deficiency of £490,000 and many other matters of a serious nature.

In his Report on Public Accounts for the year 1922-23 the Auditor General makes a short reference to Agricultural Bank accounts, but in this year a statement is included showing the cash position as regards interest for that year, and discloses a debit balance of £50,051 18s. 10d. as being interest paid from principal moneys. In this year the amount of the actual shortage was £55,849, and the accumulated actual shortage was £250,345.

In the Report for 1923-24 there was a similar cash statement showing a deficiency of £53,315 1ds. 4d., as being excess of payments over receipts.

In the year 1924-25 the same report as to deficiency of interest, but the Auditor General shows this year an amount of outstanding interest, £605,751 19s. 1d., and he also discloses outstanding principal instalments of 34,404, 10s. 2d.

A similar procedure as outlined to 1924 is continued by the Auditor General up to June, 1933, but again it must be mentioned that after 1923 he discontinues sending to the Treasury or the Bank any copy of his Audit Inspectors' Reports.

After your Commissioners had commenced their investigation into the Agricultural Bank affairs, in his Report to Parliament on Public Accounts, the Auditor General refers to the Agricultural Bank accounts, without making any specific Report, and announces a deficiency of £1,685,320. The actual shortage was £1,983,436, a difference of £298,116.

The answer to these questions is so manifestly wrong that your Commissioners pressed him further on the matter, and he could not give them one instance of his Audit Inspectors' reports being laid before Parliament (Questions 4775, 7, 8, 9, 80 and 81.)

This evidence of the Auditor General must be compared with his statements contained in the 1906-7 and the 1907-8 reports, and the practice followed by him until 1912-13.

Your Commissioners regret to state that the evidence of the Auditor General is not only evasive, but lacking in that element of good faith which should have been observed between a high official of the Crown and your Commissioners. He attempted by his replies to cover up his culpably negligent methods of auditing the accounts of the Bank after 1912, his wilful neglect to report each year to Parliament and his failure to report to Parliament the deficiency of £490,000 disclosed by the Report of the Audit Inspector for the year 1921-22.

The culpable negligence of the Auditor General appears to have been repeated in, if not approved of, by the Trustees of the Bank. Your Commissioners propose dealing shortly with certain evidence which must necessarily be disclosed to support the findings made by them in respect to the Auditor General and the Trustees, as founded on this Part of their Report.

The inspecting auditor's report for the year 1921-22 in connection with the Bank's affairs was not forwarded to the Treasury until 15th April, 1924, or nearly eighteen months after the date it was completed by the inspector. It was then forwarded to the Trustees of the Bank through the Under Treasurer, together with another Audit Inspector's report for year 1922-23.

From that date to the present, a period of ten years, although the Auditor General has continued auditing the accounts of the Bank yearly, the Audit Inspector's reports to the Auditor General in connection with the Bank's head office and Perth district affairs have not been forwarded either to the Under Treasurer or the Trustees, and consequently during that period the Treasury and the Trustees have been working without information respecting any omissions or other irregularities which may have existed in the office work, and any comments which might have been of a helpful nature to the management, as a result of the auditor's report, and the Trustees made no request to be supplied with the Audit Inspector's reports during the period stated.

In this connection the following evidence was given by the Deputy Managing Trustee of the Agricultural Bank:

Question 4105. But you did not bother about getting the report?—Because the Auditor General did not report anything wrong with the accounts, I did not feel there was anything wrong with them.

4106. And the Trustees were probably of the same mind?—Probably.

Audits of the nature mentioned necessarily involve considerable expense to the Bank, but subsequent to 1923 the only information made available to the Trustees was the customary brief reference to the Bank's affairs contained in the Auditor General's annual report to Parliament on the public accounts of the State, which is prepared and presented to Parliament; however, before the audit inspector has completed the audit of the Bank's accounts, and submit-
tended his report to the Auditor-General. Therefore, under such circumstances any comments made by the Auditor-General on those accounts can have little actual value from an audit point of view.

The respective dates of the audit inspector’s reports to the Auditor-General, and those of the Auditor-General’s annual references in public accounts to Parliament, are as follow:—

<table>
<thead>
<tr>
<th>Year of Audit</th>
<th>Date of Auditor General’s Report to Parliament</th>
<th>Date Audit Inspector initiated Balance Sheet as correct</th>
<th>Date of Audit Inspector’s Report to Auditor General</th>
</tr>
</thead>
<tbody>
<tr>
<td>1922-23</td>
<td>23rd October, 1923</td>
<td>24th March, 1924</td>
<td>24th March, 1924</td>
</tr>
<tr>
<td>1923-24</td>
<td>17th November, 1924</td>
<td>13th December, 1924</td>
<td>32nd December, 1924</td>
</tr>
<tr>
<td>1924-25</td>
<td>18th November, 1925</td>
<td>17th December, 1925</td>
<td>18th December, 1925</td>
</tr>
<tr>
<td>1925-26</td>
<td>10th November, 1927</td>
<td>13th January, 1927</td>
<td>19th January, 1927</td>
</tr>
<tr>
<td>1926-27</td>
<td>11th October, 1928</td>
<td>4th February, 1929</td>
<td>4th February, 1929</td>
</tr>
<tr>
<td>1927-28</td>
<td>14th October, 1929</td>
<td>5th February, 1930</td>
<td>5th February, 1930</td>
</tr>
<tr>
<td>1928-29</td>
<td>21st October, 1930</td>
<td>24th December, 1930</td>
<td>6th January, 1931</td>
</tr>
<tr>
<td>1929-30</td>
<td>21st October, 1931</td>
<td>26th November, 1931</td>
<td>29th November, 1931</td>
</tr>
<tr>
<td>1930-31</td>
<td>27th October, 1932</td>
<td>22nd March, 1933</td>
<td>25th March, 1933</td>
</tr>
<tr>
<td>1931-32</td>
<td>19th October, 1933</td>
<td>Audit not completed as 16th March, 1934</td>
<td></td>
</tr>
</tbody>
</table>

With reference to the delay of eighteen months in sending the audit inspector’s report to the Bank for year 1922-23, the following evidence was given by the Auditor General:

Question 4753. Mr. Newman’s report was bottle up by you for 18 months—1 should have sent it forward, and should not have waited for anything else. That was in 1923. I actually sent it out in 1924.

4753. But you had it in 1921—I waited to settle up accounts. I should have sent it out.

The Auditor-General, in a letter addressed to the Commission, dated 30th October, 1933 (Appendix No. 11) stated the reasons for withholding the senior audit inspector’s yearly audit reports from the Trustees since 1922-23, his evidence in this connection being as follows:—

Question 4908. Just back at that minute on page 119. I am quoting now from Exhibit No. 117 (Auditor General’s letter to the Commission). As regards (a) no further reports relating to the head office of the Bank were forwarded to either the Under Treasurer or the Managing Trustee subsequent to 1922-23. Attention is invited to my memo. of 15-1-1924 (page 119 of the file Audit, 22/67). As no reply was received to this memorandum, and no alteration was made in the statements of accounts submitted for examination, also the fact that reports were being regularly sent to the Under Treasurer, I decided to discontinue forwarding the Inspector’s reports on the Head Office, reserving any comments I considered necessary for my reports to Parliament.—That is so.

4907. That is your reason?—That is my reason. (Particulars of page 119 of file, Audit 22/67, Appendix No. 11.)

Attention is drawn to the words italicised. If reference is made to the fragmentary comments made each year from 1912 to 1933, in the general report, it will be shown how little value can be placed on the labour of the Auditor General, but at least up till 1923 the Treasury and the Trustees had, your Commissioners pressure, copies of the audit inspector’s reports. After 1923 the Auditor General, as evidenced by the above italicised words, decided to withhold these reports. Therefore, from that year, not only Parliament, but also the Treasury and the Trustees, remained in ignorance of the true financial position of the Bank, which should have been disclosed by a correct audit and report thereon by the Auditor-General.

Although the Bank’s collections of interest and its use of principal moneys and loan funds to pay contributions to sinking fund and interest to the Treasury went from bad to worse, an examination of the audit inspector’s reports for years 1922-23 to 1931-32 (audit inspector’s report for year 1932-33 not yet made) disclosed that the Audit Inspector’s reports decreased in volume and detail, from a full report for year 1921-22 to a 23 page report in 1929-30. Matters seriously affecting the finances of the Bank at the present time were particularly stressed in the audit inspector’s report for 1921-22, but many of these, such as irregular use of loan moneys to pay interest to the Treasury, and the general unsatisfactory financial position of the Bank, were not mentioned, and the serious drift in the amount of uncollected interest during the years of good prices was not stressed in the audit inspector’s report for year 1929-30.

Since branch offices were opened in 1923, the auditing of the Bank’s accounts has been carried out by several officers. The accounts of head office and the Perth branch were audited by a senior audit inspector; the accounts of the branches of the Bank by various inspectors of the Audit Department. The auditors for advances and for all other payments were taken away from the audit of the senior inspector in charge of the audit of head office of the Bank, after the year 1921-22, and have since been checked by the examiner’s staff at the head office of the Audit Department, and the officers in charge of each section of the work report independently to the Auditor General.

When the district offices were opened, the accounts of the Bank’s clients were transferred to their respective districts, but the securities were, and still are, kept in head office, and all dealings in respect of same are put through the head office security branch. No check of the securities themselves has been made since the district offices were opened in 1922.

Until the year 1931-32 the Bank’s balance sheets and profit and loss accounts did not disclose even approximately the Bank’s true financial position at the close of each year. Statements presented to Parliament by the Bank disclosed at 30th/31 accumulated profits of £73,096, whereas at that date no reserve for loss of interest had been established, although interest and interest on arrears of interest on all abandoned and over-capitalised properties had been taken to the credit of the profit and loss account, and at that date the amount of repayment of principal by settlers and general loan funds taken to meet interest payments to the Treasury, which represented a shortage between cash receipts and payments, had increased to £1,586,841. Beyond setting out a cash analysis of the Bank’s operations for that year, viz. 1930-1931 (without comment), no reference was made in the Auditor General’s Report to Parliament concerning the financial position of the Bank, as presented by the Bank’s balance sheet and profit and loss account for that year.
Your Commissioners are of the opinion that the reason for the Auditor General's action in this connection was that, as no report had been made to Parliament as required by the Agricultural Bank Act, 1906, during the years 1913 to 1921, inclusive, the position created by the Inspector's displeasing report for year 1921-22 was so alarming, that the failure to previously disclose the Bank's serious financial position could not have been satisfactorily explained by him. Therefore the report was held up for 18 months, or until he received a report on the Bank's accounts for the following year, from an Inspector who replaced the previous Auditor. In the report for 1922-23 there was no serious reference to matters particularly referred to in the report for the year 1921-22, and both audit reports were sent on to the Bank by the Auditor General at the same time. The matter contained in these reports was never placed before Parliament by the Auditor General.


3. From the year 1912, the Auditor General failed to make his annual report to Parliament on his audit of the accounts of the Agricultural Bank.

4. The short references to Agricultural Bank accounts, made by him in his annual reports, and contained in his general report on the public accounts of the State, cannot be called a report, and he acknowledges this by stating that his Audit Inspector's report sent by him during the period between 1912 and 1923 should have been laid before Parliament. This statement, of course, is manifestly incorrect, as the reports required by the Act were the reports of the Auditor General. (See Mr. Toppin's statements, 1907 and 1908 reports already referred to.)

5. The findings of the Audit Inspector, contained in his audit report for year 1921-22, which were of a vital nature to the conduct of the Bank's affairs, were not followed up by the Auditor General; no explanation was demanded from the Trustees, nor was the serious condition of the Bank's affairs, as disclosed by the report, laid before Parliament as required by Section 41 of the Agricultural Bank Act of 1906.

6. The Auditor General's comments on Agricultural Bank accounts, contained in his reports to Parliament on public accounts, were made prior to the completion of the audit of the Bank's books, and in consequence the figures were unreliable from an audit point of view, and this fact was not disclosed in such comments.

Towards correcting the unsatisfactory nature of the auditing carried out for many years, your Commissioners have submitted certain suggestions, which, if carried into effect, will ensure satisfactory auditing in the future. These suggestions are contained in the recommendations of your Commissioners.
PART VIII.

(Paragraph 2 (2), (c)—Paragraph 4 (c) and (d)
Terms of Commission.)

Soldier Settlements, Group Settlement and Special Settlements.

The Trustees of the Agricultural Bank, in addition to controlling the operations of the Bank and Industry Assistance Board, control the following special settlements:

Soldier Settlement, under the Discharged Soldier Settlement Act of 1919.

Group Settlement (since 1931) under the Group Settlement Act of 1925.

Advances—Pastoral Leases.

Unemployed Miners' Settlement at Havel.

Unemployed Fremantle Lumper's Settlement at Yorkrailne.

Civil Servants' Settlement at Kodj Kodjin.

Special Easement Settlement.

Walgoalun Special Settlement.

3,500 Farm Scheme.

Dusted Miners' Settlement at Southern Cross.

Dusted and Unemployed Murchison Miners' Settlement.

SOLDIER SETTLEMENT.

As particularly referred to in Appendix No. 1 (Synopsis of various Acts of Parliament governing the operations of the Agricultural Bank and its allied institutions) the Discharged Soldiers' Settlement Act of 1919 was incorporated with the Land Act of 1898 and the Agricultural Lands Purchase Act of 1909.

The Original Discharged Soldiers' Settlement Board was appointed on 17th January, 1919, and comprised Messrs. J. H. M. Lefroy, C. G. Morris, J. H. Prowse and Captain H. V. H. Throssell, V.C.

On the 14th May, 1919, Messrs. J. H. M. Lefroy and C. G. Morris resigned, and Messrs. H. Hamersley and A. Despeissis were appointed to the vacancies on the Board. On the 10th October, 1919, Mr. J. H. Prowse resigned from the Board, and Mr. J. Hope was appointed, and on 4th February, 1920, Mr. F. Craig was appointed.

On the 1st July, 1922, Messrs. J. Hope and H. Hamersley resigned from the Board, and on 14th March, 1923, the Board was disbanded on the recommendation of the General Manager and replaced by the Agricultural Bank Trustees, E. A. McLaugh, J. R. Richardson, and F. V. Cooke, and Captain H. V. H. Throssell, V.C., as the soldiers' representative. This representative resigned on the 25th March, 1931, and Col. J. S. Denon was appointed as soldiers' representative on the 13th June, 1931.

The scheme for the settlement of ex-soldiers on the land was evolved under an agreement between the States and the Commonwealth. The Commonwealth undertook to lend money to the States for the purpose of soldier settlement up to an amount not exceeding £20,000 to any settler, afterwards extended to £1,000. The State advanced money to the settlers at a rate below the rate of interest at which the money was raised. A loss was inevitable, and it was recognised and agreed that the Commonwealth and State should share equally the losses. The soldiers' rate of interest for advances commenced at 3½ per cent., and increased by one-half per cent. annually until it reached 5½ per cent.

Altogether the Commonwealth raised approximately £5,560,000 for soldier settlement in this State and in fulfilment of its promise to share equally the losses, contributed £1,477,085 in two amounts.

The first contribution was towards losses on interest charges—an amount of £681,085. Secondly, for other losses, £796,000.

It was alleged by Col. A. C. N. Olden, the representative of the Returned Soldiers' League, that this amount was paid to the State by the Commonwealth to assist and benefit soldier settlers who were in active occupation of the lands at the time the payment was made. Your Commissioners have made inquiries into the circumstances which led to this grant of money, and found that the said sum was not paid to the State, as suggested by the Returned Soldiers' League, but the Commonwealth wrote down the State's indebtedness by £796,000. The Treasury had to open an account to liquidate the £796,000, and the returned soldiers obtained three benefits, namely, a writing off of principal and interest overdue to the Bank, and land rents including repurchased estates, and the money was used in terms of the letter received from the Commonwealth Government.

In the evidence of Mr. G. W. Simpson, Question 5009, a copy of a letter dated 13/7/25, from the Hon. S. M. Bruce, the then Prime Minister, was produced. The following is a copy of the letter:

Dear Sir,

My Government has for some time been considering the position of soldier land settlement in the various States.

2. When the Commonwealth and the States agreed to co-operate in carrying out a scheme of soldier settlement, the Commonwealth undertook to raise the necessary money and to lend them to the States at rates of interest corresponding to the cost of the money to the Commonwealth. The States were to find the land, and were to have charge of the work of settlement.

3. As substantial interest concessions were to be granted to the soldier settlers, and as the States had to face other losses under the scheme, the Commonwealth agreed to share the burden by reducing the rate of interest on each loan by 3½ per cent. per annum during
the first five years of its currency. This concession was also allowed in respect of certain moneys raised by the States themselves with the consent of the Commonwealth.

4. The total cost to the Commonwealth of this concession will be £4,740,000. In addition the Commonwealth paid sustenance allowances, pending productivity of farms, totalling £961,501. The Commonwealth is thus contributing in all more than £5,500,000 towards soldier land settlement.

5. As it is evident that losses of the States will be greater than at first anticipated, the Commonwealth has been considering what further assistance it should grant the States, so as to provide for the equitable distribution between Commonwealth and States of total losses. After a careful review of the position, my Government is of opinion that the proper course to pursue now is to write off £5,000,000 of the loans made by the Commonwealth to the States for soldier land settlement.

6. This would bring the Commonwealth's share of the losses to more than £10,000,000, and my Government believes such a contribution from the Commonwealth would be sufficient to cover more than half the total losses involved in the soldier settlement scheme, and would enable the States to deal justly with all settlers in difficulty.

7. After careful consideration of the various factors it is proposed to apportion one-third of this additional concession of £5,000,000 amongst the States on the basis of the number of soldiers settled; one-third on the basis of the total expenditure of the States, and one-third on the basis of the expenditure on advances to settlers. This method is proposed as being the most equitable one.

8. On the basis referred to, and using the figures as at 30th June, 1924, the indebtedness of the various States to the Commonwealth would be reduced as under:

<table>
<thead>
<tr>
<th>State</th>
<th>Indebtedness</th>
</tr>
</thead>
<tbody>
<tr>
<td>New South Wales</td>
<td>£3,400,000</td>
</tr>
<tr>
<td>Victoria</td>
<td>£1,500,000</td>
</tr>
<tr>
<td>Queensland</td>
<td>£475,000</td>
</tr>
<tr>
<td>South Australia</td>
<td>£705,000</td>
</tr>
<tr>
<td>Western Australia</td>
<td>£755,000</td>
</tr>
<tr>
<td>Tasmania</td>
<td>£205,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>£5,000,000</strong></td>
</tr>
</tbody>
</table>

9. It is proposed that each State's share of the £5,000,000 shall be divided in proportion to the amounts owing by the States to the Commonwealth, at the various rates of interest, and that definite portions of the debt at the various rates of interest shall be written off accordingly; the adjustment to be made on the 31st October, 1925, being the half-yearly date for settlement of these loan transactions.

10. The annual losses of the States will diminish as settlement progresses, and after the lapse of a few years the only substantial losses should be those due to administrative costs and to charging the soldier settlers 5 per cent. interest on moneys which cost more than 5 per cent. The Commonwealth contribution of £10,000,000 is designed primarily to meet the losses in the early years. As regards losses in later years the Commonwealth considers the position will be fairly met if the rate of interest payable by the States to the Commonwealth be reduced to 5 per cent, per annum after the 31st December, 1930, that rate to apply until the loans are repaid. It is proposed, therefore, that the present rates of interest shall be payable until 31st December, 1950, in respect of the balance of the State's indebtedness, and that the rates be reduced to 5 per cent. from the 31st December, 1950.

11. As you are aware, the formal agreements covering the existing arrangements in regard to soldier land settlement have not been signed by the respective Governments. This is not a satisfactory position and therefore the Commonwealth considers that the present proposals should be conditional on the States at once signing the original agreements amended in accordance with the proposals herein set out and suitably altered to meet the conditions now existing in regard to soldier land settlement.

12. I am forwarding by next mail a copy of the agreement amended in this manner, and I shall be glad if you will kindly advise me as soon as possible whether your Government is prepared to sign this agreement. As the Commonwealth desires to submit the agreement to Parliament for ratification an early reply would be much appreciated.

(Sgd.) S. M. Bruce, Prime Minister.

Mr. Simpson stated in evidence that the distribution of the £780,000 was made in accordance with the terms of the Prime Minister's letter. The distribution appears on page 28 of the Auditor General's report for 1933, under the heading "Soldier Settlement."

Question 5013: In quite a number of cases the money was used for writing down the indebtedness of soldiers. In quite a number of cases advances of Bank interest and land rents were charged to the fund, and the benefit was given to the soldiers. In still a number of other cases, the losses made by the Bank were charged to the fund.

The settlement of the returned soldiers, like many of the land settlements in Western Australia, was a rushed scheme. Estates were purchased, some on the recommendations of Repatriation Committees, and others by influential local committees. The State Government was on the market to acquire land for some 5,000 soldiers. Of this number 2,700 remain in occupation. The result was that properties were conveniently disposed of at prices per acre that left no safe margin of security for further advances for improvements, plant and stock, sustenance, etc. It will be understood that most soldier settlers had very limited capital, consequently they became heavily involved before their properties were brought into a stage of profitable productivity. Inexperience and incapacity in many cases were responsible for the squandering of the first advances made under the Soldiers' Settlement Scheme. After the limit of advances was reached in connection with Soldier Settlement funds, settlers received further assistance from the Industries Assistance Board. Your Commissioners found a staggering debt on the majority of the holdings, and the settler, no doubt, owes considerable sums to outside creditors.
excellent type, and are all in quite a sound position. Their only request is that an extension be granted for payment of land rents, which they find some difficulty in paying, attributable to the low price of wheat. They suggest these payments be extended over a period of 40 years. These holdings, which comprise areas of from 640 to 901 acres, could, with advantage, be increased to 1,000 acres. This estate returns phenomenal wheat yields. No write down of values in this estate has been necessary.

The improvements advances outstanding, plus advances for stock and machinery on 30/6/33, were reduced to £111s. 10d. per acre.

One soldier settler disposed of his property of 1,330 acres at £6 per acre. This season 330 acres yielded 3,484 bags of wheat. The farmer also carries 700 sheep. There are 11 contented settlers in this estate.

Noombling Estate: It is suggested that upon this estate the Bank will make its greatest losses. The sum of £15,454 has been written off by way of principal and interest. That amount plus principal and interest outstanding of £13,935 and £4,780 respectively makes an amount of £87s. 6d. per acre advanced by the Bank on 30/6/33. The Lands Department has written off £10,257 by way of principal and interest.

There are 15 settlers on this estate. It is not suitable for wheat growing, being only sheep and oats country. The average yield would be eight bushels per acre for wheat. Bullock poison thrives on many of the paddocks. The estate should never have been purchased for closer settlement.

In comparison, Pallinup Estate yields more bags to the acre than Noombling produces bushels to the acre. The amount per acre due to the Bank is practically the same. Despite the writing off of £15,454, the settlers are not paying interest and instalments, and are requesting a further writing down. General stock-taking is necessary, firstly of the type of settler, secondly of the amount of capitalisation on each block will carry, and a writing down accordingly.

In respect to the balance of the estates inspected, it would appear that altogether too high prices were paid for the purchase of same. In addition, full advances have been made under both the Soldiers' Settlement Scheme and Industries Assistance Board. Money apparently has been squandered with the result that the properties are overloaded. There is an accumulation of debt owing to both the Lands Department and the Agricultural Bank.

Quellagetti Estate: Some of the farmers on the Quellagetti Estate, which is 20 miles from a railway, have a debt of £5 per acre. This liability will probably need to be reduced by half to bring the property to a fair productive value.

Abercorn Estate.—This estate originally had five settlers on it. The areas were altogether too small. The country being suitable for sheep and oats only, the whole of the five farms are now abandoned, and are leased for grazing. The property could be divided into three holdings.

An amount of £3,078 represented the total Agricultural Bank liability on this property, of which £1,093 has been written off. With three good settlers the property could be profitably developed.

Lack of Co-ordination between the Agricultural Bank and Lands Department.

One extraordinary matter in connection with repurchased estates is the lack of co-ordination between the Lands Department and the Agricultural Bank. In many instances the branch managers and field officers confessed to having no knowledge of the total amount due to the Lands Department by settlers on these estates, upon which the Bank were making heavy advances.

Field Inspector (Question 2483, page 519): "In respect of all repurchased estates and many of the other holdings, the liability owing on them is greater than the capacity of the farms to meet the debt. Only recently were we aware of the liability on the ordinary holdings. Although I had been in control of them for over 12½ years, the only way I could learn something of the settlers' indebtedness was by sifting their accounts when taking their annual declarations. There has been absolutely no co-ordination between the Lands Department and the Agricultural Bank. I cannot tell you now what the settlers' liabilities to the Lands Department are. The majority of the settlers have water supplies, but their machinery will have to be replaced in time."

Expenditure in connection with Soldier Settlement.

At the 30th June, 1933, a total amount of £5,128,634 7s. 7d. was due to the Agricultural Bank on account of soldier settlement, £3,574,065 15s. 6d. of which was principal and £784,750 12s. 3d. outstanding interest.

Of the total amount advanced, viz., £5,128,634 7s. 7d., an amount of £651,750 3s. 9d. was outstanding in respect of 322 abandoned properties.

During the year 1932-33 interest collections (current and arrears) totalled £211,142 3s. 10d., which represented only 16.05 per cent. of the total amount due, leaving £83,95 per cent. uncollected at the close of the year. On the money advanced to soldiers settlers, the interest collected during the year 1932-33 represents 2.77 per cent. and against principal and interest outstanding, 2.42 per cent.

Mr. Justice Pike appointed by the Commonwealth Government investigated losses on Soldier Settlement and presented his report during August, 1929. Western Australia originally estimated losses at £2,742,801. This estimate was reduced by Mr. Justice Pike, after eliminating certain items, to £2,459,365, the Commonwealth Government to stand half share of this loss. The Commonwealth Government, however, contributed £1,477,688; the losses ascertained covered Agricultural Bank and Lands Department, etc.

On page 7 of the Agricultural Bank Report for year 1932-33 details in regard to losses on revaluation and realisation, as they affect Discharged Soldiers' Settlement Scheme, are submitted in the following table:

<table>
<thead>
<tr>
<th>Interest Concessions</th>
<th>Interest Rebate</th>
<th>Principal Written Off</th>
<th>Interest Written Off</th>
</tr>
</thead>
<tbody>
<tr>
<td>up to 5% per cent.</td>
<td>on Capital</td>
<td>Written Off</td>
<td>Written Off</td>
</tr>
<tr>
<td>£ s. d.</td>
<td>£ s. d.</td>
<td>£ s. d.</td>
<td>£ s. d.</td>
</tr>
<tr>
<td>Claims lodged and paid by Treasurer</td>
<td>275,656 6 8</td>
<td>30,811 17 8</td>
<td>338,472 2 8</td>
</tr>
<tr>
<td>Loss by State and charged to Profit and Loss Account</td>
<td>...</td>
<td>...</td>
<td>17,932 17 10</td>
</tr>
<tr>
<td>Totals</td>
<td>£276,656 6 8</td>
<td>£30,811 17 8</td>
<td>£350,466 0 6</td>
</tr>
</tbody>
</table>
The amount of claims which the Treasurer has now paid total £1,146,115 12s. 9d., whilst the Bank's profit and loss account has been charged £85,324 15s. 5d., in respect to losses referred to. Owing to over-capitalisation already referred to, further losses are anticipated, and an indication of the over-capitalisation of holdings can be obtained from the following statement of indebtedness in respect of certain repurchased estates, which were inspected by your Commissioners.

Your Commissioners have inspected the first ten of the under-mentioned estates, and taken full evidence in respect of the last mentioned, and so are only referring to these estates.

**INDEBTENESS IN RESPECT OF PRINCIPAL AND INTEREST—ACCOUNT AGRICULTURAL BANK, LANDS DEPARTMENT, S.S.S. AND I.A.B.**

<table>
<thead>
<tr>
<th>Name of Estate</th>
<th>No. of Settlers</th>
<th>Purchase Price Indebtedness at 30th June, 1933</th>
<th>Agricultural Bank, S.S.S. and I.A.B. Indebtedness at 30th June, 1933</th>
<th>Total Indebtedness at 30th June, 1933</th>
<th>Amount already written off Agricultural Bank and Lands Dept.</th>
<th>Average Indebtedness per Settler</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abercorn</td>
<td>Nil</td>
<td>£4,885</td>
<td>£4,885</td>
<td>...</td>
<td>1,003x</td>
<td></td>
</tr>
<tr>
<td>Backlands</td>
<td>10</td>
<td>36,183</td>
<td>7,623</td>
<td>43,806</td>
<td>...</td>
<td>2,737</td>
</tr>
<tr>
<td>Butcher's</td>
<td>4</td>
<td>6,439</td>
<td>4,121</td>
<td>10,560</td>
<td>254</td>
<td>6,390</td>
</tr>
<tr>
<td>Kurnamia</td>
<td>5</td>
<td>12,410</td>
<td>10,405</td>
<td>22,815</td>
<td>2,188</td>
<td>4,566</td>
</tr>
<tr>
<td>Murdock</td>
<td>9</td>
<td>4,870</td>
<td>2,463</td>
<td>7,333</td>
<td>*</td>
<td>819</td>
</tr>
<tr>
<td>Nairnib ...</td>
<td>8</td>
<td>27,107</td>
<td>11,061</td>
<td>38,168</td>
<td>1,002</td>
<td>4,770</td>
</tr>
<tr>
<td>Neawing ...</td>
<td>20</td>
<td>30,485</td>
<td>17,715</td>
<td>48,200</td>
<td>32,611</td>
<td>1,631</td>
</tr>
<tr>
<td>Pullingup</td>
<td>22</td>
<td>45,988</td>
<td>17,670</td>
<td>63,273</td>
<td>...</td>
<td>2,876</td>
</tr>
<tr>
<td>Slater's</td>
<td>9</td>
<td>33,074</td>
<td>12,202</td>
<td>45,276</td>
<td>2,834</td>
<td>5,080</td>
</tr>
<tr>
<td>Yandambunook</td>
<td>34</td>
<td>176,010</td>
<td>98,344</td>
<td>274,154</td>
<td>8,302</td>
<td>5,076</td>
</tr>
<tr>
<td>Quillagetting</td>
<td>0</td>
<td>13,265</td>
<td>15,745</td>
<td>29,004</td>
<td>...</td>
<td>5,122</td>
</tr>
<tr>
<td></td>
<td></td>
<td>£375,137</td>
<td>£206,632</td>
<td>£581,769</td>
<td>£49,305</td>
<td></td>
</tr>
</tbody>
</table>

*Whole property abandoned.*  

The average indebtedness per settler at 30th June, 1933, excepting the Murdock and Abercorn estates, is £4,040.

Your Commissioners can find no record where the Trustees required guarantees in respect of future losses when the control of soldier settlement was taken over by them; the grant of £1,477,688 made by the Commonwealth Government to cover losses is now exhausted and already further losses have been sustained as a result of realisations, cancellations, etc., totalling £485,324 15s. 5d., and heavy losses may be anticipated in the future. The amount of the additional losses, viz. £485,324 15s. 5d., has been charged to the Bank's profit and loss account, and although no conditions were made by the Trustees in regard to the inevitable losses in the future, your Commissioners are of the opinion that the responsibility for losses in connection with soldier settlement is clearly the responsibility of the taxpayers of the State. In Part Y of this Report, it is suggested that the Bank be relieved of the responsibility for losses incurred, and in respect of future losses in connection with soldier settlement.

**GROUP SETTLEMENT.**

The Group Settlement Act of 1925 contained provisions for the granting of freehold or conditional purchase land under the Land Act, 1898, to group settlers, which land should be constituted within an area declared by the Governor to be a group settlement area.

As previously stated in this Report, two Royal Commissions have already inquired into and reported upon Group Settlements and therefore, for that reason, it is not the intention of your Commissioners to deal exhaustively with this matter, excepting the effect these settlements had on the finances of the Agricultural Bank.

As pointed out in the Auditor-General's Report for year 1932-33 the net loan expenditure on account of Group Settlement to 30th June, 1933, was £7,908,050 3s. 2d., to which other charges have been added, to the extent of £3,886 3s. 7d., making a total of £7,102,941 3s. 9d., and the following statement shows the book value of the assets in respect of the net loan expenditure of £7,102,941 3s. 9d., together with particulars of losses:

**Assets:**

- **Settlers' Accounts transferred to the Agricultural Bank:** £2,128,893 9 3
- **Assessed value of properties open or to be thrown open for selection:** £123,406 12 8
- **Expenditure after Assessment on holdings transferred to the Agricultural Bank:** £126,631 16 1
- **Sundry Debtors, Plant Stores, Buildings, Livestock and charges not finalised:** £34,386 0 6

Total: £2,407,287 18 6

**Assessed Losses and Unrecoverable Expenditure:**

- **Losses on holdings transferred to the Agricultural Bank and on land available for selection:** £4,334,262 1 0
- **Unrecoverable Expenditure on Buildings, Live Stock, Plant, and Expenses:** £110,167 10 3
- **Administration Costs:** £108,592 8 5

Total: £4,995,653 0 3

**Total Net Expenditure:** £7,102,941 3 9
The above losses do not include the value of land comprised in re-purchased estates under the Agricultural Lands Purchase Act used for Group Settlement purposes.

As particularly referred to in Part VI. of this Report, the above losses were incurred prior to the handing over of control of Group Settlement to the Trustees of the Agricultural Bank, and the Bank is not responsible for any loss incurred in connection with same.

Under Section 8 of the Group Settlement Act (No. 44 of 1925) the Agricultural Bank, under the provisions of the Bank Act, may make further advances to Group Settlers who have mortgaged their holdings to the Bank under the first-mentioned Act. The outstanding liabilities against settlers at the close of the year for these additional advances were:

<table>
<thead>
<tr>
<th></th>
<th>£</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal</td>
<td>212,988 14 0</td>
</tr>
<tr>
<td>Interest</td>
<td>16,099  9 0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>£231,087 3 0</strong></td>
</tr>
</tbody>
</table>

Actual losses to 30th June, 1933, in respect of advances made by the Bank under Section 8 of the Group Settlement Act of 1925, as set out in Part VI. of this Report, total £29,966, of which £23,726 was on account of principal and £6,209 of interest.

At the 30th June, 1933, there were 139 abandoned properties in possession of the Bank upon which £211,098 10s. 6d. was outstanding, being principal £183,016 0s. 1d. and interest £27,477 10s. 6d.

Of the total interest due, both current and arrears, for year 1932-33, viz., £332,240 (Sections 5 and 8) only £9,116 16s. 1d. was paid by settlers, representing only 2.8 per cent. of the total interest due, leaving 97.22 per cent. unpaid at 30th June, 1933.

Against the total amount of the advances made under both Sections 5 and 8, viz., £2,424,712, the interest paid by the settlers during the year 1932-33, viz., £9,116 16s. 1d., represents only .37 per cent.

The administration of the branch offices controlling Group Settlement during year 1932-33 cost approximately £16,000. Against this expenditure, an amount of only £9,116 16s. 1d. was collected from settlers on account of interest.

In addition to the actual collections mentioned above, accounts were credited with £4,515 3s. 1ld. by way of stock transfers, etc.

Further losses in respect of Group Settlement advances are inevitable, the anticipated losses in this respect being particularly dealt with in Part VI. of this Report. Any future losses, in respect of advances made prior to the transfer of control to the Agricultural Bank are guaranteed by the Treasury, but future losses in respect of advances made by the Agricultural Bank, since assuming control of Group Settlement, viz., £224,600 14s. 6d., will be the responsibility of the Bank.

In Part XII. of this Report your Commissioners recommend the close examination of the cost of administering the affairs of the Bank in Group Settlement Districts, with a view to reducing expenditure in connection with same, to within reasonable limits.

**Special Settlements** other than Soldier Settlements and Group Settlements, together with the actual losses sustained to 30th June, 1933, in respect of each, are as follows:

<table>
<thead>
<tr>
<th>Name of Settlement</th>
<th>Purpose of Settlement</th>
<th>Amount Written Off.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hamel</td>
<td>To settle out-of-work miners</td>
<td>£1,232</td>
</tr>
<tr>
<td>Yorkrakine</td>
<td>To settle out-of-work Farmers etc</td>
<td>18</td>
</tr>
<tr>
<td>Kodji Kodjin</td>
<td>To settle retrenched Civil Servants</td>
<td>1,496</td>
</tr>
<tr>
<td>Esperance</td>
<td>Open for general public, but mostly for purpose of settling Goldfields residents Bank</td>
<td>£16,133</td>
</tr>
<tr>
<td></td>
<td>L.A.B.</td>
<td>£8,373</td>
</tr>
<tr>
<td>Walgooolan</td>
<td>Bank</td>
<td>24,600</td>
</tr>
<tr>
<td></td>
<td>L.A.B.</td>
<td>2,530</td>
</tr>
<tr>
<td>3,500 Farm Scheme</td>
<td>Special arrangements under the Migration Scheme</td>
<td>3,090</td>
</tr>
<tr>
<td>Miners' Settlement, Southern Cross</td>
<td>For settlement Dusted Miners</td>
<td>NH</td>
</tr>
<tr>
<td>Miners' Settlement, Murchison</td>
<td>For settlement Dusted Miners and Miners out of work</td>
<td>NH</td>
</tr>
</tbody>
</table>

As already pointed out in Part III. of the Report, any losses sustained in respect of Special Settlements at Hamel will be the responsibility of the Treasury, but losses in respect of the other Special Settlements mentioned above will be borne by the Bank.

The Settlements at Kodji Kodjin, Yorkrakine, and Esperance, have been established for a number of years. The Settlement at Walgooolan was much in the nature of ordinary land settlement, excepting that special conditions required co-operation between settlers for use of machinery and horses, and the Bank supplied seed and superphosphate.

**MINERS' SETTLEMENTS.**

The financial arrangements in connection with the Special Settlements at Southern Cross and Kalannie under which dusted miners and miners out of work were settled on lands in those districts, by advances made for that purpose, are the responsibility of the Agricultural Bank, as no guarantee was obtained by the Bank from the Government in respect of any losses sustained in connection therewith. Although the Southern Cross Settlement is outside the No. 1 Zone fixed by the Bank in respect of advances, still advances up to £2,000 have been made to dusted miners in that district.

Owing to the liberal nature of the advances made and the precarious nature of the rainfall in these districts, losses in connection with these settlements are inevitable, and, as already stated, no conditions were imposed by the Bank in respect of responsibility for same.
In Part V. of this Report, your Commissioners suggest that all losses sustained in respect of these settlements be the responsibility of the State.

3,500 FARM SCHEME.

(*Development and Migration Commission’s Scheme.*)

From evidence submitted and from inquiries made, your Commissioners are of the opinion that the 3,500 Farm Scheme, which received at least the tentative approval of the Development and Migration Commission, was developed at a time when the demand for land was very great and the Government of the State entered into the scheme as the direct result of encouragement received from the Commission.

The comprehensive scheme which the Development and Migration Commission so favoured was part of a £41,000,000 Migration Agreement.

The Commonwealth Government made a sum of £150,000 available for water supplies and roads in the area to be opened up and, as a result of the Commission’s definite encouragement, the State Government settled some 400 settlers in the new areas, including the Miners’ Settlement at Southern Cross. The Development and Migration Commission, however, subsequently refused to proceed with the scheme, and the State was left with the liabilities incurred.

The following expenditure in connection with the scheme was incurred to 30th June, 1932:

- Water Supplies: £14,940
- Roads—Clearing and Construction: £71,622
- Forestation—Land Clearing: £28,174
- Advances made to Settlers by the Agricultural Bank: £205,648

Total: £410,284

Since that date, additional advances of a minor nature have been made by the Agricultural Bank to settlers, and owing to the absence of railway facilities, a wheat carting subsidy has been paid to settlers. The total expenditure in connection therewith is £43,786.

The encouragement given the scheme by the Development and Migration Commission was taken in good faith by the State Government, who in turn induced the Bank to make advances in these areas. No guarantees in respect to responsibilities for losses were required by the Bank in respect to the advances made under the scheme, and quite apparently no documentary evidence of the Commission’s approval of the scheme was demanded by the Bank before making the advances.

It is understood that the whole matter is still before the State Government, and that the undoubted responsibility of the Commonwealth Government in respect of the Development and Migration Commission’s actions is not lost sight of, but in the meantime the Agricultural Bank’s financial resources are quite incapable of meeting losses which will eventually occur in connection with the settlements under the scheme, and your Commissioners, in Part V. of this Report, suggest that the responsibility for any future losses be borne by the State.

Agricultural Bank Advances in Pastoral Districts.

The pastoral section of the Soldiers’ Settlement Scheme is in a far more healthy condition, due, of course, to the increased price obtained for the wool during last season’s sales. Of the 64 stations upon which advances have been made by the Agricultural Bank, 55 are under the Soldiers’ Settlement Scheme.

The following is a summary taken from a return presented by the Managing Trustees of the Agricultural Bank:

**Pastoral Accounts, 6th February, 1934.**

**Present Indebtedness.**

<table>
<thead>
<tr>
<th>Principal Accounts</th>
<th>Interest as at 31st December, 1933</th>
<th>One year’s Interest on Principal</th>
<th>Credit since 30th June, 1933</th>
</tr>
</thead>
<tbody>
<tr>
<td>£ s. d.</td>
<td>£ s. d.</td>
<td>£ s. d.</td>
<td>£ s. d.</td>
</tr>
<tr>
<td>214,083 14 0</td>
<td>24,643 4 8</td>
<td>0,912 14 0</td>
<td>18,516 1 0</td>
</tr>
</tbody>
</table>

It will thus be seen in addition to payments for one year’s interest a further sum of £8,504 had been paid to the credit of the various accounts. If the wool prices are maintained, soldier settlers on pastoral areas and the Bank’s securities must be regarded as in a sound position.

The above figures demonstrate what a return of the values means to primary industries. If the conditions at present applying in the pastoral industry in the matter of prices are applied similarly to the wheat industry, the difficulties at present affecting this section of the Bank’s securities would be considerably relieved.
PART IX.

Disabilities (Agricultural).

The main disability of the Agricultural Bank client is want of money. If it were not for this disability many of the disabilities affecting him at the present time would not loom so large on the horizon. During the low prices ruling for wool and wheat over the last four years, farmers have not had the necessary means to keep their improvements and farming plant in good order. Neither have they been able to maintain their horse-power.

A large sum of money will be required for replacement and repairs. Until this is done it cannot be expected that a wheat farmer will get the same results as he would with an efficient plant and sufficient horse-power.

Your Commissioners have had various estimates of the amount required to reinstate machinery and horses for Agricultural Bank clients, and these estimates range from £300 to £500. With a change over to sheep and oats as suggested in the last portion of Part 3 of this Report, your Commissioners estimate that the number of wheat farmers who would require complete reinstatement of plant and increase of horse-power would be limited to about 2,000. The average cost would be £100. The new management will therefore have to provide a sum of £200,000 over a spread of, say, five years.

The liability to do this work will have to be faced by the new management.

Rabbits.

The rabbit invasion during the last few years has assumed alarming proportions. The damage to crops and pasture is serious. The operations of poisoning and fumigation are, it seems to us, carried out spasmodically. There is no connected action between the Government, the Road Boards and the settlers.

The abandoned farms of the Agricultural Bank form breeding grounds for the pest, as also do Government reserves and unalienated Crown lands. The Trustees of the Bank say that they have no money to expend in poisoning on their abandoned holdings, and no money to pay the Road Boards' rates for its clients. The Road Boards say that they cannot afford to poison the abandoned farms or Government reserves, as their incomes have been so depreciated by failure to pay rates.

The new management must find means for destroying the vermin on the abandoned farms of the Bank and paying Road Board rates. This, it is thought, will minimise the evil to a great extent.

Toxic Paralysis.

This disease has caused, and is causing, much loss among farmers and the flocks of sheep depastured by them.

In Appendix No. 16 a report on this disease by Field Inspector Sugden and a pamphlet issued by the Department of Agriculture (Appendix 17) are worthy of note. We would refer to the evidence of Mr. Sutton, Director of Agriculture (Questions 4422 to 4435). Mr. Sutton informed your Commissioners that his Department has established an experimental station at Meebering, and Dr. Bennett is very hopeful of fixing a vaccine to combat this disease.

It would appear that rabbits by destroying pastures are a contributing factor to this disease. The sheep by ill-nutrition, owing to such destruction of pastures, develop a depraved appetite, eat the poisoned rabbits, with the consequent results.

The Department of Agriculture has issued various bulletins on this disease, and at all times are desirous of supplying information to the settlers in respect of the best methods to adopt in combating same.

Mr. Sutton recommends:

(a) Destruction of rabbits.
(b) Feeding of stock.
(c) Feeding of a phosphoric lick. A sheep lick for the purpose has been put on the market by fertilizer companies, known as Di-Calcic Lick, which is recommended for use.
(d) Attention to stock, in order to be sure that the lick is taken by the stock.
(e) Vaccine fixed, and inoculation with same.

The pest has not yet created any alarm in the dryer wheat districts.

Sleep losses have been most severe, amounting in certain districts to 50 per cent. of the flock. The mortality has not been so great this year, and it would appear as if the steps now being taken are checking the ravages of the disease.

Red-legged Mite.

This pest is one of the most serious the authorities in Western Australia have had to deal with. Your Commissioners examined the Director of Agriculture (Mr. Sutton) on this pest. He informed them of the work his Department had done and were doing in connection with the Red-Legged Mite. (Questions 4408 to 4421.)

Mr. Wansley, of the Council of Scientific and Industrial Research at Canberra, had been over in this State, working with our own Department of Agriculture. The results of the investigations up to the present time are most depressing. It is found that small areas can be controlled by spraying, but large areas of pasture are beyond present control. No discovery of a parasite for the Red-legged Mite has yet been made. While search is being maintained for a parasite, the following plan is recommended by Mr. Sutton:
Fallow land in September before the mite has lost its summer eggs. This fallow will bury the mite, which will not lay its eggs. The crop would get a good start without the mite in the succeeding year. Do this for one year, or two years, then follow on with pasture, for four or five years. By that time the mite would have achieved plague form again, and fallow will have to be resorted to.

The plague is worse in the Avon Valley country than elsewhere. It is found in the southern districts, but does not appear to attack the peas and sub-clover there to such an extent as it does the sub-clover, trefoils and peas in the Beverley, York, Toodyay portions of the Northern district.

Mr. Sutton is of the opinion that if the State Government erected a laboratory and buildings for the Council of Scientific and Industrial Research in Western Australia, this Council would give our Department much more assistance than it does at the present time.

Wild Turnip.

This plant pest particularly affects at the present time Kinnouoppin, Kellerberrin and southern and parts of the northern portion of the Northern district. It also exists at Esperance. It will no doubt spread throughout the State. The attention of the Department of Agriculture was first drawn to it in 1930. Mr. Beresford, the Chairman of the Kellerberrin Road Board, said that he called the attention of the Department of Agriculture to it when it first showed itself at Tammin. Nothing was done by the Department then. After being pressed by the Kellerberrin Road Board, the Department of Agriculture sent Mr. Gardner to that district. This gentleman wrote a pamphlet, describing wild turnip as a noxious weed, and it was gazetted as such. In accordance with the custom of the Department of Agriculture, the Department did not take any active steps for eradication. In Question 4450 Mr. Sutton defines the responsibility of his Department.

There are two extensive files in the Agricultural Department dealing with this wild turnip, and from a perusal of these files it would appear that dealing with noxious weeds is the business of everybody, but no one takes hold of it. The Road Boards, no doubt, are primarily to blame for not compelling farmers in their respective districts to destroy these pests.

The files disclose that the Department of Agriculture knew the way in which the pest was spreading through the State, and we should have thought they, on their own initiative, would have compelled the Road Boards to take action, or sought powers for themselves to do so.

Your Commissioners would suggest that in the case of a noxious weed like the wild turnip, which threatens to become a menace to agriculture, the Director of Agriculture should be given the necessary powers and funds to deal with the pest and stamp it out, when the attention of the Department is first drawn to it.

Salinity.

“Salinity,” “alkalinity,” and “mineralised land” as it is called in various parts of the State is affecting farming lands in such parts as it is appearing, and decreasing the wheat returns of such lands, in some cases making it useless to attempt to grow wheat on such lands.

The districts affected are Salmon Gums, Newdegate, Ungaree, Pinjarra, the Lake areas, Bullfinch, Campion, South Lake Brown, all of which areas are mostly on the fringe of settlement which is being developed by the Trustees with such energy.

Salinity has also appeared at South Wellburn, and has put rather a large acreage out of cultivation.

Salt is appearing also in a small portion of the Bruce Rock area. The southern districts appear to be affected only in gullies and creek beds.

There is no doubt whatever that salinity affects the swale and horse country more than other types of country, and in 1911, soil analyses disclosed this fact.

The Department of Agriculture are investigating, by Dr. Textile and his Field Staff, the problem of Salmon Gums, with a view to ascertaining the best use to which affected country can be put—pasturage or otherwise. (Mr. Sutton, Questions 4456 to 4458.) By “affected country” it is meant the land so impregnated with salt as to be useless for cereal production. It is to be hoped that the work of Dr. Textile and his staff will be satisfactory.

The new management should keep in close touch with the Department of Agriculture and the work being done by them.

Distance from Railways.

Many settlers labour under the great disadvantage of farming at great distance from railways, medical, hospital, and educational conveniences. Your Commissioners can offer no suggestion. The land was taken up by them with no guarantee of a railway, except that the settlers say they were led to believe that when the Agricultural Bank advanced money a railway would follow.

The State has advanced them money to develop their holdings, wrongly we think, and if the settler cannot carry on even with the cartage subsidy, he had better abandon his holding, or ask the State to assist him to convert his farm from wheat into sheep and oats.

Change over to Sheep and Oats.

Many wheat farmers who rely solely on wheat production, now that wheat prices have slumped, complain of their inability to run sheep, and ask for assistance to fence and provide water. This is one of the major problems the new management will have to solve, if many of the Bank's securities are to be preserved.

Farms not Properly Established.

This is one of the major disabilities of the settlers, and accounts for so many of them being burdened with liabilities, and their farms not being in a sufficiently productive state to even provide sustenance for themselves. The Bank is trying to assist them as far as it can, and the new management must face the problem to consolidate the position, and try to effect a change over to sheep and establish the farmer even if his cropping has to be kept at 200 to 300 acres.
Defective Plant and Inefficient Horse-power.

Your Commissioners in their various tours of inspection have ascertained that this is a very present disability, which must be rectified. The ordinary Agricultural Bank settler is very often careless in the care and maintenance of his machines, and if same have now to be replaced for him, the new management must in the new organisation provide for a more strict supervision.

On page 4 of their Report your Commissioners have summarised the various complaints received from the Agricultural Bank settlers, and these complaints may now be dealt with under disabilities of the settlers.

Complaints numbered (1), (2), (3), (4), (5), (7) and (10) will be rectified (if necessary) by efficient organisation.

(6) The new management will, it is anticipated, enter into and carry out some workable scheme with the commercial community for the supply of seasonal requirements to Agricultural Bank settlers, without the continual struggle for first preference.

(8) Our recommendations in regard to the adjustment of debts will, we hope, give the necessary security.

(9) Your Commissioners cannot recommend giving settlers the right to inspect Departmental files. We have concluded from our inquiries that no hardship has been occasioned to any settler. As a matter of fact, the Bank has been altogether too lenient in dealing with defaulting clients.

(11) In cases of settlers who pay their interest, the charge for accommodation interest is an incentive to such settlers to pay their interest punctually. In the case of settlers who do not pay interest, the question of charging accommodation interest is purely academic, as neither interest nor accommodation interest is paid.

(12) This is a matter of procedure under the Farmers' Debts Adjustment Act. The recommendation of your Commissioners, if given effect to, will provide that Agricultural Bank settlers are carried on by the Bank under its own supervision, and no receiver will be required. If the new management declines to carry the farmer on, and the creditors decide to do so under the Farmers' Debts Adjustment Act, the Director under the Act has sole power to determine who the receiver shall be.
PART X.

Adjustment or Conditioning of Debts.

Relief to Necessitous Farmers.

The present position of the wheat industry is causing anxiety to all classes of the community in Australia.

The industry in Western Australia is labouring under a great burden of debt, part of which was incurred during the four years of low wheat prices, and part prior to the depression. At that time credit was plentiful. The good prices for wheat inflated the value of farming lands, creating a false idea of values in the mind of the farmer, which induced extravagance.

Your Commissioners have endeavoured to ascertain the liabilities of the wheat, wheat and sheep, and grazing farmers in Western Australia. The following are the figures which have been kindly supplied to your Commissioners:—

AMOUNT DUE BY FARMERS IN WESTERN AUSTRALIA TO THE UNDER-MENTIONED CREDITORS.

<table>
<thead>
<tr>
<th>Particulars of Accounts</th>
<th>Date of Account</th>
<th>Amounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Departments—</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Country Water Rates and Charges</td>
<td>31-12-33</td>
<td>£ 125,568</td>
</tr>
<tr>
<td>Agricultural Bank, General Account</td>
<td>31-12-33</td>
<td>63,555,467</td>
</tr>
<tr>
<td>&quot; &quot; 8.S.S. Account</td>
<td></td>
<td>5,188,476</td>
</tr>
<tr>
<td>&quot; &quot;  &quot; Group Settlement (Sec. 5)</td>
<td></td>
<td>2,634,677</td>
</tr>
<tr>
<td>&quot; &quot;  &quot;  &quot;  &quot; (Sec. 8)</td>
<td></td>
<td>232,938</td>
</tr>
<tr>
<td>Industries Assistance Board</td>
<td>31-12-33</td>
<td>14,421,601</td>
</tr>
<tr>
<td>&quot; Lands Department, C.P. Leases</td>
<td>30-4-34</td>
<td>1,911,825</td>
</tr>
<tr>
<td>&quot; &quot; Repurchased Estates</td>
<td></td>
<td>16,332,856</td>
</tr>
<tr>
<td>&quot; &quot; Wire Netting</td>
<td></td>
<td>990,381</td>
</tr>
<tr>
<td>Country Road Boards—</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Rates</td>
<td>30-6-32</td>
<td>106,833</td>
</tr>
<tr>
<td>Vermin Rates</td>
<td></td>
<td>19,700</td>
</tr>
<tr>
<td>Associated Banks</td>
<td>31-12-33</td>
<td>9,141,392</td>
</tr>
<tr>
<td>Commonwealth Bank</td>
<td></td>
<td>65,600</td>
</tr>
<tr>
<td>Mortgages—Trustees and Insurance Cos.</td>
<td></td>
<td>1,443,644</td>
</tr>
<tr>
<td>Agricultural Machinery Merchants</td>
<td></td>
<td>10,653,638</td>
</tr>
<tr>
<td>Fire Underwriters' Association</td>
<td></td>
<td>1,312,500</td>
</tr>
<tr>
<td>Grocers' Association (Country Section)</td>
<td></td>
<td>77,500</td>
</tr>
<tr>
<td>Jute Merchants</td>
<td></td>
<td>1,600,000</td>
</tr>
<tr>
<td>Oil Companies</td>
<td></td>
<td>114,000</td>
</tr>
<tr>
<td>Superphosphate Distributors</td>
<td></td>
<td>790,582</td>
</tr>
<tr>
<td>Stock Agents</td>
<td>31-3-34</td>
<td>271,600</td>
</tr>
<tr>
<td>Wheat Merchants—Stored Wheat</td>
<td></td>
<td>1,614,733</td>
</tr>
<tr>
<td></td>
<td></td>
<td>378,119</td>
</tr>
<tr>
<td></td>
<td></td>
<td>£34,078,191</td>
</tr>
</tbody>
</table>

The farmers of all classes in Western Australia number approximately 18,000, and have been roughly classified as follows:—

<table>
<thead>
<tr>
<th>Class of Farmers</th>
<th>Number</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cereal and sheep farmers</td>
<td>12,570</td>
<td></td>
</tr>
<tr>
<td>Dairy farmers</td>
<td>3,600</td>
<td></td>
</tr>
<tr>
<td>Orchardists</td>
<td>1,700</td>
<td></td>
</tr>
<tr>
<td></td>
<td>17,870</td>
<td></td>
</tr>
</tbody>
</table>

It may be assumed that the major part of the liabilities are owed by the wheat, wheat and sheep, and grazing farmers.

A complete survey of the wheatgrowing industry was made by Mr. C. A. S. Hawker, M.H.R., when giving evidence before the Federal Wheat Commission in Sydney, and extracts from his evidence were published in the "West Australian" newspaper, March 10, 1934.

This survey, the introductory statement of Mr. Teasdale's (Primary Producers' Association) plan, submitted by him to the said Commission ("West Australian," March 3, 1934) and the replies made by Mr. Teasdale to the questionnaire submitted to him by the said Commission ("West Australian," March 6, 1934), form interesting reading to anyone.
desiring to consider the present position of the wheat industry, and the best method of dealing with its liabilities.

The work of your Commissioners is to investigate and report on the affairs of the Agricultural Bank, and not with the wheat industry, but in considering seasonal relief, debt adjustment, and the best methods of dealing with the Bank's securities, the whole position of the wheat industry must be viewed, not only from the wheatgrowers' aspect, but from an Australian outlook.

The debts of the farmers, and that which forms their security, are part of the financial structure of Australia, and, as Mr. Hawker points out, should not be allowed to disintegrate more than is necessary.

The debt structure of £34,078,101 in Western Australia cannot be carried with wheat at 3s. per bushel, but at a price of 3s. at sidings, the industry, with strong effort of all sections of the community, may be carried on.

At the present time should the industry be asked to carry on until such time as the load of indebtedness is reduced to the limit of the capacity of the farmer to pay?

If the industry cannot carry on, should relief to necessitous farmers and the adjustment of debts be of a State-wide nature? On what principles should such relief be given and debts be adjusted or conditioned?

Who is to determine the farmer's capacity to pay, and on what principle is such capacity to be so determined?

If secured debts are to be adjusted or conditioned, who is to determine the value of the land, and on what productive basis is it to be valued?

Let it be assumed that, on some basis of price and production, the farmer's capacity to pay has been determined, and debts conditioned or adjusted. The adjustment or conditioning of debts is useless unless the farmer can continue to carry on his farming operations. To effect this last-mentioned purpose, sustenance must be found for the farmer and his family, and all cropping and harvesting requirements provided, or else credit established for the farmer to procure same.

From what source is the necessary finance to be provided? The farmer can only look to the State or to his mortgagee.

During the last four years the necessitous Agricultural Bank farmers have been financed through the Bank. The farmers outside the Bank requiring assistance have been financed by their mortgagees, and, when under the Farmers' Debts Adjustment Act, by their creditors.

After the 1914 drought, the State undertook the financing of the farmers through the agency of the Industries Assistance Act, and a Board came into existence, known as the Industries Assistance Board. The State losses through the Industries Assistance Board are estimated approximately at £3,000,000.

The Agricultural Bank, by virtue of the 1912 legislation, provided seasonal credit for farmers.

Your Commissioners disclose in their Report the actual and estimated losses sustained by the Bank, spread over the whole period of its operations.

The State is the mortgagee of 12,838 farms (cereals, wheat, dairying and sheep), and the Agricultural Bank, during the period of low prices for wheat and butter fats, will require large sums of money to support its mortgage securities. Should it be asked to maintain the mortgage securities of other investors?

All financial thought in Australia at the present time is centred on ensuring the stability of the farmer, and many schemes and plans for doing so are being evolved. The wheatgrowing States are experimenting in legislation. It may be, as a result of the inquiries now being made by the Federal Royal Commission on the wheat industry, the price for wheat at sidings, which will cover the cost of production, may be guaranteed by the Commonwealth. Your Commissioners are only considering the present conditions of the industry, not what may happen in the future.

Somewhat similar conditions to those obtaining in Western Australia in respect to the wheat industry prevail in the Eastern wheatgrowing States, namely New South Wales, Victoria, and South Australia, and your Commissioners have acquainted themselves with the legislation enacted in those States to deal with seasonal relief, conditioning or adjustment.

In New South Wales, an Act known as the Farmers' Relief Act, 1932, was passed. This statute contains provisions for seasonal relief to necessitous farmers, for the valuation of their land, plant and stock, for the conditioning of their debts, and for stay orders.

The Victorian legislation dealing with farmers' relief is contained in the Unemployed Occupiers' and Farmers' Relief Act, 3062, of 1931, as amended by 3071 of 1931, 4019 of 1932, 4025 of 1932, and 4030 of 1932. The Act is so complicated that a short synopsis could not be readily prepared, and the scheme of relief therein contained cannot be recommended by your Commissioners.

In South Australia, an Act known as the Farmers' Assistance Act, 1933, was passed, which provides not only for seasonal relief to necessitous farmers who are admitted under the Act, but also provides for the adjustment of the unsecured debts of the farmer who obtains a certificate under the Act, and in both cases stays all proceedings against such farmer.

The Act stays action by a mortgagee, but otherwise does not interfere with the rights of the mortgagee, except in regard to the interest payable and arrears of interest.

In Western Australia during the depression many necessitous farmers have been working under the Farmers' Debts Adjustment Act, which grants a farmer who is admitted under the Act a stay order, and enables him to be carried on by his creditors under the superintendence of a Receiver appointed by the Director of the Act.

A plan for the provision of seasonal credit and the conditioning of farmers' debts was submitted to your Commissioner. by the President of the Wheatgrowers' Union, and a plan to condition debts was submitted to the Federal Royal Commission on the Wheat Industry by the President of the Primary Producers' Association. It was implied by this plan that the State would finance seasonal relief.
Short synopses of the before-mentioned Acts, and of the plans of the Primary Producers' Association and Wheatgrowers' Union, are attached hereto.

The plan submitted to your Commissioners by the President of the Wheatgrowers' Union is of a very comprehensive character, and is founded on the principle that the State should accept the responsibility of the farming industry, such industry to include dairy farming, poultry farming, bee farming, agricultural, horticultural, and grazing operations. The plan suggests that legislation, mainly on the lines of the New South Wales Farmers' Relief Act, 1892, should be enacted. For the administrative details, reference can be made to the short synopsis of the New South Wales Act, hereinafter contained.

The Board to be appointed under the plan would cause to be valued the property of any applicant to whom a stay order is granted, and he would be provided with seasonal credit, his debts would be conditioned, and he would be carried on under supervision. The State is to provide all money for carrying the plan into effect.

The framers of the plan apparently realised that the administration of the Act should form part of a more extensive scheme which would come into operation by the establishment of a Rural Credit Bank.

In the "Sydney Morning Herald" of the 18th April, 1934, there is a report of a speech addressed by the Minister for Agriculture in New South Wales, to a conference of supervisors appointed under the Farmers' Relief Act, 1892. It is noted from this speech that certain amendments will be sought in that Act at the ensuing session of Parliament, one of them being that the Board appointed under the Act is to function as a branch of the Rural Credit Bank, now established in New South Wales, and a further amendment suggested is that machinery is to be provided for facilitating voluntary arrangements.

This last amendment incorporates the suggestions which have been made by your Commissioners in this Part of their Report. Your Commissioners have spent many months in investigating the affairs of the Agricultural Bank, Soldiers' Settlement and Industries Assistance Board.

The new management of the Bank (hereinafter called the Bank Board) will be engaged for a considerable length of time in the work of reconstruction, adjustment of financial affairs, and consolidation of the securities of the Bank and its allied Institutions.

Your Commissioners cannot recommend the adoption of the plan submitted by the Union for the establishment of a Rural Credit Bank, and/or a Board for providing State-wide relief to necessitous farmers, and arranging the conditioning of their debts.

Your Commissioners would point out that the New South Wales Act, on which the plan is founded, cannot be functioning satisfactorily. There are only 1,500 farmers working under it, and apparently the New South Wales Ministry is in accord with your Commissioners in recommending machinery to inaugurate and carry into effect voluntary arrangements for conditioning or adjustment of debts.

The plan submitted by the President of the Primary Producers' Association to the said Federal Royal Commission is neither so comprehensive nor so concrete as that of the Wheatgrowers' Union.

The plan suggests the appointment of a Board to value farms on a productive basis, and then for the mortgagees and creditors, with the assistance of the Board, to be appointed under the plan, to adjust debts to a level covered by real assets. The mortgage debts to carry interest at the rate of 4 per cent. If creditors cannot agree on a voluntary adjustment, the Board should have power to formulate and carry into effect a scheme, and, in that case, all debts not covered by the real assets are to be placed in a suspended liabilities account. Indebtedness covered by assets to bear interest at the rate of 4½ per cent.

If debts voluntarily adjusted, farmers to be free of control. If debts adjusted by Board, then control to be established for a period to be agreed upon, or for five years. At the end of period Commonwealth to pay farmers a portion of the indebtedness remaining in suspended liabilities account.

It is implied that the State finds the finance to carry the farmers on, and presumably bears all losses which, with wheat at the present price, would be made from year to year.

In the "West Australian" of March 3, 1934, will be found a summary of both plans.

Your Commissioners cannot recommend the adoption of the plan of the Primary Producers' Association.

In the opinion of your Commissioners the major issue to be decided is whether the State is to embark on any State-wide scheme for the provision of seasonal credit, adjustment, or conditioning of debts, or restrict its finance to maintaining its own securities.

Your Commissioners appreciate the fact that the matters (seasonal credit, adjustment, or conditioning of debts) discussed in this Part of their Report do not fall within the scope of its commission. These matters will be dealt with by Parliament, and a decision given.

Your Commissioners are of the opinion that the State should deal with and maintain its own securities, and refrain from attempting to provide a State-wide scheme for relief by seasonal credit.

The main reasons which have led your Commissioners to arrive at this conclusion are:

(a) the absolute failure of the administration of the Industries Assistance Board;
(b) the very difficult position the Agricultural Bank is in and the finance which will be required to consolidate its securities.

Not only will the Bank Board have to deal with the change over from unproductive wheat lands to sheep and oats, and money found for that purpose, but money will have to be found for the re-conditioning of the farming plant of the Bank clients, increase of horse-power and purchase of sheep. Money will also have to be found for transferring good settlers, holding lands too remote from
permanent transport, on to reverted properties held by the Bank, nearer to permanent transport.

Your Commissioners are further of opinion that the adjustment or conditioning of debts should be left to voluntary arrangements between the farmer, his mortgagees and creditors. The interference of the State with the contractual relations disturbs business and restricts credit.

Your Commissioners have first considered the State and its own farming securities, and secondly State-wide relief to be financed by the State, and adjustment or conditioning of debts.

The State and its Agricultural Bank Securities.

Your Commissioners appreciate the difficulties which the Bank Board will encounter in dealing with the securities of the Bank, and the clients of the Bank; your Commissioners also appreciate the difficulties Parliament will experience in arriving at a sound conclusion as to what is the best method of dealing with the wheat industry and the liabilities thereof, on a State-wide basis.

Your Commissioners have confined their suggestions to the State handling its own mass of securities and providing an executive body (hereinafter called the Credit Board) through whom both the Agricultural Bank settlers and farmers outside the Bank, their mortgagees and creditors, may formulate a scheme for adjustment or conditioning of the farmers' debts. In the latter part of this Report, your Commissioners deal with State-wide provisions of seasonal relief and debt adjustment.

Your Commissioners beg to submit the following suggestions for the consideration of Parliament—

When the difficulties which exist at the present time in the wheatgrowing and dairying industries are considered when the need for the inauguration of a policy of reorganisation of the Agricultural Bank methods and staff, the handling of 11,623 clients, with 1,215 reverted properties, and the perilous financial position of the Bank are, in addition, considered, it will not doubt be admitted that the Bank Board will have great responsibilities which will absorb their entire attention.

Should the Bank Board be asked to undertake the arrangements for the provision of seasonal credit for the 1905/06 season for clients of the Bank, the disposal of the crop, and the distribution of the proceeds? Your Commissioners are feeling that the debts of the Agricultural Bank clients should be adjusted or conditioned. In order that such adjustment or conditioning may be carried out, the securities of the Bank must be valued.

Should the Bank Board be asked to undertake, in addition to their ordinary duties, the work which would be occasioned by adjusting or conditioning the liabilities?

In the history of the Bank, as investigated by your Commissioners, it is found that an amount of work was imposed upon the previous Trustees which was beyond the power of such Trustees to perform successfully. Your Commissioners are further of opinion that the Bank Board should be relieved of the difficulties of providing seasonal credit, and a Credit Board should be appointed by the Government for the purpose of providing such credit for the farmers who are clients of the Bank, handling their crops and voluntarily adjusting their liabilities.

The State, in order to protect its securities, will have to provide the necessary finance to enable this Credit Board to act. Legislation will be required for the constitution of the Credit Board, and your Commissioners suggest that the provisions of Part III. of the Farmers' Assistance Act, 1933, of South Australia, form the basis of such legislation. Certain alterations will necessarily be required to meet the particular circumstances of the Bank and its clients, but the main objects provided for in the Act, namely, applications for seasonal assistance—granting of certificates—stay of proceedings—obligations of farmers to sow and harvest—disposal of crop—collection and distribution of proceeds—as set out in the Act, can be usefully applied to a Credit Board functioning for Agricultural Bank clients in the same manner as if it were functioning for State-wide relief.

The legislation should also provide for necessary powers being granted to the Credit Board, enabling that Board to arrange voluntary schemes for adjustment or conditioning of debts of the Agricultural Bank clients, and/or of farmers outside the Bank.

Certain of the provisions contained in Part IV. of the South Australian Act may be usefully employed to effect these purposes.

The Credit Board to be free of political control.

Application will have to be made by the Agricultural Bank clients to the Credit Board for relief and/or, adjustment of debts. There will, of course, be many applications which the Credit Board will refuse, but the Bank Board will require to deal with their clients who are so refused. In some cases, no doubt, the Bank will finance the client to change over to wheat and sheep. In others the Bank may allow sustenance to the client until it is seen whether the price of wheat improves. In others the Bank may repossess the property.

In passing the necessary legislation, increased powers will have to be given to the Bank Board, and among these powers will be included power to value all the Bank securities, to write off any part of the principal due, and the whole or any part of the accrued interest, to reduce the rate of interest payable, and to enter into voluntary arrangements for the adjustment and/or conditioning of debts, as they in their sole discretion deem advisable. Such debts would, of course, include the Agricultural Bank debts, and those due to all or any of its allied institutions.

When any such application is made to the Credit Board and application is granted, then a stay of proceedings is provided. It may be asked why proceedings should be stayed in respect to Agricultural Bank clients brought within the before-mentioned provision, and the answer is, as we have before stated, that the State is financing seasonal credit and adjusting its own mortgage securities.

The same stay can be given to farmers outside the Bank immediately a voluntary scheme of arrangement is entered into, and seasonal credit provided.
In the provision of seasonal credit, the Credit Board will, no doubt, act in close co-operation with the Bank, and, to save administration expenses, will avail itself of the staff and organisation of the Bank. The farmer will, however, know that he is dealing with an independent body, and not with the Agricultural Bank or Industries Assistance Board as in the past, and he will further appreciate that if he accepts the benefits of the Act, he will have to perform the obligations imposed upon him by the Act.

One of the chief merits of the South Australian Act is that it leaves the farmer, with a minimum of control, to conduct his own farming operations.

Attention is called to Section 19 of the South Australian Act, and it may be that farmers outside the Bank, and persons who shall provide them with seasonal credit, may take the opportunity of availing themselves of the provisions of this section, which should be incorporated in the legislation suggested by your Commissioners.

Some legal effect should be given to an agreement when a voluntary scheme for adjustment or conditioning has been arranged, in order to avoid legal expenses. It is suggested this might be effected by providing that on the Chairman of the Board, who would be chairman of the meeting of farmers, mortgagees and creditors, at which such voluntary scheme is confirmed, signing the minutes, the scheme shall be binding on all the secured and unsecured creditors of the farmer.

Provision must also be made by such legislation protecting the rights of the Bank under its securities for advances made after the scheme for adjustment has been agreed upon. If this were not done, then, as against the second mortgage, the Bank might not be able to grant further assistance to any of its clients.

State-wide Scheme for Relief and Adjustment or Conditioning of Debts.

If Parliament decides that a State-wide scheme for relief and/or adjustment or conditioning of debts is required in Western Australia then of all legislation, plans, and schemes considered by your Commissioners, the South Australian Act appears most to them.

Relief and Seasonal Credit.

It is evident and the provision of seasonal credit to necessitous farmers is to be State-wide and financed by the State, then your Commissioners recommend the adoption of Part III. of the South Australian Act, with the necessary changes.

The Act is administered by a Board consisting of four persons—the Director, who shall be Chairman and the principal administrative officer of the Board, shall hold his office for such period as the Governor determines, at or prior to the time of such appointment, and three members who shall hold office for one year, and shall consist of a farmers' representative, a creditors' representative, and a Treasury representative. All the members shall be appointed by the Governor.

The State to provide all finance.

The Board may delegate powers to any person, firm or company, and may at its discretion terminate such delegation.

The Board may divide the State into administrative districts, and may appoint a supervisor for each district, to exercise within that district such of the powers and duties as the Board directs.

No delegate or supervisor to make any order for adjustment or debts.

The bringing of the farmer within the Act operates as a stay order.

The Act provides for financing necessitous farmers, and selling, harvesting, and disposing of crops.

The Board distributes the proceeds of the sale of the farmer's crop in such a manner as the Board, having regard to the interests of the farmer and his creditors, deems equitable.

The manifest advantage of this scheme of relief is the simplicity of proceedings created by granting an unfettered discretion in the Board. The farmer is left to do his work under a district supervisor or may be under a delegate appointed by the Board.

No complicated system of preference or distribution of crop proceeds, such distribution being left entirely to the Board.

Debt Adjustment.

The provisions for debt adjustment are more complicated, and cannot be briefly summarised, but a reference to the synopsis of the Act will make them clear. The main principle is that unsecured debts may be adjusted, but secured debts left outside the Act save in respect to interest payments and arrears of interest in excess of the interest determined on by the Board.

The granting of a certificate by the Board for seasonal relief does not bring the farmer within that part of the Act dealing with adjustment of debts. A separate application is necessary to do so, and in such application a farmer must specify the debts which he asks to be reduced, and the amount of such reduction.

The Board may formulate a scheme for adjustment and submit it to creditors. The creditors may by majority in value decline the scheme.

Sections 44 and 45 are important and should be carefully considered, as they provide what the scheme should contain, and what the scheme, as formulated for submission to the creditors, should have regard to. Again your Commissioners suggest there is a certain note of simplicity in this part of the Act dealing with adjustment. This is obtained by giving wide powers of discretion to the Board.

It will be noticed that the Act deals with the adjustment and not the conditioning of debts.

The reduction in debts becomes effective immediately the scheme has been adopted.

The Board has power to grant any farmer whose debts have been reduced, seasonal relief, and on granting such relief the provisions of Part III. of the Act apply.

Observations.

The value of debts, like the value of land, derives some security from expectation.
Would unsecured debts have any such expectation of being paid as would give them any value?

In Western Australia, so far as the Agricultural Bank clients are concerned, the merchants have had cash or guarantees for many years past, and any outstanding debts due to them by Agricultural Bank clients have either been wholly or partially written off.

The majority of the farmers outside the Bank have been financed by their mortgagees, either banks or insurance companies, for the last four years, and it may be the same conditions will apply to them.

During the same period the remainder have probably had to pay cash or give loans.

If these are the conditions prevailing, should not the unsecured debts be adjusted now, and the creditor and farmer know exactly what their relative positions are?

Another objection which may be made by the mortgagee farmer against the South Australian Act is that it does not deal with the amount of principal due under mortgages, and without the conditioning of the amount due under such mortgage, the farmer has no possibility of carrying on.

Any attempt to adjust or condition mortgage securities may be dangerous to the financial structure of Australia. Again, it would require a close valuation of all mortgage lands. To those conversant with Western Australian lands it will be at once apparent the length of time which this valuation would take, and there is no uniformity in the quality of soils, as exists in other States of the Commonwealth.

The President of the Wheatgrowers' Union did not appreciate this difficulty when he quoted the effective scheme of valuing being followed in New South Wales.

By reason of the uniformity of the soil there, a standard of values can be set up for land in various districts and/or localities, and a test-case of valuation taken, which in all probability will be approved of by a large body of the landholders in the respective districts or localities.

Again, in New South Wales, the appraisements mentioned by the President of the Wheatgrowers' Union (Mr. Boyle) were of Crown holdings, and local land boards have been for many years established there, and are now being empowered to determine capital values.

However, the determination of values is not insuperable, but the effects of interference with mortgage securities would be far-reaching, and Parliament should give this question its very closest attention before attempting such interference.

It may be suggested that the mortgagee may be well left with his mortgagees, as a mortgagee does not want to take possession of the property, and will always, if possible, keep a good man on the property, even though it means forgiving or reducing interest, and finding financial assistance for him.

The State, as mortgagee, can deal with its own securities in such a manner as benefits the State, and it may be that an adjustment of the mortgage debt will effect large savings in the heavy administration expenses of the Bank.

If Parliament is of the opinion that the conditioning of debts is necessary, then your Commissioners would refer them to the plans for such conditioning found in Plan 2 of the Report of the Disabilities Royal Commission, page 13, the Farmers' Relief Act of New South Wales, and the plans submitted by the Wheatgrowers' Union and Primary Producers' Association.

SYNOPSIS OF THE SOUTH AUSTRALIAN ACT FOR ASSISTANCE TO FARMERS.

Passed in 1933.

The Act is divided into six Parts:

Part I.—Preliminary.
Part II.—Administration.
Part IV.—Debt adjustment.
Part V.—Drought relief charges.
Part VI.—Supplementary provisions.

PART II.

The Act is to be administered by a Director, who is to hold office for such period as the Governor determines. He is to be Chairman, and principal administrative officer of the Board.

The Board is to consist of four members:

(a) Director,
(b) Suitable representative of the farmers' interests,
(c) Suitable representative of creditors' interests,
(d) Suitable representative of the Treasury.

The Board, outside the Director, to hold office for one year.

Provisions for filling casual vacancies, equipment, etc.

The Act to be administered by the Board. The Governor to have power to appoint supervisors, officers and employees necessary for the administration of the Act. The Board may delegate any of its duties or functions to any person, firm or company, on such terms and subject to restrictions which the Board thinks proper, and may at its discretion terminate such delegation. The Board, however, cannot delegate its powers to make orders for reduction of farmers' liabilities.

The Board may divide the State into administrative districts for the purpose of the Act, and appoint a supervisor for each district.

Remuneration to be fixed.

PART III.—Provisions for Finance of Farmers.

Any farmer who intends to put or has put land under crop for the season 34/35, or any subsequent season to which the Governor by proclamation directs that the Act shall apply, may apply to the Board for finance under this part of the Act.

Advances may be made at the discretion of the Board for providing a reasonable living allowance to the applicant and his dependants, for defraying the
usual expenditure for the working and maintenance of the farm, for the marketing of produce, and any other expenditure which the Board deems proper.

Application to be in such form as may be fixed by the Board, and to contain all such particulars as may be reasonably required by the Board.

With application, applicant shall forward to the Board an assignment of all crops to be grown by him during the season, in respect of which application is made. The assignment shall vest all property in the crops in the Board. If applicant fails to assign to the Board, then the Act shall operate as an assignment.

The Bills of Sale Act not to apply.

Provision for withdrawal and cancellation of application.

Unfettered discretion in the Board to grant or refuse any application.

Applicant to repay to the Board all advances, together with interest at a rate fixed by the Board, such rate to be as nearly as practicable the average rate paid by the State on money borrowed for the purpose on this Part of the Act.

Repayment to be made on or before the 31st March after making advance.

If applicant is financed by persons other than the Board, then he may apply to the Board to distribute the proceeds of his crop for the current season, in accordance with the provisions of this Part of the Act. The Board may grant such application, which is to be accompanied by an assignment of crops.

If the Board grants the application, then the amounts to be advanced for the cost of commodities supplied shall be paid out of the proceeds of the crops, in the same order of priority as amounts due to the Board under this Part of the Act.

The duty of the applicant is to sow and harvest the crop, and deliver in the name of the Board to wheat merchants or Pool, nominated by the applicant and approved by the Board. The crop may be delivered in portions to different pools or merchants. The applicant to be at liberty to retain a reasonable amount of the crop for seed and fodder, or for milling into flour for food for self and family.

The Board to have the power to carry out operations in which default has been made, or is likely to be made, by applicant.

Sale of Crop.

If applicant delivers crop to a wheat merchant, the Board may, if it thinks fit, complete the sale, and the merchant shall forthwith pay the proceeds of sale to the Board. If proceeds are not so paid, the Board may recover them from the wheat merchants.

If the crop is delivered to a Pool, the Pool must account to the Board.

Provisions for sale and receipt of proceeds of the crop, insuring the payment to the Board.

The Board shall apply the proceeds of the sale of each applicant's crop in such a manner as the Board, having regard to the interests of the farmer and his creditors, deems equitable.

The Board to advertise for claims.

No penalties for non-payment of interest, rates, taxes, or charges to be paid.

Any dispute in regard to claims by creditors against applicant to be settled by litigation, if required.

Provisions giving power to postpone the distribution of certain moneys.

Suspension of certain liabilities of applicant from date of application until 31st of August next after harvesting of crops:

1. No action shall be commenced or continued in any court for the recovery of any debt, demand, or damages, or for any other relief, legal or equitable, against the applicant, or to enforce any security alleged to have been given by him.

2. No proceedings in the nature of an execution of any judgment or order whenever obtained, and no proceedings in the nature of discovery in aid of execution, shall be had or taken against the applicant. This Act shall operate as a stay of execution on every such judgment or order.

3. No garnishee proceedings shall be commenced or continued against the applicant.

4. No steps shall be taken by any mortgagee, grantee of any Bill of Sale, holder of a lien, or any other holder or grantee of any form of security over any property of the applicant, or over the farm on which the applicant's crop is growing or was grown, or over any chattel used for the production or marketing of that crop to realise his security, or put the same into force, whether by entry into possession, the exercise of a power of sale, seizure, or otherwise howsoever.

5. No steps shall be taken by the vendor under any agreement for sale and purchase of the farm on which the applicant's crop is growing or was grown to terminate the agreement, nor shall any such agreement become void or determined by reason of any breach thereof.

6. No steps shall be taken by any lessor of the farm on which the applicant's crop is growing or was grown to determine the lease, nor shall any such lease become void or determined by reason of any breach thereof.

7. No person shall distrain or take out of the possession of the applicant without his consent any chattel which came into his possession lawfully, and is used or intended to be used by him for the production, harvesting, or marketing of his crop.

8. No mortgages in possession of any land of the farmer when the application is made shall remain in possession: provided that nothing in this section shall affect the title of any person who has acquired the land or any interest therein bona fide and for value from the mortgagee.

The Board may on application order that the provisions of a stay order shall not apply to any specified land or chattels; 14 days' notice of any application to be given to the applicant farmer.

Any person making any false statement or wilfully neglecting to disclose fully matters required to be disclosed shall be guilty of offence.

Any creditor whose right of action is stayed may apply to a special magistrate for leave to proceed. The decision of the special magistrate is to be final.
PART IV.—DEBT ADJUSTMENT.

Any farmer may, by writing in the form fixed by the Board, apply to the Board for a certificate, which is defined to mean a protection certificate, granted under this part, to any person who is subject to this part.

The Board, after inquiry into the financial affairs of the farmer, may in their discretion issue a certificate to the farmer.

During the currency of such certificate, the following provisions shall apply:

1. No proceedings shall be commenced or continued in any court for the recovery of any debt, demand, or damages for any other relief, legal or equitable, against the farmer named in the certificate, nor to enforce any security alleged to have been given by him.

2. No proceeding in the nature of an execution of any judgment or order whenever obtained, and no proceedings in the nature of discovery in aid of execution, shall be had or taken against the farmer named in the notice. This Act shall operate as a stay of execution on every such judgment or order.

3. No garnishee proceedings shall be commenced or continued against the said farmer.

4. No steps shall be taken by any mortgagee, grantee of any bill of sale, holder of a lien, or any other holder or grantee of any form of security over any property of the said farmer to realise his security or put the same into force, whether by entry into possession, the exercise of a power of sale, seizure, or otherwise however.

5. No steps shall be taken by the vendor under any agreement for sale and purchase of any land of the farmer to terminate the agreement, nor shall any such agreement become void by reason of any breach thereof.

6. No steps shall be taken by any lessor of any land held by the farmer under lease to determine the lease nor shall any such lease become void or determined by reason of any breach thereof.

7. No person shall distrain or take out of the possession of the farmer any chattel which came into his possession lawfully.

8. No mortgagee in possession of any land of the farmer when the certificate is issued shall be entitled to remain in possession: provided that nothing in this section shall affect the title of any person who has acquired the land or any interest therein bona fide and for value from the mortgagee.

Any proceedings commenced in contravention of the Act shall be void.

As soon as possible after the certificate has been issued, the Board shall serve by post on the creditors of the farmer, so far as the Board can ascertain them, a statement of the financial position of the farmer. The Board may at any time during the currency of the certificate, on the application of the person, order that all or any of the before-mentioned paragraphs shall not apply to any specified land, interest in land, or chattel of the farmer named in the certificate.

The Act shall not apply to any secured debt contracted after the 31st day of December, 1929, save for renewal of loan.

Provisions are inserted enabling creditors to apply to a special magistrate for leave to proceed. The decision of the special magistrate is to be final.

Every certificate shall, unless sooner cancelled under this Part, remain in force until the Board in its discretion determines it by notice filed with the Registrar of Deeds, and published in the Gazette.

The Board may at any time cancel the certificate in its discretion.

Provision for Protection of Property.

If the Board is satisfied that any property of any farmer holding a certificate is being, or likely to be, unlawfully dealt with, the Board may direct the nearest local court bailiff to seize such property.

The provisions of this Part are to be applicable where applicant has assigned his crop under Part III. of the Act.

If any farmer to whom a certificate has been issued makes a default in complying with any direction made by the Board, he shall be guilty of an offence.

The Board may, out of moneys to be appropriated by Parliament, make advances to any farmer holding a certificate, for any of the purposes for which advances may be made under Part III. of this Act, and may reimburse itself for such advances out of any income of the farmer which is in or comes into the hands of the Board.

Any application for reduction of debts under this Part may be made by any farmer to whom a certificate has been issued during the currency of his certificate, or by any farmer who has applied for a certificate either at the time of or subsequent to the application for a certificate; provided, however, the application for reduction of debts shall not be dealt with unless the farmer obtains a certificate.

Every application for reduction of debts shall be in writing and shall specify the debts which the farmer asks to be reduced, and the amount by which he asks they should be reduced.

On receipt of such application the Board may either submit the proposals of the debtor as a scheme under this Part or alternatively may itself formulate a scheme whereby the debts of the farmer will be reduced by an amount which the Board considers reasonable.

Any scheme may provide for all or any of the following matters:

1. A reduction of the amounts of the debts accruing or accrued due to unsecured creditors or creditors who become unsecured creditors under this Part for any sum or accrued due to the Crown.

2. A waiver in whole or in part of the Crown's right to priority of payment.

3. The postponement of the whole or any part of the rights of the Crown under any mortgage or charge to any other debts, rights or interests.

4. The waiver of any security or part thereof so that the whole or any part of any secured
Crown debt shall become unsecured and any property be freed from such debt or part of a debt.

5. A reduction of the interest payable on any secured debt to a rate not lower than the rate which in the Board's opinion is the current rate chargeable on similarly secured debts of the same kind.

6. A release of the farmer from any arrears of interest on any secured debt in excess of an amount computed at the said rate.

7. A reduction of the interest payable on any unsecured debt to any rate which the Board deems proper, or a provision that such debt shall not bear interest.

8. A release of the farmer from any arrears of interest on any unsecured debt.

The scheme so formulated for submission to the creditors shall have regard—

(a) to the interest of all parties concerned,
(b) to the economic conditions of the industry in which the farmer is engaged,
(c) the reductions applied for by the farmer,
(d) the productive capacity of his land,
(e) the value of his assets,
(f) the mode in which he has managed his farm and business affairs generally, and
(g) any other circumstances which the Board thinks relevant.

The Board may include in the scheme provisions for making advances to the farmer to conduct farming operations.

The Board shall endeavour to obtain the consent of the creditors to the scheme submitted by the farmer or formulated by the Board, and for that purpose may communicate with the creditors individually, or it may, at its discretion, instead of or in addition to such communication, call a meeting of the farmer's creditors. Provision is made for the holding of this meeting.

A creditor who has security for his debt shall for the purpose of this Part be an unsecured creditor, if—

(a) he surrenders his security, in which case he shall be an unsecured creditor in respect of his whole debt; or
(b) he states in writing the value at which he estimates his security, in which case he shall be an unsecured creditor in respect only of any balance due to him after deducting the estimated value of his security, and shall be secured only to the extent of the value estimated; or
(c) he has duly realised his security or any part thereof, in which case he shall be an unsecured creditor in respect of any balance due after deducting the net amount realised.

The Board may make an order that the scheme shall come into operation, unless a majority in value of the unsecured creditors intimate in writing that they are opposed to the scheme, or where a meeting is called, the majority in value of the unsecured creditors attend personally or by proxy at the meeting, and vote against it.

When the Board makes an order that the scheme shall come into operation, the following provisions shall have effect from the date of such order:

(a) The scheme shall be binding on the Crown and on all creditors, secured and unsecured, in accordance with its terms.
(b) A secured creditor shall have no remedy in respect of his secured debt against the farmer or any of his property except property comprised in the security.
(c) Every unsecured debt shall be discharged to the amount by which it is reduced by the scheme.

Where a creditor of a farmer whose debts have been reduced holds as security any property of a wasting nature, and did not value or realise his security before the order of reduction was made, such creditor may after order value his security, and become an unsecured creditor for the balance.

The Board shall serve personally or by post a copy of every order on every creditor thereby affected, and shall keep a register at its office for inspection by the public.

Registration of orders at various Departments.

Exemption of debts contracted after the commencement of the Act.

Where any dispute exists between applicant and creditors, the Board may direct proceedings to be instituted to settle such dispute.

Exemption of certain debts from liabilities.

No Trustee shall be chargeable with a breach of trust by reason of his consent to or failure to object to any scheme under this Part of the Act.

Part V.—Drought Relief Charities.

This Part does not apply to Western Australia.

Part VI.—Supplementary Provisions.

All rights under guarantees to be suspended.

The Board shall not grant assistance under the Act or formulate any scheme unless it is satisfied that the applicant or farmer has a reasonable prospect of becoming able within a reasonable time to carry on his farming or pastoral operations without loss. In considering this question, the Board shall have regard to the possibility that the applicant's or farmer's debts may be reduced under the Act.

The Board to have power to summon and examine witnesses.

The Board may give to farmer direction as to:

(a) Disposition of income;
(b) his business transactions;
(c) the better working and management of his farm.

If directions are not carried out, the Board may do all necessary acts as agent of the farmer. Any disposition of property or income, or any other transactions entered into by the farmer in contravention of any direction of the Board, shall be void.

The Board to have power to provide legal assistance for farmers.
The Board may retain out of the income of any farmer whose affairs are being dealt with under Part III. or Part IV. a commission for its services in connection with the management of the applicant's affairs, at a rate to be fixed by the Board, which rate shall be the same for all persons, but shall not exceed 2½ per centum of the said income and shall be of such an amount as, in the Board's opinion, will produce in the aggregate a sum sufficient to cover the actual cost of administration of the Act.

The Treasurer of the State may from time to time out of moneys appropriated by Parliament for the purpose make advances to the Board for carrying out the provisions of this Part of the Act. So far as is practicable, the advance made by the Treasurer shall be repaid to him out of the moneys paid to the Board in payment of the loans made by it under this Part, and any deficiency which may arise and any other money required for the purposes of this Part shall be paid out of money appropriated by Parliament for that purpose.

The Board may make certain payments for farmers' rates, taxes, charges, interest, etc.

If the debt or liability is disputed, Board may allow any creditor or claimant to institute proceedings and have matter determined, and may treat amount of judgment as a debt or liability.

Annual statements to be sent to creditors.

Regulations convenient for carrying this Act into effect.

The penalty for any offence under the Act to be a fine not exceeding £100, or imprisonment for any term not exceeding six months.

SYNOPSIS OF THE NEW SOUTH WALES ACT, KNOWN AS THE FARMERS' RELIEF ACT, 1932.

Part II. of the Act deals with Farmers' Relief, and is very similar to our Farmers' Debts Adjustment Act in Western Australia.

The Governor appoints a Director, and has also power to appoint Deputy Directors, and to appoint two members of the Board who shall assist the Director, such members to be appointed for one year.

Body to be a corporate body, known as the Farmers' Relief Board.

It provides for the making and removal of stay orders, the appointment of supervisors, and the working of the farmers under direct supervision, and staying proceedings pending the currency of the stay order.

The main provision in which it differs from the South Australian Act is as follows:—

As soon as practicable after the granting of the stay order, the Board shall as at the date thereof assess the value of the farmer's land, plant, machinery and other property and assets, and ascertain the amount of his debts and liabilities, both secured and unsecured, including all interest accrued or accruing to such date. Any such assessment or subsequent variation thereof shall be notified by the Board to every creditor of the farmer, of whose debt the Board has notice within 14 days within the making thereof.

In so far as the debts or liabilities secured by one or more mortgages, charges or liens over any property of the farmer exceed the assessed value of the property subject to such mortgages, charges, or liens respectively, the amount of such excess shall in the books of the Board be placed in the Suspended Liabilities Account, and so much of every debt or liability as forms part of such excess shall, during the operation of the stay order, be deemed to be an unsecured liability.

In apportioning the respective secured debts that are to be placed in the Suspended Liabilities Account, the Board shall give effect to the respective priorities of the mortgages, charges and liens, securing such debt.

Any such mortgage, charge or lien shall to the extent of the amount thereof not placed in the Suspended Liabilities Account carry interest each year or part of the year, during the operation of the stay order, at the rate provided by the mortgage, charge or lien, or at the rate of five pounds per centum per annum, whichever is the less.

During the operation of the stay order, the unsecured debts of the farmer (including the amount placed in the Suspended Liabilities Account) shall not carry interest. The Board may from time to time review any assessment made under this section, and make such alterations and variations therein, and in the amount placed in the Suspended Liabilities Account, as it thinks fit.

Before making or reviewing any such assessment, the Board shall give fourteen days' notice of its intention so to do to every creditor of whose debt it has notice. Any creditor may appeal to the local Land Board against any assessment by the Board, and this local Land Board shall have jurisdiction to hear and determine such appeal, and its decision therein shall be final.

If the total value of the farmer's property and assets exceeds in amount the total of such debts or liabilities of the farmer as are secured by any mortgage, charge, or lien, after deducting therefrom all such claimed debts as are by the provisions of the Act deemed to be unsecured liabilities, the Board on making or reviewing any such assessment shall enter into an account, to be called the "Conditioned Liabilities Account," such proportions of such and every unsecured liability of the farmer (including such part of every secured debt or liability as is deemed by the previous provisions to be an unsecured liability) as when added together shall equal the amount of the excess in this subsection referred to. Such proportions of the unsecured liabilities are in this Act referred to as "the conditioned liabilities."

Provisions are made for the disbursement by the supervisor in each season out of the moneys received by him, and may be shortly stated to be:—

(a) Payment of expenses of harvesting, shearing, and other gathering and marketing of the produce of the farmer.

(b) Paying to the farmer 7½ per cent. of the gross proceeds of the produce or the sum of £75, whichever is the less.
(e) In payment of all liens on crop or wool, or stock mortgages granted to the Board with the consent of the farmer or the supervisor to the extent of the moneys secured thereby.

(d) In payment of all debts incurred by the farmer or supervisor, and guaranteed by the Board, and of any advance made by the Board to the farmer, and in discharging any liability incurred in managing and administering the farmer's estate.

(e) In payment, pari passu, of moneys payable under Hire Purchase Agreements, one year's rent on the farm, one year's interest on the first mortgage, charge, or lien over the farm stock, machinery, or other property or assets of the farmer, one year's rates and taxes payable by the farmer, and one year's payment due to the Crown on the farm of the farmer.

(f) In payment of one year's interest on any subsequent mortgage, charge, or lien.

After the above payments have been made, from the surplus, if any, shall be retained such amount as the Board directs for the purpose of enabling the farmer to carry on until the end of the next ensuing season, and the balance shall be distributed in or towards the satisfaction, pari passu, of the conditioned liabilities of the farmer, or if there are no conditioned liabilities, or none such remaining unsatisfied, then in or towards the satisfaction, pari passu, of the unsecured liabilities of the farmer.

In the event of the moneys received by the supervisor being insufficient to meet the payments hereinbefore specified, the amount so unpaid shall be a charge on the income of the farmer for the succeeding years, and shall be paid thereout after satisfying the payments for each such year specified previously.

Special provisions are inserted for and in respect of chattels under hire purchase agreement, and entitling the hirer to be paid each year one-fifth part of the value of such chattel, as assessed by the Board, or of the amount owing thereon, whichever is the less, giving power to the Director to return at any time such chattel to the owner.

During the currency of the stay order, the Board may, out of moneys to be provided by Parliament, advance to the farmer such moneys as it thinks fit for the purpose of maintaining the farmer, and the members of his family resident with him on his farm, and carrying on his business, and the Board may guarantee to any vendor the payment of the price of any fertiliser, cornsacks, he's and stores, seed wheat, live stock or other commodities whatever purchased by the farmer with the consent of the Board.

The money so advanced by the Board shall be paid by the Board to the Supervisor, or credited to his account at the Bank, and shall be disbursed by the Supervisor under the direction of the Board.

The farmer may, with the consent of the Board and of the mortgagee of the subject property, sell his farm or any part thereof, with or without any of his property or assets used in connection therewith. Such consent of the Board may be given subject to such conditions as the Board may deem proper.

The farmer not to mortgage, etc., assets without the consent of the Board.

Application may be made to Court for directions. Penalty for any offence at a fine not exceeding £50.

Notwithstanding the date fixed for the expiration of the Act, the Board may, by publishing in the Gazette prior to the date of such expiration, such notice as it may prescribe, extending the operations of any stay order granted prior to the publication of such notice. The operation of any stay order whose operation shall be so extended shall continue until such stay order be removed by the Board, provided that no such stay order shall in any event remain in operation for a period longer than twelve months after the date of expiration specified in Section 44 of this Act.

The Act to continue in operation until the 1st March, 1936, and thereafter until such time as the Governor notifies by proclamation in the Gazette that he is satisfied that all stay orders granted under this Act have been removed.

SYNOPSIS OF PLAN OF THE PRIMARY PRODUCERS' ASSOCIATION.

The problems to be faced are:

1. Adjustment of debts.
2. Should the industry be carried on? If so, what arrangements can be made?
3. Security of tenure in order that the farmer may have an easy mind to work under.
4. Appointment of a board to evaluate farms on a productive basis—
   (a) Present price.
   (b) Such price as may be determined by the Government.

5. Board to act—
   (a) Voluntary adjustment of debts to level covered by real assets. Interest rate, 4 per cent.
   (b) Failing voluntary, Board to determine and in that case all the debts not covered by real assets to be placed in a suspended liabilities account. Indebtedness covered by assets to bear interest at the rate of 3 1/2 per cent.

6. If debts voluntarily adjusted, farmers free of control. If by the Board, then control to be established over his assets for a period to be agreed upon, or five years.

7. Should price after 6d. per bushel, the Board may make adjustments between debts in the first and second categories to comply with altered conditions. At the end of five year period, the Commonwealth Government to pay to the creditors of the farmer a portion of the debt remaining in the suspended account. It is suggested that this portion should be one-half of the amount and the balance should be written off. It should be the aim of the Board controlling those farmers with suspended liability to make such arrangements
that will encourage the efficient farmer to develop his enterprise and to discourage wheat-growing upon lands unsuitable for the purpose, and also by those who prove themselves unsuitable for their vocation.

Second problem:

Manufacturing nations must buy wheat if they are to sell goods. Provision must be made to enable the farmer to carry on at least partial wheat-growing, together with sheep raising.

Costs of production must be reduced. Tariff, arbitration courts, bulk handling, etc. Federal Government should guarantee a price of 3s. per bushel at sidings, provided that such guaranteed price be available to those who agree to reduce their cropping area 20 per cent. below their average level of the years 30, 31, 32.

Second method:

Establishment of an Australian Consumption Pool to control all sales of wheat within Australia, the controlling Board to fix such a level for local sales as would provide a general average of 3s. This method has the advantage that it leaves the wheat merchants and pools to carry on their business overseas without interference.

Finally, establish a compulsory pool controlling all sales local and overseas, as outlined in the Bill introduced by Mr. Parker Maloney in 1930. The advantage of this plan: Allows the industry to manage its own affairs. Obvious disadvantage: That it would meet with violent opposition from wheat merchants and financial institutions. The greatest disadvantage, however, would be that in controlling sales overseas by a governmental organisation would definitely encourage retaliation by buying nations.

SYNOPSIS OF PLAN OF THE WHEAT-GROWERS' UNION OF W.A.

1. Board to re-value.
2. Conditioning and writing down of debts on a productive value of the property with wheat at 3s. at sidings and wool at 8d. per pound at store.
3. Moratorium for five years.
4. Priority lien in favour of the farmer for £150 a year.
5. Administration Board—Board to delegate to country Boards.
6. Stay Order, if granted, local Board to value. Usual conditioning of debts at value of assets as contrasted with amount of secured and unsecured debts.
7. Local Board will carry on and supervise farming operations of all farmers, with moneys voted by Parliament.
8. All profits given to reserve account.
9. At the end of five year period, any amount in reserve account will be applied to partial liquidation and balance written off.

It is also proposed that the Federal Government carry on with their proposition to introduce an Australian Marketing Act for primary products, which should provide for home price for wheat consumed in the Commonwealth. This plan, the Union say, aims at reducing the farmers' debts to the farmers' capacity to pay them. No repudiation, as if wool prices continue high and wheat recovers, the amount in the reserve account will possibly liquidate the whole of the suspended liabilities account, but until after the machinery has been replaced, and other capital improvements effected, and last, but by no means least, the standard of living for the farmers and their families put somewhere nearer an equality with other sections of the community.

The Union asks two things from the Federal Government:

Firstly, the right to control the price of the commodity on the Australian market, so that the cost of production plus a reasonable profit can be secured.

Secondly, the provision of funds for State Governments to allow Acts of rehabilitation to function.

The Union suggests that the price of superphosphate should be reduced by 10s. per ton, by the elimination of the middle men, thus saving the wheat-growers in this State £90,000 a year.
PART XI.

FINDINGS.

YOUR COMMISSIONERS FIND THAT:

1. Up to 30th June, 1933—

(a) The capital cash loss made by the Bank, Soldiers' Settlement Scheme, Industries Assistance Board and Group Settlement is £1,619,621, of which the Commonwealth Government contributed £972,921, and the sum of £6,001,553 was written off during the period 1916 to 1933, during which period the moneys were purely advances.

(b) The sum of £1,583,436 has been taken by the Trustees from Loan moneys to make good deficiencies between the amount of interest and fees collected, and contributions to Sinking Fund, interest payable by the Bank to the Treasury, and administration costs (Loan moneys being repayments of principal and/or moneys obtained from the General Loan Fund). In addition to the sum of £1,983,436 taken from Loan moneys the Trustees obtained from the Industries Assistance Board, such Board being the Trustees under another name, during the period 1916 to 1933, the sum of £1,183,224 in payment of interest due by settlers under the Board to the Bank. The major part of this sum came from Loan moneys.

(c) The sum of £2,375,538 is due to the Bank and its allied institutions by clients for accrued interest.

(d) It is estimated that of the sum of £2,375,538 there will be a loss of £1,338,007.

(e) The principal sum now due to the Bank and its allied institutions is £13,712,553.

(f) It is estimated that of the said sum of £13,712,553 there will be a loss of £4,782,793.

(g) A loss of £6,121,700 may therefore be anticipated on collections and/or realisation of land repossessed by the Bank, or any writing down of values of Bank securities.

(h) The accrued, actual and estimated contingent loss on account of the Agricultural Bank and its allied institutions is £12,304,660.

(i) The yearly sum of £615,230 will have to be found by the State to meet interest and sinking fund on the sum of £12,304,660.

(j) The sum of £104,381 is the average yearly deficiency found by the Treasury from Loan moneys, for the period 1914-1933. (See paragraph (h).)

2. Subsequent to the year 1912, the Treasury lost control of the finances of the Bank which they had exercised up to that time.

3. The Trustees of the Bank had absolute discretion vested in them by Parliament to make or refrain from making advances from the funds of the Bank, to applicants for assistance, and their manifest duty was to maintain a margin of security when making advances.

4. The discretion referred to in paragraph 3 has been recklessly exercised by the Trustees and Trustees have committed grave breaches of the trust reposed in them by Parliament.

5. The allegation of the Trustees that, in advancing recklessly they did so under Ministerial direction, has not been proved by the evidence submitted to your Commissioners, save in respect of the Esperance Land Settlement, the Murchison Miners' Settlement at Kalannie, and the 3,500 Farms Scheme which includes the Miners' Settlement at Southern Cross.

6. Neither Parliament nor its Ministers had power to compel the Trustees to make advances in derogation of their trust.

7. The then Premier and Minister for Lands who exonerated the Trustees from all responsibility for losses on Esperance advances had no authority to do so.

8. The Trustees should have reported to Parliament from time to time the wrongful subordination of their discretion to Ministerial control in respect of the settlements referred to in paragraph 5.

9. The Trustees by their conduct became administrative heads of a department for carrying into effect a policy of land settlement dictated to them, from time to time, by Ministers in control of the Department of Lands, and/or allegedly in control of the Agricultural Bank.

10. If the allegation of the Trustees that they were purely instruments for carrying out Ministerial policy is correct, then political interference in the development policy and internal administration of the Bank has had a disastrous effect on its control by the Trustees.

11. The Trustees from the year 1914 disclosed a lack of financial and administrative ability in the conduct of the affairs of the Bank.

12. For many years prior to the year 1930, when the fall in wheat prices occurred, the affairs of the Bank were slowly drifting into bankruptcy, and it could only pay its way with the continual aid of Loan moneys.

13. The Trustees, during the period 1914 to 1932, in the yearly balance sheets, never placed the true financial position of the Bank before Parliament.

14. The yearly audit of the accounts of the Bank was conducted in a most incomplete manner.

15. The Trustees of the Bank in not demanding a separate audit of the Bank's accounts and a report
thereon, as required by Sections 40 and 41 of the Agricultural Bank Act, 1906, and in not demanding the Audit Inspector's reports, for which they paid under the audit system which they allowed to become established, disclose a disregard in the management of the affairs of the Bank that is deserving of the severest censure.

16. The Trustees undertook more work than they could do, loaded themselves with a mass of detail work, which should have been done by subordinates, and in consequence neglected the essential matters of finance and organisation.

17. The amounts now due to the Bank by many of its clients on their properties are far in excess of the real values of such properties, and such debts should be adjusted.

18. Wheat growing was being continued on many of the Bank's securities, at an economic loss, before the fall in wheat prices occurred.

19. Many of the clients of the Bank have neither the capacity nor the will to make good, and the farms of these clients must be repossessed.

20. Many of the areas originally developed as wheat farms were unsuited for continued production of wheat.

21. Such of the farms mentioned in the preceding paragraph, as are suitable for a swing over to sheep and oats by the provision of fencing and water, should be so converted.

22. Owing to: (a) the high prices of wool and wheat existing at the time of purchase; and (b) the insistent demand of the soldier settlers to be settled on the land, many of the properties purchased for repatriation were purchased at excessive prices, and the rents payable to the Lands Department in respect thereof should be reduced.

23. The cost of administering the affairs of the Bank is excessive and must be reduced.

24. The farming plant of a large proportion of Agricultural Bank farmers requires reconditioning, and the horse-power increased. The average cost of so doing is estimated at £300 for each farm.

25. During the last 20 years the securities held by the Bank have not been checked by the Bank officials or the Audit Department.

26. There has been very ineffective co-ordination between the Department of Agriculture and the officials of the Bank.

27. Soldier settlers and ordinary Bank settlers should receive uniform treatment.

28. The provision of seasonal credit by the I.A.B. has been a costly mistake, and should be discontinued at the earliest opportunity.

29. Salinity in the soil has manifested itself in various districts of the State, with consequent detriment to cereal production.

30. Many road boards in the State allege they will cease to function unless the Agricultural Bank clients pay, or have paid for them, the current road boards' rates and vehicle taxes as same become due.

31. The eradication of noxious weeds is imperfectly controlled.

32. New management is required to control the business of the Bank, and complete reorganisation is essential.

33. All political interference in the management of the Bank and in the control of its policy must be abolished.

34. That Mr. H. K. Maley, one of the present Trustees, was appointed to that position in May, 1932, in place of the late Mr. F. V. Cooke.
PART XII.

RECOMMENDATIONS.

1. MANAGEMENT.

That the present Trustees of the Bank be retired and the management of the Bank be vested in a Board of Management, consisting of three members, to be appointed by the Governor. Of this Board, one shall be appointed Chairman, and one shall represent the Treasury.

The following suggestions are made relative to such appointment:-
(a) The Board shall be free from all political control.
(b) Term of appointment—seven years.
(c) Chairman shall have deliberative and casting vote.
(d) Two members shall form a quorum.
(e) Salaries of Board to be commensurate with the onerous and responsible duties which this Board will have to perform.
(f) Members of the Board to devote their whole time to the business of the Board, and shall not be engaged in any business outside the Bank.
(g) The Board, or any member thereof, during the period of their appointment, may be removed from their or his office on the joint vote of both Houses of Parliament.
(h) The Board shall take the place of the Trustees under the existing legislation, with the increased powers, hereinafter recommended, to be conferred on them.

2. FINANCE.

(i.) Your Commissioners do not desire to make any express recommendations for the relief which should be afforded the finances of the Bank by the Treasury, as outlined in Part V. of their Report.

Your Commissioners, however, suggest that the measure of this relief should from time to time be determined in conference between the Treasury and the new management.

(ii.) That Section 4, Subsection (3), be amended by striking out the words "principal and" from the fifth line thereof. The effect of this amendment would be that the Board will not have power to use principal repayments for payment of interest to the Treasury, 54 of 1912.

(iii.) That each year the difference between the interest, commissions, and other fees collected by the Bank, and
(a) the interest paid to Treasury,
(b) contributions to sinking fund,
(c) administration expenses,
be paid from moneys appropriated by Parliament for that purpose.

(iv.) That in the future balance sheets of the Bank no interest should be charged on reverted properties, or on principal and interest debts known to be bad.

(v.) That the Treasury resume the same control of the finances of the Bank that it had prior to the 1912 legislation.

3. AUDIT.

(i.) The audit of the Bank's accounts by the Auditor General has been most unsatisfactory in the past, and the new management cannot be asked to rely on same in the future. Your Commissioners therefore recommend that a continuous audit of the Bank's books and accounts be carried out by a special internal audit staff of the Bank.

(ii.) That the Auditor General appoint one of his Senior Audit Inspectors to control the audit of the whole of the Bank's accounts, and that a copy of the report or reports of this inspector be forwarded from time to time by the Auditor General to the Bank, as and when received by him.

(iii.) That the Auditor General be directed to comply strictly with the provisions of Sections 40 and 41 of the Agricultural Bank Act, 1908.

(iv.) A classified statement of receipts and payments be prepared each year in addition to the balance sheet and profit and loss account.

(v.) The Bank's balance sheet, profit and loss account, statement of receipts and payments, be certified to by the Auditor General, or such auditor as may be appointed from time to time by the Governor, before same are presented to Parliament, or reasons advanced on these statements for refusal to so certify.

(vi.) The bank's balance sheet, profit and loss account, and Trustees' report, together with the report of the Auditor General, or such other auditor as aforesaid, be laid before both Houses of Parliament, as required by Section 41 of the Agricultural Bank Act, 1906.

4. ADMINISTRATION.

(i.) That suitable premises be obtained at the earliest possible time for carrying on therein the business of the Bank. The premises occupied at the present time are a discredit to the State.

(ii.) Stricter control must be kept over the staff.

(iii.) That prompt attention be given to communications from the Bank's clients, by responding expeditiously to same.

(iv.) The full officers are now controlled by the local branch managers. The appointment of a chief
inspector to devote his time towards branch affairs, including the supervision of field officials, is highly desirable.

(v.) That as the number of field officials is in excess of requirements, a re-arrangement of areas and duties would allow of a material reduction in the personnel of this department of the Bank.

(vi.) That an inspecting officer be appointed to supervise the internal affairs and accounts of the branches of the Bank.

(vii.) Local branch managers should be trained to both outside and inside work of the branch; if not, officials should be appointed as branch managers, capable of carrying out these duties.

(viii.) Stricter control must be exercised over Bank's cash and documents of importance at branches.

(ix.) The Bank should enforce payment by mortgagees, in case of abandonment or repossession, of the moneys due to the Bank under its mortgages, whenever possible. In the past no steps have been taken to enforce this right. The result has been that in the above-mentioned class of property, and in blocks directly selected from the Crown.

(x) In future, the Board, before advancing, should exercise the discretion vested in them, both as to the applicant for advances and the land on which the money is to be expended.

(xi.) The staff of the Bank should be re-organised, and the cost of administration reduced.

(xii.) The staff of the Bank, appointed by the Bank Board, should not come within the provisions of the Public Service Act, 1904.

(xiii.) That when accounts are closed by moneys borrowed outside the Bank, the name of the institution or individual advancing the money and the amount so advanced be recorded in a register, to be kept at the branch concerned.

(xiv.) That the bills of sale or liens taken by the Bank over live stock be drawn up to include all present and future live stock, and also progeny and wool of sheep on the relative farms.

(xv.) That all matters of importance which transpire at interviews between field officers and the Bank's clients be recorded in the field officer's diary, and the information submitted as early as practicable to the local branch manager.

5.—FUTURE POLICY OF THE BANK.

(i.) Consolidation of securities.

(ii.) Liquidation of securities.

(iii.) Adjustment or conditioning of debts.

(iv.) Discontinuance of advances.

(i.) Consolidation of Securities.

(a) Increased powers for seizure and sale will be required.

(b) The Bank should be relieved from providing seasonal credit to its clients, and a separate body created for making such provision. (See Part IX. of this Report.)

(c) The inefficient farmers should be eliminated.

(d) Good settlers on lands which are of no value for wheat growing or grazing should be transferred to reverted properties, and the sole liability of each settler so transferred should be the amount fixed by the Bank at which such reverted property is taken over.

(e) Unproductive wheat lands capable of being converted into grazing farms should be so converted.

(f) A carefully formulated plan should be framed for change over to grazing farms.

(ii.) Liquidation of Securities.

Sale and/or leasing abandoned and/or repossessed properties, including stock and plant:

(a) The Bank Board should be granted powers to sell or otherwise dispose of such properties for such prices upon such terms, and in such manner as they in their absolute discretion deem proper.

(b) That more active methods of realising on or leasing of these properties be established, and more encouragement given and facilities afforded to prospective purchasers or lessees, to inspect the farms, with a view to buying or leasing same.

(c) That the Bank Board be empowered to expend money on this class of property, to put same in a salable condition.

(d) The Bank Board be empowered from time to time to fix a reserve price for the sale of these properties.

(e) That selling agents be supplied with particulars of properties for sale, and usual commission paid to agent if sale is affected.

(f) That a complete list of properties for sale, containing particulars of improvements, short classification of land, price, and distance from railway, be kept at Lands Department, Perth, head office of Bank, and district offices.

(g) An Assets Realisation Department of the Bank should be formed.

(h) A close co-ordination should be observed between the Lands Department and the Bank for the purpose of realisation.

(iii.) Adjustment or Conditioning of Debts.

In many of the Bank's securities, accrued interest must be written off, and the principal moneys written down or conditioned. Your Commissioners have, in Part X. of their Report, fully dealt with these matters. This phase of relief to the settler is intimately connected with the adjustment or conditioning of the debts of the settler outside the Bank, and the provision of seasonal credit.

(iv.) Discontinuance of Advances.

This is a corollary to a policy of consolidation and liquidation, as, if the Bank is to carry out this policy, it should cease making advances for future land development. The Board will, however, have to advance for the following purposes:

(a) Continuing and concluding any business already undertaken.

(b) Swing over to sheep and oats.

(c) Cropping requisites, unless the plan suggested by your Commissioners in Part X. of their Report is adopted.
6. CONSOLIDATION OF ACCOUNTS.

(i.) That all accounts in the books of the Bank, of any individual client, be amalgamated, and a uniform rate of interest be charged in respect of same. This should reduce the volume of work, quantity of books and stationery, and allow of the Bank's clients obtaining comprehensive statements of their accounts with the Bank.

(ii.) That the system followed by the Associated Banks in calculating interest be introduced.

7. ROAD BOARDS.

Your Commissioners cannot make any recommendations. The non-payment of rates by Agricultural Bank clients is a matter of importance to the relative Road Boards. The Boards say that the Agricultural Bank should pay the rates of its clients in the same manner as the Associated Banks provide money for the payment of rates of their clients. The Agricultural Bank is the State. The State finds money for special monetary grants to Road Boards throughout the State. The State also finds money to give employment to unemployed who do work on roads throughout the State, and also, at times, form and make feeder roads.

If the State is now asked to find the money to pay the rates due by Agricultural Bank clients, the Government would probably be justified in refusing further monetary assistance to the Boards.

The Boards are really quasi governmental instrumentalities, and some scheme should be evolved by the Department controlling the Road Boards and the Bank, for meeting the present difficulty.

The Boards complain, and your Commissioners think justly, that when grazing and cropping leases over reverted properties are granted by the Bank, the Bank does not make provision for the payment of rates on the leased property. This matter should be dealt with by the new management.

8. VERMIN DESTRUCTION AND NOXIOUS WEEDS.

(i.) Rabbit Destruction.

(ii.) Noxious Weeds.

(i.) Rabbit Destruction.

This is a serious problem and should be dealt with by the Government Department controlling the Vermin Boards, in conjunction with the Bank and the local Vermin Boards.

The rabbit invasion is of such State-wide importance that your Commissioners suggest the consideration by the Government of the establishment of a central fund for the purpose of granting financial assistance to the local authorities, and providing a staff for organising and supervising the work of such local authorities.

At present the State Vermin Tax does not provide any money for rabbit destruction.

There is no doubt reverted properties of the Bank are not effectually dealt with.

(ii.) Noxious Weeds.

The Bank, Department of Agriculture, Primary Producers' Association, and Wheatgrowers' Union should co-ordinate, and frame for the Government a plan for the effective control of noxious weeds.

Your Commissioners think that the manner in which the wild turnip and dourleege have been allowed to spread, and are still spreading, through the State is a grave scandal. If this occurs in the case of these pests, the control of weeds and plants of a less obnoxious character must be non-existent.

GENERAL MATTERS.

9. The properties of clients of the Bank carrying on operations outside a radius of twenty miles should be converted into grazing farms where possible, and, if suitable clients should be granted the right to hold such an area of cultivable land as would enable them to run a flock of five to six hundred sheep.

It may be advisable to transfer some of the clients who do not wish to remain on their present holdings, if they are suitable clients, to reverted properties within economic working distance of a railway.

10. All necessary powers should be granted to the Bank Board and/or the Minister for Lands for amalgamating holdings in such parts of the South-West Division of the State as they may think fit, and which are under mortgage to the Bank, in order that grazing areas having a maximum of 5,000 acres may be held of agricultural lands.

11. In lieu of submitting any reverted property for sale, the Bank should be entitled to subdivide such, and sell for such price and on such terms as the Bank Board may think fit, portions thereof to adjoining owners.

12. If Parliament is desirous of finding finance for seasonal credit to necessitous farmers, other than the Agricultural Bank clients, and providing for the adjustment or conditioning of their debts, legislation should be enacted on the lines of the South Australian Farmers' Assistance Act of 1933.

13. All civil service rights to be preserved to any official of the Bank whose services are needed by the Bank Board, in the same manner as is provided under paragraphs 21 to 24 of the schedule to the New South Wales Farmers' Relief Act, 1933, with all consequent and necessary alterations.

14. The employees of the Bank should not be under the control of the Public Service Commissioner, and should not be deemed to fall within the Public Service Act of 1904.

POWERS OF THE AGRICULTURAL BANK BOARD.

15. It is necessary that the Board be granted additional powers to deal with its securities in a more efficient manner than it has been able to do in the past. Ultimate dealing with wheat, boycotting, theft of Bank's assets, immediately a property is abandoned, have become too common in the State.

Increased power should be given to the Bank Board to deal with these evils.

Further and additional powers will be required by the Bank Board if the recommendations of your Commissioners are to be given effect to.

Your Commissioners therefore recommend that (inter alia) the following powers be given the Bank...
10. That the Land Act, 1933, and the legislation affecting the Agricultural Bank, Soldiers' Settlement Scheme, Industries Assistance Board, Group Settlement Scheme, and all Departments controlled by the Agricultural Bank and the Finance and Development Act, 1930, be consolidated, amended, and/or repealed to provide for these recommendations.

11. All the assets of the Agricultural Bank, Soldiers' Settlement Scheme, Industries Assistance Board, Group Settlement Scheme, Finance and Development Board, and special settlements, which are not at the present time vested in the Bank shall be so vested, and the Bank shall take over all the liabilities of those institutions, subject to such relief from same as may from time to time be arranged between the Treasury and the Bank, and subject to existing guarantees.

CONCLUSION.

For the purpose of completing the Report now submitted, considerable research and investigation was found necessary.

Your Commissioners, however, have embodied in their Report only those matters which they consider are of direct importance to support their findings and recommendations.

An amount of additional information of a valuable nature, although not referred to in the Report, has been recorded and filed; such information, it is thought, will be of great value to the new Management.

The personal contact established between the Bank and its clients, by reason of the Commission's travelling so extensively through the South-West Division of the State, and hearing the evidence of so many representative clients of the Bank and of the Primary
Producers’ Association and Wheatgrowers’ Union, and recording their grievances, will work for good in the future, not only between the Bank and its clients, but also between the farming community and the State.

HARRY HALE,
Chairman.

C. DIAMOND.

R. W. BROWNLIE,
Secretary.

Dated at Perth this 25th day of May, 1934.

Signed, subject to the following additional Report and reservations, in regard to the following:

A. Estimate of future losses in respect to the Agricultural Bank and its allied Institutions, referred to in Part VI. of this Report; also in “Findings.”

B. “Debt Adjustment,” Part X.

A.—ESTIMATED FUTURE LOSSES OF THE AGRICULTURAL BANK AND ITS ALLIED INSTITUTIONS.

Future heavy losses are inevitable, but, not having a reliable basis upon which to estimate these losses, I cannot agree with the findings of my fellow Commissioners in respect thereto.

The following points must be taken into consideration before an estimate of any value can be given:

1. The future price of wheat consistent with the cost of production. With wheat at its present price, 2s. per bushel, one hesitates to estimate the loss.

2. The effect of converting unprofitable wheat-producing farms into stock-raising propositions, for which they are best suited, that they may eventually become good securitie.

3. The elimination of those settlers who have not the will and/or the capacity to make good, and the transfer of such securitie to practical farmers.

4. The amount of capital immediately to be made available for the rehabilitation of farmers in respect to the replacement of machinery, water conservation, and necessary fencing in order to carry stock.

Your Commissioners’ recommendations to the future management embody or imply the four points raised.

If we reflect for a moment upon the effect the recovery of wool prices had upon the pastoral industry, we are bound to admit that a recovery of wheat prices would have the same effect in respect to future losses on wheat farm securitie. Consequently, I find it impossible to make any estimate of losses that would be of any real value for the future guidance of the management.

In giving thought to the losses already written off and still to be written off by the above Institutions, whether viewed as a Commercial Institution or as a State Instrumentality, the great and quite unnecessary losses that would have been avoided if strict attention had been given to collections during the period of high prices and good seasons, due recognition must also be given to the following facts, already referred to in your Commissioners’ Reports:

1. The Agricultural Bank pioneered the wheat belts of Western Australia, both in respect to land and to men. No other Institution could dare take the risk. Heavy losses were inevitable.

2. As a result, wheat production increased from a stage of importing flour in 1908, to a wheat production of 53,504,000 bushels in 1930-31.

3. The returns of the wool clip in the south-western division of Western Australia equal the northern division of the State.

4. As the Goldfields went down in 1908-9, the wheat lands were able to absorb many of the miners. Thus, by the increased export of wheat and wool, this State was able to maintain a correct trade balance.

5. Attention is also drawn to Part II. of the General Report from which is taken the following figures in order to convey what this development meant to both the commercial and financial Institutions of this State:

**Improvements Effectcd by the Agricultural Bank:**

| Area cleared | 4,014,488 acres |
| Area cultivating | 433,310 acres |
| Ringbarking, etc. | 2,437,777 acres |
| Fencing | 3,708,361 chains |

The Agricultural Bank’s constitution did not permit of the control of the wealth produced as a result of this development. Consequently, the business drifted through other channels; hence the Agricultural Bank, to meet administration costs and other commitments, had to rely mainly upon the difference between the rate of interest paid for its capital and the rate charged to its clients.

**Group Settlement Act, Section 8.**

In the year 1930, the Trustees of the Agricultural Bank were given control of Group Settlement under this Section of the Act, with a capital indebtedness of £2,211,714. This was not a creature of its own making, but an ill-conceived scheme transferred to its management from the Department of Lands, Section 5, after an amount of £4,895,653 had been written off. Therefore, it must be distinctly understood when considering the past and future losses of the Agricultural Bank and Allied Institutions the amount written off, plus interest thereon, must not be taken into account.

The available information as a guide to future losses is given as at the 30/9/33, and requires no comment:

- £ Annual interest due by Group Settlers: 140,035
- £ Amount interest collected: 9,116
- £ Cost of administration: 16,000
- £ plus annual interest due on capital advanced.
**Actual Losses written off as at 30th June, 1933.**

<table>
<thead>
<tr>
<th></th>
<th>£</th>
<th>£</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agricultural Bank, Principal and Interest</td>
<td>277,729</td>
<td>48,325</td>
</tr>
<tr>
<td>Group Settlement (Section 8)</td>
<td>9,405</td>
<td></td>
</tr>
<tr>
<td>Soldier Settlement, Principal and Interest</td>
<td>888,572</td>
<td>48,325</td>
</tr>
<tr>
<td>Less Recovered from Commonwealth Government</td>
<td>839,947</td>
<td></td>
</tr>
<tr>
<td>Industries Assistance Board—Principal and Interest</td>
<td>748,473</td>
<td>48,325</td>
</tr>
<tr>
<td>Less Recovered from Commonwealth Government</td>
<td>132,974</td>
<td></td>
</tr>
<tr>
<td>Total actual loss to 30-6-33</td>
<td>833,047</td>
<td></td>
</tr>
</tbody>
</table>

The Trustees must accept responsibility for much of this, and subsequent losses, particularly in respect to accrued interest as referred to elsewhere in the principal Report. This has assisted in the development of a standard of business morality that threatens to undermine our social structure, viz., "the utter disregard of an obligation to honour just debts."

In addition to the above, another great factor contributing to future losses is the high prices ruling for wheat prior to 1929, encouraging the development of areas not now economical for the production of wheat. It will require a return to the pre-depression prices to avoid heavy losses.

How are these losses to be faced?

**B.—DEBT ADJUSTMENT.**

This introduces the question of debt adjustment. The only basis upon which any true adjustment can be determined, particularly in respect to wheat farmers, is that a profitable price can be obtained for the goods produced.

If the whole of the wheat farmers’ indebtedness were written off, and wheat prices were to remain at the present value, 8s. per bushel at country sidings, future credit for seasonal requirements would be extremely limited, as very few farmers could give the necessary assurance to obtain same.

Any Board constituted to provide seasonal credit under existing prices must surely develop into a repetition of the Industries Assistance Board.

It is only on the assumption that our Australian Parliaments appreciate the importance of our primary industries, and make finance available to rehabilitate the industry, and legislate to guarantee growers a price of, say, 3s. per bushel f.o.r., can any debt adjustment scheme be of any great assistance to farmers. Even at that price there will be no room in the industry for those wheat farmers who cannot produce an average of 15 bushels per acre.

The industry has been supported by houses for the past three years. The further disturbing influence of suggested limitations of both area to be cropped and of export will not improve the means of producers meeting their liabilities.

Every mortgagee creditor (secured and unsecured), whether State or otherwise, should face the position squarely, in order that both the farmer and the creditor should know exactly where they stand.

To make the position clear, the following observations are made:

**A National Policy.**

Consideration must be given to the fact that Australia, and Western Australia in particular, is essentially a primary producing country. Governments of all shades of political opinion, in consequence, have adopted a progressive land settlement policy. With extremely liberal land laws, and, further, the establishment of an Agricultural Bank in order to pioneer the wheat belt, the breeding of early maturing varieties of wheat at the various experimental farms by the Department of Agriculture, demonstrating to the farmer what can possibly be accomplished by adopting correct farming methods, encouraging farmers to extend out into the drier areas, millions of the taxpayers’ money have been advanced to develop holdings with a capitalisation required for wheat production, and unfortunately in many cases greatly exceeding the capacity of the land to carry such indebtedness. Other financial institutions have followed in the wake, naturally picking the most successful of the farmers, in addition to going in with both eyes open as to the quality of the soil, and, it must be said, rendering a most valuable assistance to the further development of the country.

Merchants, too, of every conceivable description built up complete country organisations, prices for wheat were high, farmers were encouraged to accept unlimited credit, "his ultimate downfall"—machinery with no deposit down, and in some instances freight paid. The unsecured country storekeeper, too, gave after-harvest terms, and perhaps stands to-day as the heaviest loser.

It was big business. It is estimated that farmers’ debts in all are in the vicinity of £34,000,000 in Western Australia.

Every person and institution gambled on the maintenance of the high price, or at least a price commensurate with the cost of production, plus a reasonable living for the persons engaged in the industry.

Many other points could be advanced, but suffice it to say that the present heavy burden of debt incurred was based on the productive capacity of the land, consistent with the high wheat prices.

The wheat market has collapsed; many farmers find they have little, if any, equity in their properties. For four years they have battled in hope of better times ahead, and definitely find it impossible to continue under present conditions.

The bankers, the merchants, and the storekeepers were as much in this business as the farmer. Should they not compromise with the man who did the work, whilst they gambled on the annual returns from his property?

The Farmers’ Disabilities Commission in 1931, after taking evidence from farmers other than Agricultural Bank clients, realised the hopelessness of the farmers’ position, and held out the “olive branch” to the mortgagees, auditors, secured and unsecured, to come together, accept the inevitable, and voluntarily agree to an equitable adjustment of farmers’ debts.

“A policy that merely aims at keeping the farmer on the land cannot be pursued indefinitely.”
Interest on interest accumulating, the farmer slowly but surely observes the result of his life's labour drifting from his grasp.

Your Commissioners can only make recommendations in respect of the Agricultural Bank and its allied institutions.

The State of South Australia has, perhaps, had greater experience than any other State in the matter of debt adjustment. The provisions of the Farmers' Assistance Act of 1933 should be invaluable, if it is desired to pass legislation for State-wide relief.

It is suggested to business men, in order to obviate the necessity of such legislation in this State, that they seriously consider the suggestion put forward by the Farmers' Disabilities Commission. Perhaps, it is there is no tribunal with statutory powers to deal with such matters?

The following recommendations are made:

1. That the State, through the Agricultural Bank, being the mortgagee of 50 per cent. of the wheat and sheep farms, pass legislation to give powers to the Bank Board to revolve their securities and to write off where necessary, and for this purpose to appoint assessors to make recommendations.

2. Inasmuch as other financial institutions hold second mortgages over 25 to 30 per cent. of the Agricultural Bank clients' securities, any adjustment of debts the Bank Board may deem necessary in respect to such properties shall be made only after an equitable understanding with second mortgagees and outside creditors has been arrived at in respect thereto.

3. For this purpose a Board be appointed under similar provisions of the South Australian Farmers' Assistance Act of 1933, or part thereof, as applicable to the conditions and requirements of Western Australia, to adjust or condition debts of outside creditors; such Board to consist of five—two representatives of the Government, as chairman; one representative of the creditors, and one representative of the farmers.

The Bank, as mortgagee, having adjusted the farmers' debts where necessary, the farmer could then make application to the Board appointed under this Act to have the debts of his outside creditors adjusted or conditioned.

It is reasonable to expect that outside and unsecured creditors would welcome the opportunity to recover part of their indebtedness, other than risk a total loss if the Bank went into possession, or the farmer went bankrupt.

Should mortgagees other than the Agricultural Bank appreciate the position, the same tribunal would be available, and a like procedure adopted in respect to their clients.

Then the farmer, having his debts adjusted to the capacity of his farm, and having obtained a certificate from the Board, with wheat at 3s. per bushel as suggested as a basis of any scheme, would experience no difficulty in obtaining the necessary seasonal credit; mortgagees would be concerned only about their own clients.

My many years' experience of farming, together with ten years of general business experience with a farming community, lead me to the belief that if you show the majority of farmers, decent men who have taken up farming as a vocation, that they have a chance some day of owning their home, they will make good.

After hearing a mass of evidence before the Commission, and viewing their financial positions, I have come to the definite conclusion that conditioning or adjustment of debts is imperative, and in many instances a heavy writing off is necessary. A superman could not possibly carry the indebtedness of some properties.

I am supported in my belief by the opinions of gentlemen who understand the position, who, by their fragility are independent men to-day, but appreciate the fact that the burden of taxation each succeeding year is falling upon fewer taxable shoulders. The elms must eventually come. Let us endeavour to spread the burden over the many by a process of building up, not breaking down.

It is accepted, of course, that any piece of legislation, or any voluntary effort for the rehabilitation of the farmer, or writing down of debts, is distinctly unfair to the frugal and more efficient farmer, who paid his way while prices were good, and deprived him of the luxury of such as many farmers in a reverse position did not, but ultimately, as pointed out in reference to taxation, he will profit by it.

I suggest that definitely prerequisite any scheme for the conditioning of debts, there must be a drastic stock-taking among the farmers themselves. The same applies to the farming industry as to every other walk in life; there are misfits, men who have missed their vocation. Keeping this particular type of man on the land is decidedly unfair to those stalwarts who have built up the reputation of our wheat areas, by growing bags to the acre, compared to bushels by those misfits.

No scheme can be a success unless those who have not the will nor the capacity to make good are eliminated.

In evidence given before the Commission, it was stated that many hundreds of farmers had never grown 9 bushels per acre, and quite a number under 6 bushels. This, of course, is an economic waste. The cause of this could be ascertained by the average yield over a period of years.

The following return from the Government Statistician's Office is interesting:

<table>
<thead>
<tr>
<th>Season 1930/31</th>
<th>162 farmers crop an area of 22,223 acres for an average under</th>
<th>3 bushels per acre</th>
</tr>
</thead>
<tbody>
<tr>
<td>633</td>
<td>117,946</td>
<td>3 to 6</td>
</tr>
<tr>
<td>1,043</td>
<td>431,677</td>
<td>6 to 9</td>
</tr>
<tr>
<td>2,989</td>
<td>848,247</td>
<td>9 to 12</td>
</tr>
</tbody>
</table>
Summed up, the position must be this:—

Either the farmer, the land, or the Bank's administration is wrong, or other losses have occurred over which the farmer had no control. After a final analysis of the true position is made, good farmers on poor properties should be transferred to properties on which they have a fighting chance of success. There should be no hesitation what to do with a person who has not the will to make good.

Having selected the farmers, the less you interfere with a good man the better; if he cannot make good himself, all the supervision possible will not make a farmer of him. The popular craze now is a swing over to sheep. It seems inconceivable at this stage in the history of farming in Western Australia that provisions for water, fencing, etc., have not been the policy of the powers that be, side by side with wheat farming. The one is so essential to the other.

Any change over must of necessity be a slow process, entailing as it does a considerable amount of finance. Many farmers have quite painful recollections of the swing over of recent years from tractor to horses. Financial institutions made moneys available for the purpose. The dealer knew exactly the position; as a result of the demand, horses jumped in price; geldings making as high as £57.

The same position would arise with sheep, and farmers may find themselves in the unhappy position of many of the Great Southern sheep men, carrying 30s. per head sheep right through the years of low prices of wool.

Another point not to be forgotten—to develop a property for wheat farming requires a much higher capitalisation than a sheep farm can carry. Consequently, again a write-down would be necessary.

If the principles as suggested are adopted, a different atmosphere would be created; farmers would be given a fresh start with the ambition of ownership.

It is important that the future credit of clients should be strictly controlled by the mortgagee to avoid past errors of the indiscriminate purchase of non-essentials.

S. B. DONOVAN.

Dated at Perth this 25th day of May, 1934.
Agricultural Bank Report

APPENDICES
The Manager was given powers of distress and/or sale if default was made in any half-yearly payment of principal or interest, or any part, and such default continued for 21 days. (Section 25.)

While any moneys remained due to the Bank the owner could not subdivide or lease without the consent of the Bank.

To default made and "no sale," then land must revert to the Crown. (Section 27.)

By Statute 3 of 1896, the Manager was empowered to take additional security for advance on real or leasehold property of an amount as might be tendered to him, including lands under special occupation lease, conditional purchase or pastorial lease from the Crown.

The advance was extended to three-quarters in lieu of half of the fair estimated value of the improvements, and the maximum advance was extended from £400 to £800.

The scope of the improvements was extended to include fencing, draining, wells of fresh water, reservoirs, buildings and any improvements which, in the opinion of the Manager of the Bank, increased the agricultural or pastoral capabilities of the land.

By an Act, number 25 (Victoria) of 1899, it was provided that any applicant for an advance should make a statutory declaration that he was the sole owner of the land, and no other person had an estate right, title, or interest therein.

It was also provided that the mortgagee should, during continuance of security, keep in good and tenantable repair all fences, fixtures and improvements thereon, and if, after the expiration of two months' written notice by the manager to such mortgagee, the mortgagee had not complied with such notice, the like consequence would ensue, as if the mortgagee had made default in payment of any half-yearly payment for principal and interest.

The amount of money to be obtained by mortgage bonds was raised from £100,000 to £200,000.

By an Act, number 12 of 1902, the scope of the Act was extended by giving the manager power, with the approval of the Governor, to make advances for the purpose of paying off liabilities already existing, to carry on farming and grazing, agricultural, horticultural or viticultural pursuits on the holdings, to add to the improvements on their holdings.

The advances should not exceed two-thirds of the fair estimate of the value of the land with improvements, and, if the mortgagee had made default in payment of any half-yearly payment, the mortgagee had not complied with such notice, the like consequence would ensue, as if the mortgagee had made default in payment of any half-yearly payment for principal and interest.

The amount of money to be obtained by mortgage bonds was increased from £100,000 to £200,000.

By an Act, number 11 of 1904, the amount to be raised was increased to £400,000.

The provisions of the 1902 Act for repayment commencing within one year was repealed, and this left the provision of the original Act as to five years remaining.

By an Act, number 49 of 1904, the amount which was authorised to be raised by mortgage bonds was increased to the sum of £500,000.
By an Act, number 8 of 1905, the amount which the Colonial Treasurer was authorized to raise by the issue of mortgage bonds was increased to the sum of £300,000.

By an Act, number 15 of 1906, the laws relating to the Agricultural Bank were consolidated and amended. The Act was to be administered by three Trustees to be appointed from time to time by the Governor. One of the Trustees should be appointed by the Governor, as Managing Trustee. The Manager of the Agricultural Bank in office at the commencement of the Act should, in lieu of such office, be deemed to have been appointed the Managing Trustee under the Act.

The Trustees to be a body corporate.

The Managing Trustee to hold office during the Governor's pleasure; each of the other Trustees should hold office for the term of two years.

The Managing Trustee should receive a salary not exceeding £1,000 per annum. Each of the other Trustees should be paid a fee not exceeding £2 5s. for each Board meeting he should attend, but no Trustee should receive more than £105 a year of such fees.

The Governor to appoint such officers as might be necessary for carrying on the holding, for the Trustee's use, and all liabilities should become the liabilities of the Trustees.

The funds necessary for carrying on the Bank should be raised by the issue of mortgage bonds, and any other moneys as might from time to time be appropriated by Parliament.

Power to make Regulations.—The above-mentioned Acts from which these matters have been extracted were by the present statute repealed.

The capital of the Bank was increased to £1,000,000, which should be raised by the issue from time to time of mortgage bonds to the amount of £1,000,000, to include the amounts raised under the authority of the Act.

By an Act, number 12 of 1907, the capital of the Bank was increased from £1,000,000 to £1,500,000.

By an Act, number 50 of 1908, the remuneration of the Trustees, other than the Managing Trustee, was increased to £3 8s. a sitting, not to exceed 150 guineas a year. The capital of the Bank was increased from £1,500,000 to £2,500,000.

The scope for advance was extended, and it was provided that the Trustees might make advances on the prescribed security for:

(a) ringbarking, clearing, fencing, draining or water conservation,
(b) discharging any mortgage already existing on any holding,
(c) purchase of stock for breeding purposes,
(d) the purchase of agricultural machinery manufactured in Western Australia.

The amounts for advances under (a) were extended to £400 to the full value of improvements, further advances up to £500 to one-half the value of additional improvements.

Advances under paragraph (b) to excess three-quarters of the value of the improvements already made on the holding.

Advances under paragraphs (c) and (d) not to exceed £100.

By an Act, number 12 of 1912, the capital was extended to £3,000,000.

The Sections 28 and 29 of the principal Act were repealed, and a section inserted in lieu thereof that advances may be made of an amount not exceeding £2,000, and such advances may be made in any industry that the Governor might by proclamation declare to be a rural industry, for any purpose incidental to and in aid of such industries, pursuits, or industry, including the erection of dwelling houses. Any advance effecting improvements on the borrower's land to be made by progressive payments, the Trustee having power to have future instalments if other advances were not bona fide used.

By an Act, number 64 (Victoria) of 1912, the capital of the Bank was increased to £5,500,000, to include the amount which the capital of the Bank might be increased with interest to be repaid by half-yearly instalments in such period, not exceeding twenty-five years, as the Trustees might in their discretion think fit.

It was provided that Section 21 of the principal Act should only apply to income arising from the investment of funds raised by the issue of mortgage bonds.

That all moneys appropriated by Parliament to the purposes of the principal Act should be placed to the credit of a fund distinct from that into which moneys raised by the issue of mortgage bonds were paid, and all securities for advances made by the Bank should be held in trust from which fund the money advanced has been drawn.

Interest and contributions at a rate to be prescribed by the Colonial Treasurer to the sinking fund for the redemption of moneys appropriated by Parliament to the purposes of the principal Act shall be detained by the Bank out of principal and interest paid by the mortgagees to whom advances had been made out of money so appropriated.

Notwithstanding anything contained in Section 21 of the principal Act, a part of each year's expenses of the maintenance and administration of the Bank should be paid out of income of the Bank, derived during the
year from advances made out of moneys appropriated by Parliament to the purpose of the principal Act, and that such part should be applied to the total of the year's expenses as the total of such advances outstanding at the end of such year bear to the total then outstanding of all the advances made by the Bank.

It further provided that inscribed stock or debentures could be issued to replace mortgage bonds, and that an exchange being effected under this statute, the amount to be carried to the credit of the redemption account under Section 21 of the principal Act should be a part of the moneys required by such section to be applied to the purpose, duly apportioned to the balance of the mortgage bonds outstanding after such exchange.

Interest and contributions at a rate to be prescribed by the Colonial Treasurer to a sinking fund for the redemption of such inscribed stock or debentures should be paid by the Bank to the Colonial Treasurer half-yearly, and applied by the Colonial Treasurer to a recomp Consolidated Revenue Fund in respect of such interest and contributions.

By an Act, number 22 of 1913, the capital was increased to £4,600,000.

By an Act, number 12 of 1914, the capital was increased to £6,000,000.

By an Act, number 15 of 1917, additional powers were given to the Bank as mortgagees, also powers to lease. There was a provision in this Act that if the mortgage land is subject to a mortgage registered in priority to the Bank's security, such lease should not be binding to the prior mortgagee without the mortgagee's consent, but no power can be found for the Bank to advance moneys on lands over which there is a prior encumbrance.

It was provided that the rate of interest should be increased from time to time, but should not exceed more than one per centum the rate of interest payable for the time being on the funds raised by the Bank, and it was further provided that the Bank might reduce the rate of interest reserved by the mortgagee.

It was also provided that advances might be made by the Bank under and subject to regulations, and the furtherness of any scheme approved by the Governor for the settlement on the land of returned soldiers and their dependants.

By an Act, number 3 of 1922, the Bank might expend up to £10,000 for premises.

The Bank might also, if the Trustees thought fit, apply its funds to the improvement of land for the purpose of Group Settlement, prior to selection.

By an Act, number 30 of 1929, the time in which repayments should commence were extended to ten years from five years, and the term of repayment was determined from 25 years to 20 years, and it was further provided that after the expiration of the 10 years each half-yearly instalment should consist partly of principal and partly of interest, apportioned as prescribed by regulations, by half-yearly instalments of principal commencing at 2s. 6d. per hundred pounds, and increasing half-yearly by 2s. 6d. per hundred pounds, the interest being proportionately reduced.

The Trustees had power to apply this system to all mortgages and charges existing at the commencement of the new-acting Act.

The amount to be advanced to discharged soldiers to be £3,500.

Interest was to be charged on arrears of interest and default.

By an Act, number 5 of 1926, the sum of £1,000 mentioned in 9 and 18 of the 1906 Act was extended to £2,000, and the sum of £100, mentioned in Subsection 2, was extended to £200.

By an Act, number 23 of 1928, the capital of the Bank was increased to £5,500,000.

By an Act, number 24 (Victoria) of 1929, it was provided that the Bank should have power to extend the time for payment of instalments of principal or interest which might have become, or might hereafter become, due and payable, and to refund to any mortgagee the whole or any part of any such instalment as aforesaid which might have been paid either before or after the commencement of the Act, but subject to repayment of any instalment refunded at such future date as might be required by the Bank.

The mortgagor to repay to the Bank all moneys held over in arrear or refunded, together with interest thereon, and that such moneys should remain a charge on the mortgaged property.

The remuneration of the Trustees was increased to £5 10s.

The amount to be expended on buildings to be increased from £10,000 to £15,000.

By an Act, number 15 of 1920, the word 'Four' in Section 17 of the principal Act, to be eliminated, and the word 'Six' inserted in lieu thereof.

Powers were given to the Trustees to maintain reposed properties, to expend moneys thereon, and such moneys should be a charge on the Bank, and that provisions should apply where possession had been taken, either before or after the passing of this Act.

Powers was given to the Trustees to give terms for payment of purchase money.

A new section, 37A, was inserted, giving the Bank a statutory lien over all crops, sow and to be sown, for any moneys advanced for following, fertilisers, insurance on crops or bags, and for one year's interest; this lien to be a first charge in priority to all other encumbrances. The same lien was given to any person who should supply fertilisers and bags on credit at the written request of the Bank.

Any charge in favour of the Bank should rank after any similar charge in favour of the Industries Assistance Board, and that any charge in favour of the Bank or any other person should be without prejudice to any other security to which the Bank might be entitled.

FINANCE AND DEVELOPMENT ACT.

By an Act, number 47 of 1930, a Board known as The Finance and Development Board was established.

The Board should consist of the Managing Trustee of the Agricultural Bank who should be Chairman, The Under Treasurer for the time being in the State, and a third member who should be appointed by the Governor.

Any member of the Board, not of the Public Service, should receive a fee not exceeding £5 5s. for each Board meeting he should attend, but the maximum yearly fee may be £500.

The following funds (which should include for the time being representing the investments of such funds) were vested in and should be deemed to be transferred to the Board, that is to say—

(a) All funds which are or should come under the control of the Bank and are or should be available for the purpose of making advances under the Agricultural Bank Act, 1906, or any other Act.

(b) All funds which are or should be under the control of the Discharged Soldiers' Land Settlement Board, and are or should be available for the purpose of making advances or acquiring properties under the Discharged Soldiers' Settlement Act, 1918.

(c) All funds which are or should come under the control of the Industries Assistance Board, and are or should be available for the purpose of making advances under the Industries Assistance Act, 1913.

It was further provided that in so far as any of the said funds were repaid by securities held by the Bank, the Returned Soldiers' Land Settlement Board or the Industries Assistance Board respectively and were still subsisting, such securities should be paid and were thereby declared to be so held in trust for and on behalf of the Board constituted under the new-acting Act, and the rights of the security holder thereunder as and when they become enforceable should be enforced in accordance with and under the direction of the said Board.

The Board might, with the approval of the Governor, be empowered to borrow moneys for the purpose of making advances to the Bank as therein provided. The money borrowed might be in the form of debentures or in any other form of loan or charge, and should be charged on income, assets and other property of the Board. Debentures should be in the prescribed form.

The Treasurer was to approve of the form and particulars of any loan raised, and the rate of interest.
The Board to appropriate each half-year out of the funds of the Board a sum equal to the interest due on such debentures.

The Board should, on every half-year after the issue of debentures, cause the sum not less than 10s. per centum of the principal amount invested in the name of the Board, and to accumulate at compound interest for the reduction of such debentures.

Debentures might be purchased instead of contributing to a sinking fund, accumulated sinking fund to be applied in payment of the loan.

The funds of the Board should be deemed to include any money on its disposal by the Treasury for the purpose of the Act, the payment of all moneys due by the Board to be guaranteed by the State.

A register of Debentures to be kept.

The Board might subject to the Act, out of the funds under its control, place at the disposal of the Bank such moneys as the Board might consider that it was advisable for the Bank to advance to any persons, and for any purposes, for whom and for which such Bank or the Industrial Assistance Board or the Discharged Soldiers' Settlement Board, is authorised to make advances under this or any other Act, or to whom and for which the Treasurer is authorised to make advances under Part III. of the Industries Assistance Act, 1915.

And the Bank should, out of the moneys supplied by the Board, make advances as the Industries Assistance Board might have made loans; the provisions of the Industries Assistance Act, 1915, shall, so far as the Trustees shall decide, apply and have effect to and in respect of such person, as if the Bank had been and were the Industrial Assistance Board, with all relative rights, powers and authorities.

Notwithstanding anything contained in the Agricultural Bank Act, 1908, Industries Assistance Act, 1915, Soldiers' Settlement Act, 1918, or the Group Settlement Act, 1925, all moneys received by the Bank in payment of interest or in repayment of principal or in respect of advances made by the Bank out of moneys placed at the disposal of the Bank under the preceding provisions of this Act, shall be applied in payment to the Bank of a percentage for administrative purposes as prescribed by the Board, and subject thereto, shall be paid to the Board or as the Board shall direct.

Provided that in so far as any of the funds vested in the Board under Section 39 of the now-reciting Act, and any moneys placed at the disposal of the Board by the Treasury under this Act, consist of loan moneys raised by this State under and subject to the provisions of the Financial Agreement Act of 1928, the Board shall be liable to pay to the State out of the moneys from time to time in the hands of the Board the amount of all Simple Interest Fund contributions payable by the State in respect of such loan moneys, and which shall be paid by the State under and in accordance with the said Act.

By an Act, number 18 of 1831, Section 14 of the last-recited Act was repealed and it was provided that money borrowed by the Board might be raised by Inscribed Stock or Debentures, or partly in one way and partly in the other. The necessary provisions are contained in this Act, relative to Inscribed Stock. Relative provisions were inserted in the now-reciting Act complementing the provisions in the last-recited Act, so as to include Inscribed Stock.

Powers were given to the Board to agree with any Bank in London for inscription, management, etc., of Inscribed Stock.

Powers was also given to the Board to convert loans.

DISCHARGED SOLDIERS' SETTLEMENT ACT.

The Act was incorporated with the Land Act of 1808 and the Agricultural Lands Purchase Act of 1899, and the provisions thereof should, subject to this Act, apply to and in respect to the lands set apart under this Act, both before and after such lands are allotted under this Act.

Definitions are given of "Board," "Dependant," and "Discharged Soldier."

The Act should apply to discharged soldiers and dependents.

The Act should be under the control of the Minister and be administered by a Board, to be called the "Discharged Soldiers' Land Settlement Board."

The Board should consist of four members appointed by the Governor, one of whom should be a discharged soldier, and another a person not an officer in the Public Service of the State.

Various clauses for the administration of the Board are given, and advances made to applicants under the Act.

The Board might delegate its powers.

The Governor might appoint from time to time inspectors, valuers and Harley's necessary for the effective execution of the Act.

The Minister might, with the approval of the Governor, set apart any area of Crown lands for discharged soldiers exclusively.

Special tenures were devised for the holding of land by discharged soldiers, and the Minister might allow payment of instalments in the price of land, including the value of improvements, in common at any time not later than five years from the commencement of the conditional purchase lease, and the term thereof might be proportionately extended.

The Governor had power to resume lands to enable the land so raised to be disposed of to discharged soldiers for agricultural, grazing, or pastoral purposes.

The price of land as fixed under the provisions of the Land Act, 1899, exclusive of any claims made for improvements, if any, and certain fees of Crown lands acquired by discharged soldiers under this Act, or before the commencement of this Act, should be reduced by one-half, and if the discharged soldier prior to his enlistment was the holder of a conditional purchase lease, he should not as from the date of such enlistment be required to pay more than one-half of the balance of the purchase money payable in respect of his holding, and one-half of the amount of the instalments of purchase money paid by him prior to his enlistment, and one-half of any prior payments might be applied towards the payment of such balance of the purchase money.

The payment of rent of a pastoral lease granted to a discharged soldier might for the first five years of the term be remitted, the area to be limited to 1,000 acres.

The Board might prepare lands for settlement by discharged soldiers.

The amount of the costs incurred by the Board shall be charged to the selector, and in the discretion of the Board be repaid by the selector, in one sum or in not more than 50 equal half-yearly instalments with interest thereon at the prescribed rate, provided that the Board might, with the approval of the Minister, subject to the payment of interest, postpone the instalments of the principal for not exceeding five years.

The amount of the costs incurred by the Board under the before-mentioned section might be added to the value of the allotment, or converted into an advance and repaid by 50 equal half-yearly instalments.

Assistance might be given by the Board to clear, erect buildings, purchase implements and live-stock.

The Agricultural Bank might, on the recommendation of the Board, and for the purposes aforesaid, advance to a returned soldier to whom land has been disposed of under this Act.

The rate of interest per annum for such advances to an amount not exceeding £300 shall not exceed 5% per centum for the first year, 4% per centum for the second year, and the rate increasing by not more than ½% per centum for each subsequent year until the rate reaches the ordinary current rate of interest of the said Bank for the time being, provided the difference between such rates of interest and the current Bank rate of interest should be paid to the Agricultural Bank out of moneys appropriated to the purpose of this Act.
All moneys advanced by the Board or the Agricultural Bank under the provisions of this Act, with interest thereon, should, until repaid, be and remain a charge on the land, crops, and chattels of a discharged soldier to whom such advances were made. Such land, crops, and chattels should not, without the consent of the Board or the Bank, be alienated, except in exercise of the powers of the Board or the Bank, or be subject to be attached, levied or restrained upon, or taken in execution.

The Bills of Sale Act, 1896, should not be applied to the crops and chattels of a discharged soldier.

If moneys has not been properly used, the Trustees of the Bank might stop advancing, and might refuse all further advances and require payment forthwith, and on default the Bank might enforcing its security, the consent of the Board to be first obtained.

Crown lands might be set apart as a settlement for group and discharged soldiers. All necessary provisions for the carrying out of group settlement are contained in Section 19 of this Act.

The Minister might, on the recommendation of the Board, purchase any alienated land, including land held under pastoral lease, which a discharged soldier holding the qualification certificate might desire to acquire, and the land so purchased might be disposed of under and subject to the provisions of this Act.

A discharged soldier could not transfer, assign, lease or encumber, except with the consent of the Minister, on the recommendation of the Board. This consent should not for a period of five years from the date of commencement of title to the holding be given to a transfer, assignment, etc., to any person who is not a discharged soldier, unless it were proved to the satisfaction of the Board that there is no discharged soldier willing to acquire the holding, and capable of working it.

The improvements on land purchased by the Board under the Agricultural Lands Purchase Act, 1896, by Section 22 of the now-extending Act might be valued separately from the land purchased and might be subject to advances under this Act, and for the purpose of such advances, should be deemed to have been effected by the discharged soldier to whom the land is disposed of, and the Governor might extend the provisions of this Act to advances made before the commencement of this Act, and the furtherance of any scheme for the settlement of discharged soldiers on the land.

The financial provisions provided that the moneys required for the purpose of this Act should be paid out of moneys appropriated by Parliament to the purposes of the Act.

The Governor might, under and subject to the general loan and Inscribed Stock Act of 1910, raise such moneys not exceeding in the aggregate £50,000 as might be required for the purposes of this Act.

Advances by the Agricultural Bank might be made out of moneys appropriated by Parliament for the purpose of the Agricultural Bank Act, 1896.

Moneys to be appropriated under this section should include such moneys as were provided by the Commonwealth for the purposes of this Act.

The Governor had power to make regulations.

The Minister, within two months after the end of each financial year, report the aggregate areas of land set apart under the Act, number of applications received, and the number of blocks allotted, the amounts expended in preparing allotments for settlement, and in advancing discharged soldiers under the Act. Such other particulars as might be prescribed, and the report, should be laid before Parliament within thirty days after receipt thereof by the Minister.

This Act was amended by Act 45 (Victorian) of 1919, and the definitions of discharged soldier and dependant were extended.

Section 11 of the original Act which provided that the moneys should not apply to land acquired by the Crown under the Agricultural Lands Purchase Act, 1896, or otherwise settled, should be amended by the addition of the following words:—"But shall extend to conditional purchase holdings purchased for or acquired by a discharged soldier under Section 22 of the original Act, in respect of the balance of the price of the land payable to the Department of Lands after the date of such purchase or acquisition." And it was further provided that the section should extend to and apply to a conditional purchase lease acquired by a dependant as the next-of-kin of such discharged person as the Department of Lands of the date of the discharge of the deceased person within the meaning of those words, and the interpretation of the word dependant.

The provisions relating to the acquisition of pastoral areas by a discharged soldier was extended to a pastoral lease acquired by a discharged soldier.

By Section 16 of the original Act, the rate of interest on the sum of £500 was reduced to 3½ per cent, etc. This sum of £500 was amended by the now-extending Act to £625.

Section 16 of the original Act which provided for security for advances was repealed, and it was thereby provided that the moneys advanced by the Board or the Bank, together with interest, should be secured by a mortgage upon the land acquired by the discharged soldier, and that all moneys so advanced should, until repaid by the force of this Act, be a charge on the crops, chattels, live-stock etc. That such lands, crops, and chattels, so long as the sum continued a charge as security for advances, should not without the consent of the Board or Bank be attached, levied or restrained upon, or taken in execution.

The Bills of Sale Act of 1896 not to apply, but powers of mortgage, etc., to be extended to a discharged soldier.

In addition to the powers conferred on the Minister for the purchase of any alienated land, it was provided that the Board might with the approval of the Minister, purchase for settlement, any part of alienated land, including land held under conditional purchase or pastoral lease which a discharged soldier might desire to acquire, and the provisions of the now-extending Act relating to land disposed of to a discharged soldier to apply to land so acquired.

The sum of £50,000 mentioned in the original Act was declared to be remitted. All stamp duty payable under the Stamp Act of 1896, should be remitted.

A discharged soldier under the age of 21 should for the purpose of the principal Act as amended by this Act be deemed to have the same capacity as if he were of full age.

GROUP SETTLEMENT ACT.

This Act contained provisions for the granting of freehold or conditional purchase land under the Land Act, 1896, to group settlers, which land should be constituted within an area declared by the Governor to be a group settlement area.

Every grant and every conditional purchase lease under the now-extending Act should be issued subject to the payment by the grantee of interest at the prescribed rate on the expenditure on the group settlement or chargeable to the group settlement, including capitalised interest, as was appropriated to the parcel of land intended to be granted or leased, and the survey and other fees payable in respect thereto.

(Note: Apparently under the provisions of a prior Act, expenditure was incurred in preparing this land for settlement before selection.)

The Managing Trustee of the Agricultural Bank to determine the amount of such expenditure chargeable to group settlers and the part thereof to be apportioned to each parcel of land.

A group settler, if he so desired, in lieu of such payment and the issue of a grant or lease, execute a mortgage to the Agricultural Bank to secure such payment with interest at the prescribed rate on instalments extending over a period not exceeding 30 years under and subject to the conditions applicable to advances by the Agricultural Bank under the Agricultural Bank Act, 1906.

If a group settler should not, within the prescribed time, notify the Department of Lands of his acceptance of such grant or lease, he should cease to have any further interest in that land.

A mortgage to the Agricultural Bank expressed to be made under the Agricultural Bank Act of 1906 and this Act should by force of this Act have effect as an assigna-
ment by the mortgagor to the Bank by way of further security of the live-stock and other chattels of the mortgagor which at the date of the mortgage or at any time thereafter, should or might be in, on, or about the mortgagor’s land as described in the mortgage, so far as such live-stock and other chattels were supplied to the mortgagor by the Department of Lands and Survey with the consent or by him out of advances made to him by that Department.

It was provided that if the holding of a group settler was mortgaged to the Agricultural Bank under the provisions of the Agricultural Bank Act of 1914, and had effect as if the words “Agricultural Bank” were inserted therein in place of the words “Minister for Lands and Department of Lands and Survey.”

All moneys received by the Bank in payment of interest and in repayment of principal on and in respect of mortgages to the Bank shall be paid to the credit of a Suspense Account, to be kept at the Treasury. The amount to the credit of such account might be applied—

(a) In payment to the Agricultural Bank, or a prescribed percentage to administrative expenses,
(b) To recoup the Consolidated Revenue Fund, in interest and contributions on loan money appropriated to schemes of group settlement,
(c) Subject to such payments to such purpose relating to group settlement as Parliament approves, or in respect of interest received as the Governor thinks fit.

A provision is found in this Act relating to partial dissolution of groups.

A register of all mortgages to the Agricultural Bank shall be kept at the office of the Agricultural Bank.

Further advances might be made by the Agricultural Bank, and these advances should be made out of funds of the Bank appropriated for the purpose of advances under this section.

Provisions of the Agricultural Bank Act and Regulations incorporated with the now-reciting Act—

The Governor has power to make regulations under the Act.

By an Act, 24 (Victoria) of 1928, the last-reciting Act was amended, and it was provided that the amount of expenditure under Subsection 3 of Section 3 of the Group Settlement Act should be assessed and determined by a Board of three members to be appointed by the Governor, one of whom should be an officer of the Agricultural Bank, with power to the Board at its discretion to fix the amount disposable and to be apportionable to each parcel of land within the Group Settlement Area at such sum below the actual expenditure as the Board might think fit, so far as such expenditure should be found by the Board to be in excess of the capitalisation which each group settler’s area could reasonably bear, having regard to the prospective income available therefrom.

GROUP SETTLELRS’ ADVANCES ACT, No. 2 OF 1925.

Whereas the live-stock or other chattels were supplied by the Department of Lands and Surveys to group settler or other person, and whenever advances were made, and so far as advances had hitherto been made by the Department of Lands and Surveys to a group settler or other person to enable him—(a) to acquire live-stock or other chattels, or (b) to cultivate, crop, or improve the holding, such live-stock or chattels included the progeny of live-stock and the crops raised on such holding while growing and afterworks being cut or severed from the soil, shall by virtue of this Act be mortgaged to, and the property therein shall vest in the Minister for Lands on behalf of His Majesty the King until the money due from such group settler to the Department of Lands and Survey in respect of such chattels or advances has been paid by such group settler or other person to the Minister. A register to be kept of all group settlers and other persons, and of every statutory mortgage which shall not be subject to the Bills of Sale Act, 1899, or an amendment, and, in bankruptcy, the settler should not be deemed reputed owner of the stock and chattels.

Full statutory powers of sale were given after default. A holding was defined to be any land on which a group settler is in occupation under the provisions of the Land Act, 1888, Agricultural Lands Purchase Act, 1909, or any Act relating to closer settlement, or any regulation thereon.

INDUSTRIES ASSISTANCE BOARD ACT.

This Act was passed in the early part of the year 1915 in order to deal with the extreme conditions occasioned by what is known as the Drought Year of 1914. Apparently it was thought that the work of the Board to be appointed under the Act would be finished within one year, as the Act was only to continue for a period of twelve months. However, the Act is still in existence with outstanding advances of £1,582,161, and outstanding interest of £301,521 6s. 1d.

The Board appointed was to be known as the Industries Assistance Board, and was to consist of three members appointed by the Governor. It was to be a body corporate. It was declared that when the Governor was satisfied that the function of the Board had been performed, notice was to be published in the “Gazette” and the Board cease to exist as from the date fixed by such proclamation. The various clauses deal with the administration of the Board.

Section 2 provided that the Colonial Treasurer might, for the purpose of affording assistance to the settlers and other persons affected by the drought, or other adverse conditions, supply financial assistance to such settlers for the purchase of wheat, hay, cheese, implements, machinery, livestock, and other commodities specified in such section, or might make advances to applicants to enable them to pay off mortgages of live-stock and stud fees, and might make advances to applicants to enable them to pay Crown rents or other taxes and moneys due and which might be legally and equally charged by statute, mortgage or otherwise upon their holdings.

It was provided by such section that no commodity shall be supplied or money advanced under this Act after the 31st day of March, 1916.

The persons who might apply for assistance were specified.

The Treasurer on being satisfied on the recommendation of the Board that the applicant is unable to do without assistance might grant to the applicant such assistance as the Act thought fit.

The security contemplated under the Act was evidently the security of the applicant being obtained to such contract in the form of the schedule of the Act, and no further security appears to have been contemplated.

Section 14 dealt with fixing the cost of commodities supplied and the repayment of advances.

The provisions of Section 15 of the Act were very drastic in regard to the security for the advances, and overrode all prior encumbrances and charges, but it was provided that in the case of a prior registered mortgage, or the property of the applicant was subject to some prior charge to the knowledge of the Colonial Treasurer or to a vendor’s lien, notice in the prescribed form of the proposed advance should be given to such mortgagee or vendor, and if within 14 days such mortgagee or vendor objected to such advance, the Treasurer should only be entitled to make the advance subject to such mortgagee or lien.

It was further provided that the advance under the security of this statute bill of sale over crops should over-ride the mortgagee’s rights over the land.

The acknowledgment and contract in the prescribed form should have the effect of a mortgage or bill of sale.

Provision was made for an inquiry by the Colonial Treasurer into the profits made by any person whose lands were charged under the Act before making demand for payment.
The Board was required to compel the attendance of an applicant and to examine him in all matters relative to his application.

Provision was made for supplies of commodities by persons at the request of the Government, and power was enacted for applicants selling the commodities supplied.

Any surplus of the proceeds of assigned crops should be dealt with in a manner prescribed by Section 21. A register was to be kept, showing all persons under the Act.

Certain relief was given to persons making forwarding contracts for the sale of meat.

The financial clauses of the Act provided that all advances were to be made out of such moneys as Parliament might appropriate to the purpose of the Act, thus confining moneys to moneys from the General Loan Fund.

All moneys received in payment of advances should be placed to the credit of the Suspense Account, to be kept at the Treasury, and the moneys for the time being to the credit of such account might be applied in payment of interest and contributions to the sinking fund in respect of loan funds appropriated to the purposes of the Act and the expenses of administering this Act, and the surplus for the time being to the credit of such account might be applied by the Colonial Treasurer in making further advances under the Act.

When the functions of the Board shall have been performed, all persons under the Act, and the credit of the said account should be transferred to Consolidated Revenue.

Accounts should be kept in the prescribed form of all operations under the Act, and such accounts should be audited by the Auditor General.

The Colonial Treasurer should cause to be presented in every year a financial statement and report upon the operations of the Act, and every such statement and report, together with the report of the Auditor General, should be laid before both Houses of Parliament.

The Board was to make regulations under the Act.

By an Act, 23 Victoria of 1915, the principal Act was amended by extending the area of purpose for which advances should be made to include municipal and road board rates and licences, veterinary charges, the wages of farm hands, insurance premiums, and medical and surgical and dental expenses.

The proviso prohibiting advances after the 31st March, 1916, was struck out.

The above-mentioned words, commencing "municipal and road board rates, etc.," were added to clause "e" of Section 12, under which the Colonial Treasurer had power to advance moneys for assistance, when he was satisfied as to the bona fide of the applicant.

The Act further amended the provisions relating to security, and for certain purposes the crops and chattels of the applicant could be exempted from the operation of the Colonial Treasurer's security.

It was further provided that the Colonial Treasurer could eliminate the notice to a mortgagee or unpaid vendor, and take a security subject to such mortgage or lien.

Section 31 of the Act was amended relating to the distribution of surplus.

Extra provisions were made as to security and it was provided that if a event was lodged in the form specified in the schedules of the new-creating Act, this caveat could take the place of a mortgage and bill of sale.

The Treasurer had power to insure all buildings, crops, etc., etc.

It was further provided that any person who purchased the crops or product of the crops of any person to whom advances had been made under this Act on the security of such crops, such produce should pay all moneys to the Colonial Treasurer.

Interest should be paid by the conditional purchase lessee on all rents in arrear, but if the lessee had been refused assistance under the Act such interest should not be paid.

By an Act, number 16 of 1917, the activities of the Board were being continued, and had assumed such proportions that a Minister was appointed, to be called the Minister for Industries, and that the Act should be administered by the Board, should be subject to the control of the Minister, and the powers conferred on the Colonial Treasurer might, subject to the control of the Board, be exercised by the Board, so that in all prior references now to the Colonial Treasurer, it shall be read as if the Board had taken his place.

Section 4 provided that advance was made pursuant to application, acknowledgment and contract was not essential the statutory mortgage and bill of sale under Section 15 of the original Act plus caveat to be relied upon.

The power of advances by the Board was greatly extended by the addition of the words to paragraph "B" of Section 9 of the principal Act—"and generally for any other object or purpose that the Board might approve."

The powers were also greatly extended by the addition of the following words "or for any other object or purpose which the Board might approve."

The form of security for advances was greatly extended by Section 15 of the original Act being repealed, and a new section being inserted, with extended rights.

Interest of any settler or other person indebted for advances under the Act or any of the last preceding Act charged as security should not be alienated either voluntarily or involuntarily, or be subject to distress, execution, or other legal process without the consent in writing of the Minister, or such settler or other person continued indebted for advances under the said Act.

All powers of a mortgagee were vested in the Board.

It was made unlawful for any settler to sell the produce of his crop without the consent of the Board.

There is a provision that the Board might cause the accounts of all settlers and other persons to whom advances had been made to be balanced at a date to be fixed by the Board, and might in its discretion permit the amount due on any such date to be repaid by instalments extending over a period of five years, and that during such period the proceeds of the crops of each season of every settler might be distributed by the Board in the following manner:—

(a) In payment of accrued interest and one-fifth the liability of the settler, and the cost of bags for his wheat,

(b) By retaining and placing to the credit of the ordinary account of such settler so much of such proceeds as the Board might think fit to apply towards the operations of the settler during the then current or next following season, and in payment of his land rents, rates, taxes, and insurance premiums and other obligations mentioned in Section 9 of the principal Act,

(c) By distributing the surplus, if any, among the other creditors of such settler or other person on a pro rata basis.

If the land of the settler is subject to a mortgage in priority to the Board's, the security section should not apply without the consent of the mortgagee, but if such consent was given, the interest payable to the mortgagee might, so far as the Board in its discretion thought fit, be paid under paragraph (a).

It would appear that the end of the Board's work was in sight because provisions were inserted that no commodities should be supplied or money paid under the principal Act or its amendments after the 31st day of March, 1918, except under the provisions of Section 14 of this Act. It is apprehended that the Board having struck a balance could then deal with all proceeds and crops in a systematic manner.

By a Statute, number 6 of 1919, the term of the Act was extended to 1920.

By an Act, number 48 of 1919, the Board had power to purchase and acquire money for improvements and machinery the subject of existing hire or hire-purchase agreements.

The printed report and audited balance sheet should be laid before the Houses of Parliament before the 3rd of September, 1920.

Power was given to the Board to purchase from any creditor of a person to whom assistance is being given under the Act the debt due and owing by such person.
It was provided that Section 35 should be amended, but the proceeds of any charge created in favour of the Board should, if such charges were realised by the Board, be distributed part pari passu between the Board and the other creditors of the applicant, provided that the Board might in its discretion allow the whole or any portion of the proceeds of the sale of dairy produce, pigs, and poultry to be retained by the settler.

The Act was continued until 1921.

By an Act, number 26 (Victoria) of 1924, the Board was given power to write-off part of the indebtedness of the settler as the Board might think fit, upon the debtor executing in favour of the Board a legal mortgage and bill of sale to secure the repayment of the reduced amount of such indebtedness, with interest therein provided.

By an Act, number 20 of 1899, it was provided that after the securities had been executed in favour of the Board under the provisions of the last-mentioned Act, the Board had power to extend the time for payment by mortgagees of any instalment of principal and interest, or the principal and interest which might become, or might before the commencement of the Act have become due and payable by any mortgagee under the provisions of any mortgage security held by the Board, and to refund to any mortgagee the whole or any part of any such instalments as aforesaid which might have been paid either before or after the commencement of the Act, but subject of course to the liability of the mortgageeg to repay to the Board such instalment or any part thereof so refunded at a future date, the amount of any instalment of any principal or interest so refunded to carry interest until repayment.

APPENDIX No. 2.

Salmon Gums District.

Your Commissioners left Perth on Thursday, the 30th November, 1933, travelled via Coolgardie into the Salmon Gums District, and spent five days in that district, taking evidence, examining the land and the cropping operations being carried on therein.

We were given every assistance by the Trustees, the Inspector of Industries and his Field Inspectors. By reason of the excellent travelling arrangements made for us by them, a large extent of country was covered by us.

AREA AND EXTENT OF DISTRICT.

The Salmon Gums District comprises an area of 16,620 square miles. The area extends from Beets in the north to Esperance on the coast, a distance of 85 miles; and from east to west the distance is 50 miles.

The area of settlement however, extends from Beets in the north to Scaddan in the south, a distance of 54 miles, and is approximately 25 miles wide.

The District is under the control of District Inspector Rogers with his staff of Field Inspectors. The Board is instructed to appoint a Field Inspector (temporary).

The railway from Norseman to Esperance runs through the settled centre of the district.

FINANCE AND SETTLEMENT OF DISTRICT.

There are 282 Agricultural Bank clients in the district.

The amount owing by its clients to the Bank for principal aggregates £308,561, on which there is accrued interest due to 30th June, 1933, of £102,615. In the district there are 210 abandoned farms, on which there is due for principal £203,602 and £64,123 for interest, making a grand total of £267,725.

It would appear from a perusal of Volume 1, Esperance Lands File (1219/322), that the original advances by the Department of Agriculture at Esperance were made some twenty years ago to settlers who had selected land in the vicinity of Grass Patch.

Grass Patch was the name given to a property which had been taken up by an English company in the early days of gold mining, and on which certain improvements were carried out by that Company. Grass Patch is situated some 68 miles from Esperance, the port, some 100 miles from Norseman, and is approximately in the centre of what is known as the Mallee country.

The Bank commenced advancing, so far as we can gather, about the year 1922, and to cover the liabilities of settlers to the Department of Agriculture for advances made to them by that Department. In our opinion, the Trustees of the Bank should not have made any advances in this district. The late William Paterson, the then Managing Trustee of the Bank, the Board might agree as a matter of Government policy. The Board, however, have been instructed to carry the prospect with much anxiety, and desire to have your instructions as to
what extent Industries Assistance Board as-

istance is to be given, if any. It may be an-
ticipated that any special assistance granted
to settlers in the Esperance area will be de-
manded by settlers in other districts. (File No. 1212/32, Fed (1), Page 17, Esperance

lands)."

In the year 1933 we find that the State has ex-
pended approximately one and a-half to two millions
of money in the district for railway, road construction,
water conservation, surveys, classification, experimental
farm and soil surveys, while the Bank has advanced
over one-half a million, on which there is accrued interest
due of over $10,000.

After ten years of settlement the production of wheat
for export from the district for the season 1933-34 will
be 120,000 bags, and the production of wool will be the
clip of 9,000 sheep.

The production of wheat in the three previous seasons
has been:—180,000 bags in 1930-31; 180,000 bags in
1931-32; 187,000 bags in 1932-33.

These facts require no comment from your Com-
misssioners, and we might well have let the figures speak
for themselves, as evidencing the poverty of the district.

Your Commissioners, however, recognize that the dis-

trict is one of the problems which the Bank under its
present or new management must meet and will have to deal
with, and we will accordingly report at some length thereon.

In justice to the Trustees, attention should be given to
the evidence of Mr. McLarty, that the Trustees in
making advances in this area were carrying out a min-
isterial policy dictated to them. The action of the
Trustees in thus subjugating their manifest obliga-
tions is dealt with in the main part of our report.

The following are the stations and/or sidings in the
Salmon Gums District, commencing from the south
and going north:

Scaddan, which is 53 miles from Esperance;

Truslow, Grass Patch, Red Lake, Circle Valley,
Salmon Gums, Derwak, Kurmar and Beeto.

The stations are at Grass Patch and Salmon Gums.

The approximate distance between the stations and/or
sidings is seven miles.

For the purpose of this Report we have divided the
Salmon Gums wheat district into two areas—(1) the
northern area, and (2) the southern area.

(1) The Northern Area:

This area comprises approximately 200,000 acres, and
extends from Beeto at the northern end to Salmon Gums
at the southern end, a distance of 30 miles from north
to south, with an average width of 35 miles from east
to west. The railway runs through the centre of this
area, which is well served by roads and by main Gov-
ernment roads.

The area is timbered with grey mallee and borce,
intermingled with mallee, and in some parts has a mix-
ture of salmon, gidgee and silver gums.

The Lands Department surveyed this area, and clas-
sified the major part of the district as first class wheat-
growing land.

In the considered opinion of your Commissioners, the
Trustees of the Bank should not have agreed to advance
in this area, without first having had a thorough in-
vestigation and report made thereon, which would have satisfied
them, no doubt, that no advances should be made.

In support of this proposition, the following facts are
submitted:

(1) That two of the former Trustees of the Bank, the late
William Paterson and the late A. R. Rich-
ardson, and one of the then Trustees, the late
F. V. Cook, had condemned the Esperance D's-

trict as a wheat growing area.

(2) That extensive areas of grey mallee and boree
country occurred in this northern area.

(3) That the Trustees knew that in all other parts of
the State, the conditions and country was unsafe for
wheat production.

(4) That the presence of greybrush and saltbush in that
portion of the area from ten miles north of
Beeto to Kurmar was striking evidence of un-
certain rainfall.

(5) Before the construction of the railway, the farmers
at Grass Patch could not grow sufficient
hay to supply the teamsters carrying from
Esperance to Norseman.

(6) The average wheat production at Grass Patch
was 6.3 bushels for the years 1918/19 to 1921/19.

The evidence as to salinity of the soil, given in the
Royal Commission on Esperance Settlement, and the
presence of many salt lakes in the district, entitled for
a soil survey.

No investigations were made; the area was thrown
open for settlement, readily applied for, and clearing
and cropping commenced. The Agricultural Bank
established a district inspector at Salmon Gums, and
its business was conducted from there. The
settlement made no progress. It was found that crops
would not grow on a great area of the lands which
were being opened up.

After two years of crop failure, the Trustees should
have realised there was something radically wrong with
the soil, have discontinued all further advances
for clearing and other improvements, and have con-
ducted a thorough inquiry into the causes of the
failure before continuing advances.

Some six or seven years ago, the crop returns of the
settlers were so unsatisfactory that the Trustees of the
Bank asked for the co-operation of the Department of
Agriculture, and this Department established an ex-
perimental farm at Salmon Gums, and at a later date,
the Agricultural Department inaugurated the soil sur-
vey of this district by Dr. Truscott. The settlement
made no progress. It was found that crops
would not grow on a great area of the lands which
were being opened up.

We therefore find that after the first two seasons the
Trustees had full knowledge that for wheat growing
this area was a failure, so far as those two particular types
of land are concerned.

There is, however, another type of soil in the district
which gave fair results, say, a ten bushed average for
wheat, and cut ten to fifteen hundredweight of
hay to the acre.

This is a light sandy soil of from three to twelve inches
in depth, overlying a clay subsoil. It carries mallee
and tea-tree, the tea-tree often having a bluish tinge.
We will call this class of country (A). This
type of country would, we think, be classified as fair second-class
land in a good wheat district. In the area now under
consideration with one exception to be hereinafter men-
tioned, there is an entire absence of uniformity of soil, and
throughout the area it is extremely difficult to ob-
tain a solid patch of class (D) country—we, 200 acres
in one block of 1,500 acres. In nearly every block of
1,000 acres, (D) class soil is broken up by
(AB) and (C) classes, and the whole of the land has to be
cropped together, of course, with the resultant loss.
We found at the State Farm a block of land of (D) class
of about 200 acres. This, however, we were informed
was unusual.

The exception referred to by us is a block of (D)
country commencing twelve miles west of Salmon
Gums and running south-easterly into and through the
southern area to Mt. Ridley, east of Grass Patch, We
improved the farm of Mr. Ritchie on this type of country at the northern end.

Considering the light rainfall for the district this season, the crop returns of Mr. Ritchie should be satisfactory, as he expected an average of five bags over 250 acres, and would be treating a hay crop which would yield one ton to the acre. The district inspector and his field inspectors assured us that there was quite good uniformity throughout the district, the country, which had a length of 25 to 30 miles, with a width from west to east of 20 miles. Unfortunately, the western limit width is 10 miles at Salmon Gums, east of the railway line, to 15 miles at Gras Valley, which is a Grass Patch. After cultivation class (D) country will grow a light pasture.

In Mr. Barwell's evidence he only classifies the area as containing three classes—

We have three principal types of soil in the area.

We will call the sandy surface soil the 'A' class. The sandy surface is of variable depth, but usually from three to twelve inches overlying a clayey loam or sandy clay subsoil. It carries principally mallee and sapling vegetation, with usually a dense undergrowth of tea-tree. The 'B' class is heavy texture clay, loam, and clayey soils, usually embanked on the surface. This class again carries mainly mallee and sapling vegetation, though as a rule different species are represented, as compared with the 'A' class. It has, however, much the same type of vegetation. The 'C' class is what is locally known as the kopij soil. These are highly endeavour surface soils, usually grey in colour, and relatively unconsolidated on the surface. They are often also termed mulga mallee, and are seen mallee common as a vegetation type on them, although all of them do not carry mallee; there are other timbers represented. We have also minor types of soil, of which the only two groups worthy mentioning are the sand plains soils and the lacy soils.

His "A" is our "D"; his "B" is our "A"; his "C" is our "B" and "C". We separated the soils, in order to differentiate the kopij from the grey mallee.

As was mentioned, the crop failures in the first two or three years of settlement led the Trustees to invite the operation of the Agricultural Department, and this Department has established an experimental farm at Salmon Gums, which is controlled by Mr. Somner, and the Department sent Dr. Teakle and his staff, with their field laboratory, to conduct soil analyses of the whole district.

Wholesale abandonment of farms had, however, shown that the settlers were not realising the result of experimental farming or of soil analyses to tell them that most of the lands in this area were useless for wheat production. Originally there were 153 settlers in the northern area. The number of abandoned farms is 70, and the number of active settlers at the present time is 34.

The abandoned farms are principal monies advanced by the Bank is £27,580, and accrued interest thereon to June 30, last, is £25,504, aggregating £52,924.

On the properties still held and worked by settlers, the principal advances amount to £37,297, and the accrued interest thereon to June 30 last is £29,566, aggregating £66,863.

We could not hear of one successful farmer in the area, but, of course, heard of many unsuccessful ones.

An area of 180,000 acres in this area has been treated by Dr. Teakle and his staff, and classified as follows:—

One-third, Kopij and Morrel; one-third, Gilgai; and one-third, sandy loam, referred to locally in this report as classes (A and B) and (C and D), respectively.

It may be taken for granted that the remaining part of the area which still remains to be classified would give the same result, this being evidenced by the soil analyses of the experimental farm, which is situated at Salmon Gums, and which gives the same results as north of Dowah.

We therefore find that in the northern area comprising 260,000 acres, two-thirds are worthless for wheat-growing and one-third is fair wheat land.

In making past experiments in the experimental farm, it has been found that with tops crossing grass does well on all classes of land, with the exception of bad Kopij patches, and no doubt the growth of this

shields that will add greatly to the stocking capacity of the land when it has been cultivated and cropping operations are carried on.

Sheep do well in the area on improved holdings, but the stocking capacity thereof is limited one, and we should estimate this capacity at one sheep per four acres, which we think would be a fair estimate.

It has been suggested that many of the abandoned farms which are now to a great extent overrun with young mallee should be consolidated into 4,000 to 5,000 acre blocks, fenced, dams sunk on them, got ready for sheep, and then thrown open for selection.

In our opinion, it would not be a paying proposition for the Bank to advance moneys for that purpose. The suckering on these blocks would be an expensive matter to cope with, and the preparation and stocking of these blocks should be left to individuals.

There has been heavy mortality among farm horses for this year. Death is generally occasional by the horse licking the ground for salt, and becoming rambled. The District Officer has now an outfit for dealing with sanded horses, but we would suggest that if rock-salt was kept in the mangers of the horses, the rate of mortality might be considerably reduced.

The stocking capacity of the area is limited and a settler with a 1,000-acre farm can clear 600 acres of cleared land, cropped in a three-year rotation, could feed 200 ewes, assuming Wimmera rye grass was established in his paddocks, for we have pointed out, and which will not grow crops by reason of high percentage of salt will grow Wimmera rye and barley grasses.

The establishment of Wimmera Rye Grass will not doubt militate against cropping for the land which will grow wheat, but the increase in the stocking capacity of the other lands will compensate for this disadvantage.

The experimental farm holds an annual Field Day each year, and they issue a synopsis of their work done through the year with their results.

We discussed the best method of carrying on farming operations with many farmers. There was as much diversity of opinion among them as there appears to be diversity of types of soil, so therefore we do not offer any opinion on this matter, save the recommendation we make as to farming implements.

A South Australian farmer, Mr. Berryman, has settled some few miles north of Beete on a block of salmon and ginnet country, and is satisfied with his prospects. The evidence of this farmer is well worth perusing. (See page 257.) District Inspector Rogers says, however, that there are only a few thousand acres of this type of country within a ten-mile radius of Beete.

The witness stated that within a ten-mile radius of his farm there would be found one-third of similar country.

Mr. Berryman is getting a fair average yield of wheat, anticipating this season's wheat crop. He is not cutting any hay this year as his reserves from last season are ample. He states that cattle do well, and he has lately bought a good Ilawarra Milking Shorthorn bull. He is a tenant farmer.

(2) The Southern Area.

This area comprises 500,000 acres, and for the most part consists of mallee country with a good proportion of (1) class land on its eastern boundary. The mallee lands are reddish clay running into yellow clay, with in some parts a sandy soil on the surface of from three to six inches in depth. The southern area extends from Salmon Gums in the north to Bocadon in the south, having approximately a depth of 35 miles, with a width of 25 miles.

Grass Patch is looked upon as the centre of this district. There is an hotel and store there. At Grass Patch there are a few farms which have been settled for 20 years or more, and at these farms contain mallee country typical of the district. They provide good evidence of what productive value this mallee land possesses.

We were not impressed with the productivity of the soil. As with all mallee lands, the first years of cropping are the most difficult, owing to the continous root picking and sucker cutting necessary. The land,
however, cannot be considered free from sucker cutting until after 10 years of cropping, when it can be safely left out of cultivation. One field which we inspected at Mr. Sweet’s farm had been left out of cultivation four years at the time of our visit, and was quite clear of suckers.

We inspected a property owned by Mrs. Thomson, adjacent to Grass Patch, and known as ‘Grass Patch Flats.’ This property had been acquired over 20 years ago by the late Mr. G. Thomson from an English company who had effected certain improvements thereon, and it has since then been extensively improved by the aforementioned and his widow, the present owner.

We inspected the growing crops and the hay which has been cut thereon, and despite the light rainfall this season the crop should average 12 bushels, and the hay cutting would go from fifteen hundredweight to one ton to the acre. The owner informed us that this would be a fair average over a series of years. She stated that the land has produced up to 18 bushels.

Witnesses state the land in the district would not stand continuous cropping, but must be worked on three years’ rotation — crop, fallow, pasture.

On this area there were originally 337 settlers, and at the present time there are 215 active settlers, carrying advances of £211,376, on which there is accrued interest due of £39,778, aggregating £251,154. There are 122 abandoned farms, carrying advances of £155,282, and accrued interest of £217,497, aggregating £372,779.

So far as we could ascertain, the main reasons for abandonment were failure to produce payable crops and the difficulties incalculable to farming mallee lands, insufficient horse-power of the settlers, and the use of too light implements. Settlers could not fight against the mallee and become discouraged. Of course, here in this area, as in the northern area, there are the usual proportion of settlers who never had any intention of permanently settling, and when this type had exhausted the financial accommodation provided by the Bank, they left the district.

It would appear that the State commenced advances at Grass Patch before the advent of the railway, and the Trustees had full knowledge of the low cropping values of the land. The following is a summary of the yields in this part of the district. (We quote from page 12 of Volume (1) of the Esperance Lands flu., 1909-10 to 1918-19.)

<table>
<thead>
<tr>
<th>Year</th>
<th>Bushels</th>
</tr>
</thead>
<tbody>
<tr>
<td>1909-10</td>
<td>9.3</td>
</tr>
<tr>
<td>1910-11</td>
<td>0.8</td>
</tr>
<tr>
<td>1911-12</td>
<td>8.2</td>
</tr>
<tr>
<td>1912-13</td>
<td>3.2</td>
</tr>
<tr>
<td>1913-14</td>
<td>4.2</td>
</tr>
<tr>
<td>1914-15</td>
<td>2.5</td>
</tr>
<tr>
<td>1915-16</td>
<td>5.3</td>
</tr>
<tr>
<td>1916-17</td>
<td>9.6</td>
</tr>
<tr>
<td>1917-18</td>
<td>10.1</td>
</tr>
<tr>
<td>1918-19</td>
<td>2.0</td>
</tr>
<tr>
<td>1919-20</td>
<td>9.2</td>
</tr>
<tr>
<td>1920-21</td>
<td>10.8</td>
</tr>
<tr>
<td>1921-22</td>
<td>8.3</td>
</tr>
</tbody>
</table>

The sheep, as in the northern area, seem to do well in this area, grow good frames and wool, and it might be mentioned that in addition to being the owners of Grass Patch, Mrs. Thomson has another 700 acres of land some five miles north which she crops and on which she runs cattle. Mrs. Thomson is not on the Bank and all her property has been developed independent of the Bank with private capital.

We took the evidence of settlers both east and west of the railway line, and we could not help being struck with the more confident tone of these mallee settlers than those in the northern area.

The soil analyses of these lands have not yet been made, but Mrs. Thomson and Mr. Sweet stated they had had no occurrence of salt on their lands.

Mr. Sweet informed us that when he first went on to his property some 20 years ago, there were stretches of kop, 1 to 2 chains wide, running through his property, but these have gradually contracted, and are now of a limited extent. The patches of kopi left grow neither crop nor pasture.

At Grass Patch we had the advantage of hearing the evidence of Mr. Pilgrim, a young South Australian settler, some 12 miles east of Grass Patch, Mr. Pilgrim and two other South Australian settlers whose properties adjoin his appear to be on the southern portion of that block of country considered previously in our Report on the northern area.

Mr. Pilgrim informed us that he is satisfied with his prospects, although he and his neighbours have had a very hard and tempestous time. He states that the class of country they are on extends a further 15 miles east of Mt. Ridley. The country is more heavily timbered than the mallee, and requires chopping down, as it cannot be rolled like the mallee bush.

A more thorough investigation of this block of country should be made, and if it is satisfactory some plan should be formulated for opening it up, possibly by extending the road providing some means of assistance for wheat cutting.

Wimmera rye grass does well in the southern area as in the northern area, and it would appear there is a fair proportion of time in the soil right through the whole district. At Scaddan, the northern limit of the mallee country, we had the evidence of Mr. Gilmore, who has been a long time in the district, and has been farming for 14 years. He has had both to do with the roads there, and had Wimmera rye grass established in one of his paddocks and intends sowing some with each crop.

A settler without capital would have great difficulty in settling in this area. There is no capital to be obtained, and his farm during the pioneering stages will not support him; but men with a small amount of capital who are content for years to work hard may eventually establish homes there.

Other Portions of District.

Soon after leaving Scaddan, going south, a belt of scrub sand-plain country was encountered, which continues to Esperance, a distance of some 30 miles. While crossing this sand-plain, we inspected a property of Messrs. Speedling-Smith, and were surprised at the work being done on some of this sand-plain country. The men’s work is concentrated around water catchments, and we found that on the moist soil kikuyu grass, African veldt grass, subterranean clover and paspalum are all doing well.

On the cleared and cultivated sand-plains, crops of oats and lupins are giving satisfactory results.

In addition to the grasses referred to above, we were informed by these young settlers that they are enabled to obtain very excellent crops of tomatoes which are consigned by them to the goldfields markets. The experiment is a most interesting one, and with a market for produce, it might lead to the development of similar types of industry in this large extent of sand-plain country. The young settlers conducting this farm are of the best type.

We found that the farming equipment of many of the farmers had, for some years, been both bad and scanty, but that the Bank was gradually building up the plants of the active settlers, by transferring implements to them from abandoned farms. The horse-power is inadequate, and we would suggest, assuming that the district is to be carried on, that the horse-power should be increased, and a swing-over should now be made from the present disc implements to the use of mouldboard ploughs and rigid-type cultivators.

General Observations in respect of the Whole District.

The area lends itself to water conservation by dams, but in the past sites for many of the dams were badly chosen. Insufficient boring tests had been made, with the result that some of the dams were failures.

Many of the settlers rely on the water in the Government dams, some of which are excellent, and others for many miles, and in many instances we heard
that water-carrying had commenced in the first week in November.

Rabbits are not plentiful at the present time, but will increase as they have done in other districts, and if fencing is to be proceeded with it should be on the lines of rabbit-setting for the extermination of the pests.

The cleared land on the abandoned farms is rapidly losing any value it may have had, owing to the growth of scrub.

Subsequent to the construction of the railway, it was found that settlers could not follow their cleared lands, so the Bank inaugurated a system of paying the settlers for fowling, and the Trustees took credit to themselves having increased the average of the district from five to ten bushels, by advancing money for the purpose. Unfortunately the farmers did not benefit financially from this increase because of the fall in wheat prices.

At what cost this has been done we cannot ascer- tain, but we do know interest has been paid to the Bank and no instamments of principal, and the Bank has to come in on a third preference for the cost of the following.

The seasonal finance is arranged by a Board consisting of the District Inspector, as Chairman, a farmer and a nominee of the Western Farmers' Limited. This expenditure is temporary, and the farmers pay the debt off as soon as possible.

The prospect of a new railway to the south of the district is sufficient to enable them to return to their work and live hard for years to come. It will certainly not be settled by that class of settlers who look to the Government for unlimited assistance.

There has been a steady abandonment of farms, and we fear there will be many more in the near future.

The Bank has not the money to keep men on unproductive farms.

The evidence taken by us at all centres in the district proves the dissatisfaction of the settlers with their position, and their inability to carry on under the heavy load of indebtedness under which they are at present labouring. They ask for this load to be lightened. After inspection of the district we endorse such request.

There are some fine settlers in the district, and these should be given a fighting chance, and we think they will carry on.

In framing our recommendations, we have had to consider the amount of money the State has already expended in the district, the need for providing freight for the railway, and of encouraging settlement there if it can be done by means of easy tenure in order to assist the business of the State generally.

It would appear there is every prospect of a permanent revival of mining at Norseman, and if this eventuated it would provide a market, limited of course, in butter, eggs and mutton for the district.

If the Bank is to carry on in the district, then Parliament might by special vote provide moneys for clearing any 500 acres on each of the holdings in the country referred to previously, east of the railway, and making good feeder roads from the sidings into same. All this work should be done by contract, and not in any way of advances to settlers. Any active settlers from the northern area wishing to transfer to one of these blocks could be so transferred, but no further advance should be made to him by the Bank.

These settlers who leave their farms will have to seek other employment or drift to Perth and go on the dole.

The District Inspector has been transferring men from useless blocks on to blocks which have some chance of success, but there are no more of such blocks available, and therefore he cannot make any more transfers.

The block of country east of the railway, providing the report is satisfactory, could not doubt be settled if the State has the necessary money to develop it.

With wheat at its present price it would not be ad- visable for the Bank to advance moneys for clearing and improving 12-bushel land 15 to 25 miles from the sidings.

Assuming the investigation of Dr. Teakle proves that the southern area is free from alkali to an extent which will allow of wheat production, then the southern area cannot be regarded otherwise than as a 12-bushel land, with a limited capacity for grazing.

The district has a definite value for stock-grazing, but before any great number of sheep can be carried the farm must be cultivated for a series of years, the boundary rabbit-netted, paddocks and water provided.

From Grass Patch down to Scaddan there are no timber available for fencing posts and we are informed that fencing posts cost £2 per hundred at the sidings.

FINDINGS.

From the Loan Funds the State has expended the following moneys in the Esperance District:—

<table>
<thead>
<tr>
<th>Department</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agricultural Bank, Soldiers' Settlement</td>
<td>£1,456,928</td>
</tr>
<tr>
<td>Public Works Department—Road Construction</td>
<td>£1,677,674</td>
</tr>
<tr>
<td>Public Works Department—Water Conservation</td>
<td>£21,600</td>
</tr>
<tr>
<td>Public Works Department—Railway Development</td>
<td>£75,608</td>
</tr>
<tr>
<td>Agricultural Department—Experimental Farm</td>
<td>£5,600</td>
</tr>
<tr>
<td>Agricultural Department—Survey and Classification of Lands</td>
<td>£5,618</td>
</tr>
<tr>
<td>Agriculture Department—Soil Analyses</td>
<td>£5,646</td>
</tr>
</tbody>
</table>

Your Commissioners have included accrued interest, £167,674, due to the Bank up to the 30th June, 1933, in the above; your Commissioners, however, are of the opinion that such interest shall never be recovered.

The yearly interest computed at 4 per cent. on the total expenditure of £1,456,928 will be £57,777, and the annual cost of administering the affairs of the Branch of the Bank in the District is £3,546.

We find that the Trustees of the Bank should not have advanced the moneys appropriated to the Bank for its general purposes, on the security of lands in this district.

The Trustees had the discretion given to them by Statute to exercise in making advances, and had this discretion been rigidly exercised the State would have been saved the loss of many hundreds of thousands of pounds, and many settlers might have been saved the loss of their capital and the loss of years of their lives, spent in fruitless endeavour to grow wheat in poor country.

The evidence before the Trustees was cumulative. Firstly they had the poor returns of wheat for the years 1920 to 1932 of the farms at Grass Patch, a yearly average of 4.5 bushels. Secondly, in members of the Industries Assistance Board they had knowledge of the difficulties which would have to be experienced in the district before any settlers could be established. Thirdly, they had the disastrous results of two years' cropping in the northern area.
Notwithstanding this cumulative evidence, they continued advancing instead of facing the situation, however unpleasant that might have been, and staying all further settlement until the reason of the failure had been ascertained.

We therefore find that the district as a whole is not one suited for the profitable production of wheat, particularly in the northern areas, and the Bank should cease advancing thereon.

If the present settlers are to be retained on their holdings, the new management must formulate some policy to keep them there. Special treatment will have to be accorded to these settlers, and to intending settlers.

Your Commissioners would suggest that such a policy might be framed on an adjustment of existing liabilities, the increase of the area of the holdings, the provision of capital for fencing, water, and sheep, and the payment of the amount of liabilities adjusted to be spread over a long term of years, without interest.

In order to induce further settlement, most liberal conditions should be afforded, and improvement leases, without rent, are suggested.

The area held by many of the present settlers must be increased, say, up to 5,000 acres where possible, by an inclusion with their present holdings of abandoned properties.

During the Commission's visit to the Katanning District, the following witnesses were examined:

**Road Boards:**
Mr. S. H. Haynes, Duadas Road Board, Kanowna District Council, and Primary Producers' Association.

**Government Officials:**
Messrs. G. H. Burtill, Agricultural Advisor; L. G. Senior, Manager, State Farm, Salmon Gums.

**Agricultural Bank Officials:**
Messrs. G. Elliott, Field Inspector; W. N. Matthews, Field Inspector; H. F. Rogora, Branch Manager.

**Farmers:**

**APPENDIX No. 3.**

**Katanning Branch—Agricultural Bank.**

Katanning, the administrative centre of this district, is situated 226 miles from Perth, and appears to be a solid, prosperous town.

The district has a breadth from east to west of 200 miles and a depth from north to south of 100 miles, comprising an average of 14,080,000 acres.

During the Commission's visit to the Katanning District, evidence was taken from the following witnesses:

- **Branch Manager:** Mr. W. Wardle.
- **Field Inspectors:** Messrs. J. E. Brown, R. S. Steele, J. E. H. Robinson, J. R. McKenzie.
- **Road Boards:** Mr. A. Prosser, Chairman, Katanning Road; Mr. G. S. Patterson, Vice Chairman, Kent Road Board.
- **Storekeeper:** Mr. G. Welsh.

The number of settlers in the district is 655. The amount advanced is £691,261. The aggregate amount of advances is £799 $s., and the average amount advanced is £26.

The securities are divided into Sound, Safe, Doubtful, and Bad, numbering 401, 300, 86, and 68 respectively.

Relatively the worst securities are in the district governed by Inspector Brown, which includes the Nyabing-Pingrup area. Out of the total of 188 settlers in his district, 28 were Doubtful and 27 were Bad.

The number of sheep carried on Bank securities is 297,760, horses 2,114, and cows 2,762. (Of the number of sheep 40,058 are under lien to the Agricultural Bank, 154,547 are under lien to the stock firms, and 102,555 are free, making a total of 297,760.)

During the Commission's visit to the Salmon Gums District the following witnesses were examined:

**Road Boards:**
Mr. R. H. Hayes, Duadas Road Board, Kanowna District Council, and Primary Producers' Association.

**Government Officials:**
Messrs. G. H. Burtill, Agricultural Advisor; L. G. Senior, Manager, State Farm, Salmon Gums.

**Agricultural Bank Officials:**
Messrs. G. Elliott, Field Inspector; W. N. Matthews, Field Inspector; H. F. Rogora, Branch Manager.

**Farmers:**

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**Road Boards:**
Mr. R. H. Hayes, Duadas Road Board, Kanowna District Council, and Primary Producers' Association.

**Government Officials:**
Messrs. G. H. Burtill, Agricultural Advisor; L. G. Senior, Manager, State Farm, Salmon Gums.

**Agricultural Bank Officials:**
Messrs. G. Elliott, Field Inspector; W. N. Matthews, Field Inspector; H. F. Rogora, Branch Manager.

**Farmers:**
have disclosed that the broken nature of the land at Pingrup. Dams cannot be put down below eight feet, as at that depth salt is met with.

Your Commissioners do not think the country would stand much cropping, and the settlers will have to rely on grazing for the principal income.

The settlement of the Nyabing-Pingrup country and the construction of a railway from Katanning to Pingrup is a glaring instance of the want of co-ordination between the Lands Department, the Railway and the Bank. It would appear that the Lands Department, having surveyed the country in this area, threw it open for selection. The Bank, without proper investigation, commenced advancing on the country, and when the settlement was to a certain extent established, there was the usual outcry for a railway, and a railway was authorised and constructed from Katanning to Nyabing.

The same procedure took place for the extension of the railway to Pingrup. The country is poor, with occasional patches of fair land, and had the Bank not kept pace with the settlement, the railway might have been kept at Nyabing instead of being carried on another 21 miles to the present terminus of the line at Pingrup.

In the first place, if the Bank had declined to make advances beyond 15 miles of the Great Southern Railway until permanent transport had been guaranteed, the railway and the Bank would have got together, and their own investigation and determined whether permanent transport could be provided at a profit. Such investigation would have disclosed that the broken nature of the country would have negatived any idea of a railway being run at a profit.

Your Commissioners do not wish to repeat these remarks again, but they apply with equal force to the extension of the railway from Borden to Ongerup.

The following is a table which the Commissioner of Railways has kindly supplied to the Commission, showing the number of bales of wool and bags of wheat carried on these lines, and the yearly loss made in maintaining and running same:

<table>
<thead>
<tr>
<th>Station or Siding</th>
<th>Season 1932-1933</th>
<th>Wheat</th>
<th>Wool</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Tons</td>
<td>Bales</td>
</tr>
<tr>
<td>Kibbleup</td>
<td></td>
<td>45</td>
<td>1</td>
</tr>
<tr>
<td>Rylymartup</td>
<td>320</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Cowroyup</td>
<td>1,805</td>
<td>7</td>
<td></td>
</tr>
<tr>
<td>Badgebup</td>
<td>1,375</td>
<td>13</td>
<td></td>
</tr>
<tr>
<td>Kwobrup</td>
<td>744</td>
<td>9</td>
<td></td>
</tr>
<tr>
<td>Morramming</td>
<td>771</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Nyabing</td>
<td>1,601</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td>Karingup</td>
<td>1,118</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Chinrop</td>
<td>532</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Pingrup</td>
<td>5,358</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>11,260</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Interest: £7,300 per annum

Maintenance of track, buildings, etc.: £3,900 per annum

BORDEN (Inclusive)—ONGERUP (Inclusive)

<table>
<thead>
<tr>
<th>Station or Siding</th>
<th>Season 1932-1933</th>
<th>Wheat</th>
<th>Wool</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Tons</td>
<td>Bales</td>
</tr>
<tr>
<td>Borden</td>
<td>3,144</td>
<td>29</td>
<td></td>
</tr>
<tr>
<td>Laver</td>
<td>52</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Toompup</td>
<td>988</td>
<td>16</td>
<td></td>
</tr>
<tr>
<td>Ongerup</td>
<td>1,965</td>
<td>14</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>6,118</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Interest: £1,600 per annum

Maintenance of track, buildings, etc.: £2800 per annum
The Bank now has to carry its clients, and there must be something done about it. The country at Pingrup is of the same nature as at the Lake areas—blackbutt and boone, with occasional salmon gums; small salt lakes scattered throughout the whole area; salt in patches appearing in many of the farms, and it may be, in time, of value for wheat-growing. It is, however, as stated, good sheep country, but the carrying capacity will be limited.

Rabbits are coming in, and it will be found a matter of great difficulty to rabbit-net, as the netting will have to be carried over salt lakes, which has the effect of rotting the netting and giving the netting a very limited life.

Your Commissioners formed a very poor impression of the whole of the district served by this railway.

When evidence was taken at Pingrup two Agricultural Bank clients stated they were from that centre to give evidence. From the evidence they gave the Commissioners, the settlement of Ravensthorpe is in quite a bad way. Out of 78 Agricultural Bank clients, originally there, there are now 35 abandoned farms. One of the settlers, Mr. A. S. Chambers, who with his family work 4,000 acres, has been settled for many years. He stated that the rabbits have eaten the place bare, and he, with other neighbours, had to transfer sheep to a station 40 miles north of Ravensthorpe. He said that unless Ravensthorpe is provided with netting and assistance to erect same, the whole settlement must be abandoned.

The other settler, Mr. T. H. Belling, works with his brother, and between them they farm and graze 5,000 acres. His evidence was similar to that of Mr. Chambers, and the District Manager informed us that the Field Inspector at Ravensthorpe reported that the rabbits are in possession of the country. Mr. Bellington suggested that they ought to bring in and settle on some of the abandoned farms, and that the area settled be noted, as the only means of saving the settlement. The mortgages must be written down and all Bank interests waived, otherwise no one could make a living there, as, with wheat at its present price, there is a yearly loss growing. It costs 6d. per bushel to ship it from Hope­ton, and the cost of super loader is 35s. per ton.

Your Commissioners inspected the Kwoobrup settlement, near Nyaringa. The low-lying portions of this settlement are ruined in winter by flood waters carried down from the cleared country north. The whole of the country, this settler said, is of very poor quality, and was badly classified by the Lands Department, inasmuch as 75 per cent. of it was classified as first-class, and it was very hard to get two to three hundred acres of first-class land in any one of the blocks.

The Bank must face severe losses, as, out of 20 original settlers, there are now 29 abandoned farms. At this settlement your Commissioners inspected the farm of Mr. Nagel, a settler in this area, who is supposed to have the best block therein, has managed to manage it, but he, in time, the whole area is established and then into the nature where his brother's farm adjoining him. The Bank wanted £600, which he was told would not pay. The cleared land now in this abandoned block has been overgrown with matlele and is prac-tically worthless, yet the Bank is still asking £600 for it.

At Pingrup the District Inspector told the Commissions there was a belt of country ten miles by four, north of Pingrup, which your Commissioners went to inspect. This belt is settled, but there are three abandoned farms, and the evidence being carried on, together with the depauperating of cattle and sheep. It is typical salt lake country, and salt is appearing in many of the fields. In nearly every farm there is one salt lake, some erosion has taken place, and on some farms the fences are buried in sand. Your Commissioners are informed there is a small amount of settlement some eighteen miles east of Pingrup. The country is mostly wooded and small patches of timber.

This district must be watched very carefully.

Mr. Altham, a settler there, gave evidence and stated that he considers the main problem of the Agricultural Bank clients is the family. The children as they come to an age where their work is useful on the farm have been willing to help, but they say now, 'We work while there is a chance of our making good, but what is the use of our staying on to work now? It is only getting us deeper into debt.'

This settler's evidence is most interesting from the point of view of a settler with a wife.

After leaving Pingrup, on the road south-west to Gnowangerup, the country passed through was scrub plain for about 40 miles, with occasional patches of timber, where a few settlers have eked out their lives. There was one settler in this particular locality who apparently was making a success of farming.

The country lying east and south-east of Katanning is of a much superior class to the country served by the Pingrup spur line. It runs east from Woodanilling to Broome Hill. Some of the best lands in the southern district are situated in this portion of the Katanning district.

The country is served by a line running east from Tannielup, a settlement, a distance of 60 miles. The line serves the well-known Gnowangerup area of country. Wheat is grown as far east as Needilup, some 20 miles beyond Ongerup. The settlements around Broome Hill, Katanning, Gnowangerup and Borden are so well-known that we do not propose to discuss them. The settlement around Ongerup has occasioned the Bank much anxiety in the past, and the land values, as assessed by the Lands Department, and Bank mortgages had to be written down in order to keep the settlers on their lands, but many of the farms were abandoned and have gone back to the original natural state. Interest is still charged to the Bank's accounts on these abandoned farms, which have no value at all at the present time. The principal and interest money due on these abandoned farms at Ongerup must be written off.

East of Katanning is a soldier settlement at Pullinup, and it is the only really successful soldier settlement on a purchased estate that we have found. All the farms in this estate are in occupation, and the principal lastulations and interest are kept fairly paid. There is a good margin of security in all the Bank's mortgages in this estate.

This area from Ongerup west to Katanning is controlled by Field Inspector Steele.

The country from Borden to Ongerup should never have been settled by railway opened up by the Bank. It is all a poor type of mallee, with patches of salmon gum, blackbutt and mor.

The Bank has advanced to clients on lands some 18 to 25 miles east of Ongerup, a settlement called Needilup—a small belt of forest country running into fair mallee at the edges of the forest and then into poor mallee, but the intervening country is of a poor type of mallee country which never pays.

As mentioned, from Pingrup running south to Gnowangerup, a distance of 45 miles, the country is of a poor type of scrub plain, and this runs within seven miles of Gnowangerup. Some five miles north of Gnowangerup, a stretch of good country runs into Broome Hill. South of Gnowangerup there is some fair...
country, broken, of course, for some ten miles, and then poor scrub plain country comes in again, extending to the Stirling Ranges. The country is good from Gowangerup to Borden, with Borden to Barns, but the country north and north-east of Borden is of very poor quality. There is some good country adjoining Borden which runs south some 40 miles to the coast.

At Ungerup there are some sheep owners and many abandoned farms, which have been abandoned for many years. Ungerup is a junction where the first settlement took place in 1810 to 1812, when it was found the land was too sour, and there are three volumes of files on this settlement. The country is doing a little better now as the evidence is that, after working the lands for some years, 5-bag crops of wheat can be grown on the thinned country and 3 to 4 bags on the mallee. The mallee country, of course, takes years to improve, and after five years working, sucker-bashing, and red-picking, one settler said it can be left out for sheep, and then carry one sheep to six acres, which makes it very expensive for sheep rearing.

Suckers are becoming troublesome and netting must be supplied to settlers. All the settlers, with one exception, now carry sheep and the sheep are doing well. Unfortunately narrow leaf poison runs through the country, and adds to the difficulty of carrying work.

Salinity is beginning to appear and may become a menace. The settlers in this Ungerup District say the land becomes "mineralised," that is, will grow neither crops nor grass, and these patches of "mineralised" country are extending from year to year. It would appear it eventually this country will have to be worked on the same principle as Newquay, Pinup and similar areas, and cropping can take place only once every 5 to 6 years.

There will have to be a writing off of debts and carrying over or writing off of accrued interest. The country is too poor to carry any big mortgage debts. The usual application to help the settlers at Ungerup, in addition to the troubles similar to the Ungerup settlers, they have to cut their produce 20 miles to Ungerup.

Your Commissioners understand from the District Manager that the Lands Department surveyed a large part of the poor mallee and some country south of Gowangerup to Ungerup, classing it as first-class land, which on the matter of fact 25 per cent. of it was worthless. The Bank originally advanced small sums on most of it for dams, but luckily for the Bank the settlers soon abandoned the holdings.

The Borden-Ungerup extension is another instance of the competition between the Railways and the Bank, as mentioned in the report on the Nyabing-Pinup settlement.

East of Neddilup is "Jaramongup," a portion owned by Mr. Hassell, and the District Inspector said it is a fine belt of country, and along the southern end of the district are various scattered properties owned by pioneering families of the Hassells and Molis.

In the Ungerup and Brome Hill portions of the district are the sheep studs of Messrs. House, Murray, O'Keefe and Thomsen.

Your Commissioners found the usual complaint of Inspector in regard to the pastoral firms getting all the profits from the sheep carried by the Agricultural Bank clients. After completing the inspection of the eastern portion of the northern area of the Katanning District, your Commissioners passed through that portion of the district west of Brome Hill and Katanning to Kojonup and took evidence at that centre.

Kojonup has been settled for many years. It is uninteresting, busy, and heavily timbered. In the better parts, when cleared, it grows good grass, but a great part of the country requires the application of super to obtain good results from grazing. The original settlers took up the heavy jam and red gum country when they established themselves there.

The timber in the district surrounding Kojonup consists of red gum, white gum, and jarrah, and the best land is found in the warm red gum valleys.

A fair average crop of oats can be harvested each year, but as this district has a rainfall of over 20 inches, it is only in a dry year that a wheat crop can be grown.

Subterranean clover does very well on the top-dressed land, particularly on old land which has been cultivated for some length of time. The district grows a very fine hay which commands very often the top price at auction.

Meadow hay is being cut and stacked for feed reserves, Mr. Jones, whose people have been established in the district for very many years, has stacked 40 tons of subterranean clover hay from 14 acres. This particular subterranean clover has been established for six years.

Salt is appearing in some of the creeks and flats, but your Commissioners declared that it will occasion much trouble, as in this southern district the natural drainage will keep it from the hills.

The cost of clearing ready for the plough would be £6 to £6 per acre; but the lands can be made ready for grazing by ring-barking and keeping the suckering down. Poison is used in connection with ring-barking. A mixture of two parts of washing soda to one part of organic in four gallons of water is left at the ringing. Hart leaf, prickly and York road poison are prevalent, but the settlers know how to deal with these plants, and few sheep die when care is exercised in the use of poison grubbing, however, which amounts to from 2s. 6d. to 3s. per acre, must be added to the necessary expenses of establishing the country.

The land, without top-dressing, would carry one sheep to five acres; with the application of 60 pounds of super to the acre, the same land would carry one sheep to the acre. The cost of top-dressing would vary with the carrying distance, but may be put down at 4½/- per acre. For meadow hay, two applications are required, the first of 60 pounds after the first good rain, and the second of 60 pounds in the first week in August. Mr. Jones said that he grazed two paddocks in which the before-mentioned hay crop was taken up to September, before he moved it for hay. It would be advisable for the Department of Agriculture to collect information as to top-dressing results in the district and publish a pamphlet for the use of the settlers. It seems to your Commissioners that methods of top-dressing which suit one district would not suit another, and the information for each district as to giving the best method should be collated by the Agricultural Department, published and distributed.

Red-legged mite is not giving much trouble in the district. Your Commissioners could not ascertain if the establishment of insects had been at one time in the district.

The land development in the district ceased with the fall in wool prices, but may be resumed in the near future. Rabbits are few and the present invasion may not extend east to west, north to south, but work down the rivers and creek beds. The settlers are poisoning, and will no doubt keep the pest in check.

The Bank must face losses but they will not be heavy. The usual troubles between stock firms and the Bank arise, and must be dealt with by the Bank.

Soldiers settlers in the district, as usual, ask for special treatment, namely, the original allotments for their holdings were too high and should be written down, and the liabilities of the Industries Assistance Board making the burden too heavy for them to carry on with.

The Kojonup District is one of the soundest sheep properties your Commissioners have seen, but this country, which may be described as two-generation country, needs large sums of money to be expended forthwith in clearing for settlement, but with ring-barking and keeping suckers down, and the application of super, much of it can be turned into grazing country, 30s. to 62 per acre.

The country from Katanning to Mount Barker varies from first-class grazing country at Broomie Hill to second-class grazing country through Tambellup and Cranbrook to orchard land at Mount Barker. The country
becomes hilly as one approaches the Porongurups, and in the hills are found some rich pockets of land. A great extent of the country surrounding Tambeellup and Craubrook appears cold and unresponsive, but the District Inspector informs your Commissioners that the land improves to the west and there is some good grazing country eight to ten miles west of both places.

At Craubrook a Bank’s security was inspected and the settler was getting excellent results from subterranean clover and drooping head clover. The stacks of meadow hay which he had showed the manner in which the country would respond to top-dressing. This settler was experimenting with maize and cow peas, and at the end of February (the time of inspection), these crops made an excellent showing.

This would seem to show that the better class of country in this district can be improved and utilised to a great advantage.

At Mount Barker the Bank have some good and bad accounts, as it is mainly apple growing country, but the majority of accounts, Inspector McKenzie stated, are in a bad position, as most of the orchardists are running sheep. In other parts of the district crops of maize were seen, and it is understood good potato crops can be grown. In the Mount Barker district is an area known as the Kendenup area, a settlement commenced by the Melbourne land speculator, and doomed to failure, had not the Bank courageously taken on some 20 of the settlers left stranded there, and enabled them to tide over the difficult years encountered in establishing orchards, by purchasing from the liquidator of the Kendenup county 200 acres of the land to attach to each of the orchards. This enabled the settler to run a few cows and maintain his orchard.

It is pleasing to say that the whole of the accounts at Kendenup are in first-class order, and the nucleus of settlement at Kendenup is solidly established.

In this district there is an unemployed settlement known as the Napier settlement, some 12 miles from Mount Barker, and the Bank Inspectors have taken charge of this settlement for the Lands Department.

The lands carry fodder and scrub, and can be made ready for production at a cost, your Commissioners should say, of £3 to £10 per acre, and then, in order to produce say pastures or crops it will have to be liberally top-dressed each year with super. It is very difficult to say when this is done what a man can make on it for a living, and pay interest on the amount at which the land will have to be capitalised. There are 2000 acres, approximately 200 acres each, scattered through the area, and it may be that if these men had been established on some of the abandoned farms of the Bank the money would have been better spent.

The losses of the Bank in Inspector McKenzie’s area, your Commissioners think, will be made at Craubrook and Tambeellup and the low-lying grazing country.

Owing to the low prices which apples are realising on the English and Continental markets, and to the export quota introduced in Australia, the outlook of the apple industry is far from satisfactory, and the Bank must watch its securities in the orchard country very carefully.

The evidence of so many dozens of cases of apples grown in the district which cannot be distributed to consumers and which have been taken back to the orchards to feed pigs, affords a subject for thought. Surely there is sufficient administrative ability in Western Australia to remedy the condition that in Perth one pays 6d. per pound for apples on an extremely limited market, and the produce has to feed pigs with a chance of land which it is difficult to obtain in Perth!

GENERAL OBSERVATIONS.

The Nyabing-Pingrup country is poor and broken, and the Bank must face losses there. It should not make any further advances, but should liquidate its securities where possible, even if at great sacrifice, as it is better for the State to have these abandoned farms worked, producing something, than to let them lie idle year after year, deteriorating in value.

As before mentioned, in your Commissioners’ opinion, the Bank should never have been constructed if there had been proper co-ordination between the Bank and the railways, and the position thoroughly investigated. The opposition by the Lands Department was deplorable, poor nullaroon nullie full of poison being classified as first-class land, thereby probably deceiving Parliament who authorised the railways and the settler took up the land. This applies also to the Borden-Goonwarup country.

The Borden-Goonwarup-Katanning-Broome Hill and Kojoum pans in the district are good. The Bank should be very cautious in advancing on the more heavily timbered country, unless a settler has a certain amount of capital of his own to keep him going until such time as the country is recognised as rich.

The soldier settlers in the district resent pressure being applied to them immediately bad times come. From this it would appear, judging by the answers of interest that during the time wool prices were good the Bank, thinking they had plenty of margin of security, did not press for interest, but immediately wool prices fell, financial stringency was forced on the State and no loan money were available; then the Bank commenced a campaign for the collection of interest.

During the course of their complaints about the Bank, your Commissioners asked them why they did not complain about the stock farmers who were always buying for them, taking 8 per cent, of their money, getting repayments of principal for purchase of sheep at high prices, while the Bank got nothing, but to this question an unsatisfactory reply was received.

In this area, as elsewhere, the present trouble seems to have been created by the Bank advancing up to a certain point and then stopping; men trying to establish themselves with insufficient capital, and then the Bank advances of £2,000 stopped, then the necessary consequences ensued, the man was left with a farm half established and with no great productive capacity.

On the whole, the district is an unusually sound one, and wool values being maintained at a reasonable level, and, so far an Mount Barker is concerned, an improvement in the apple industry, the Bank should not make many serious losses, but in the Nyabing, Pingrup and Ongerup areas serious losses appear inevitable.

The Craubrook and Tambeellup grazing securities should be watched very closely, as there would not appear to be any margin of safety in many of these securities.

INSPECTION OF PREMISES, BOOKS, ETC.

An inspection was made of the premises, books, etc., of the Katanning branch of the Agricultural Bank on the afternoon of the 10th February, with the following results:

Premises.—The premises, which belong to the Lands Department, are constructed of brick with a roof of iron, and are in a reasonable state of repair. The premises are situated centrally in Clive Street, Katanning.

The floor space is not partitioned off satisfactorily, the public being required to pass through the entire office before reaching the Branch Manager’s room.

Staff.—The staff comprises Branch Manager, seven clerks, typeclerks and five Field Inspectors, the latter being stationed in the following centres:

Mr. Brown (Katanning); Mr. McKenzie (Mount Barker); Mr. Robinson (Kojonup); Mr. Stone (Tambeellup); and Mr. Smith (Haventhorpe).

Cash.—The senior clerk receives all cash and holds the cash received each day in a safe provided for that purpose, the cash being banked the following morning. The senior clerk holds the keys of both the safe and cash drawer, having access to the safe and cash drawer at all times. This arrangement is unsatisfactory; the key of the safe should be held by the accountant or the branch manager of the duplicate key is lodged at a local bank, deliverable to the order of the Branch Manager or the accountant.

Filing of Correspondence.—Two files are kept in respect of each client—one prepared solely for the use of the branch office, and the other for recording transactions.
connected with the client between the Head Office and the Branch. It is understood that the file connected with the Branch is held at the Branch premises, and therefore is not inspected by Head Office.

**Bills of Sale.**—A check is in progress of items included in stock mortgages and bills of sale with the property on the farm. The work, which was commenced recently, is expected to be completed within two months.

**Ledgers.**—It was ascertained on inquiry that it takes from three weeks to one month to assess interest, check the assessments and send out notices. The method of assessing interest is antiquated, and it is suggested that in order to assess interest and send out notices with the earliest possible delay, a decimal system of assessment of interest be instituted. Example of such method of working same is attached hereto.

A complaint was received whilst in this district that the interest notice for the half-year ended 31st December, 1933, had not been received, although some six weeks had elapsed. As only two months' grace is allowed by the Bank before interest at 5 per cent. is charged on arrears, it is only reasonable to expect that every effort should be made by the Bank to despatch interest notices at the earliest possible moment after the close of the interest period.

The following is a list of the documents attached to this report:

- **Katanning Branch.**—Statement of accounts and statistics. Freehold or abandoned properties. Interest accrued and interest collected. General expenditure, Katanning Branch.

### ACCOUNT OF INTEREST ON BANK DEBIT BALANCE FOR PERIOD OF SIX MONTHS.

**Account**—John Smith.

<table>
<thead>
<tr>
<th>Date</th>
<th>Particulars</th>
<th>Dr.</th>
<th>Cr.</th>
<th>Balance</th>
<th>No of Days</th>
<th>Decimals</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 31</td>
<td>Balance</td>
<td></td>
<td></td>
<td></td>
<td>20 16 6</td>
<td>4 200</td>
</tr>
<tr>
<td>1934.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>January 4</td>
<td>By Proceeds Wheat</td>
<td></td>
<td></td>
<td>10 0 6</td>
<td>40 10 6</td>
<td>47 1,880</td>
</tr>
<tr>
<td>February 20</td>
<td>To Clearing</td>
<td>80 0 0</td>
<td></td>
<td></td>
<td>120 10 6</td>
<td>71 6,591</td>
</tr>
<tr>
<td>May 2</td>
<td>By Wool</td>
<td></td>
<td></td>
<td></td>
<td>105 0 0</td>
<td>50 6,195</td>
</tr>
<tr>
<td>June 30</td>
<td>To Interest 5 per cent.</td>
<td>2 6 3</td>
<td></td>
<td></td>
<td>107 0 3</td>
<td></td>
</tr>
<tr>
<td>Balance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Totals</td>
<td></td>
<td></td>
<td></td>
<td>£132 16 9</td>
<td>132 16 9</td>
<td>181 15,866</td>
</tr>
<tr>
<td>June 30</td>
<td>To Balance</td>
<td>107 0 3</td>
<td></td>
<td></td>
<td>107 0 3</td>
<td></td>
</tr>
</tbody>
</table>

**Note.**—Decimals—16,866, as above, at 5 per cent. (2s. 3d.) being interest for period 31st December, 1933, to 30th June, 1934.

### ACCOUNTS AS AT 13th JUNE, 1933.

**KATANNING.**

**District 220 Miles East and West—100 Miles North and South.**

<table>
<thead>
<tr>
<th>No. of Settlers</th>
<th>Amount Advanced</th>
<th>Accrued Interest</th>
<th>Average Advance</th>
<th>Average Yearly Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£561,264 3 0</td>
<td>£40,630 18 3</td>
<td>£700 3 9</td>
<td>£56 0 0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Inspector Brown</th>
<th>Sound Securities</th>
<th>Safe Securities</th>
<th>Doubtful Securities</th>
<th>Bad Securities</th>
<th>Total</th>
<th>Principal</th>
<th>Average Advance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£72 63 20 27</td>
<td></td>
<td></td>
<td>188</td>
<td>202,363 8 6</td>
<td>1,076 8 0</td>
<td></td>
</tr>
<tr>
<td>Steele</td>
<td>97 76 17 3</td>
<td></td>
<td></td>
<td>193</td>
<td>170,561 0 9</td>
<td>882 13 11</td>
<td></td>
</tr>
<tr>
<td>Robinson</td>
<td>99 91 33 27</td>
<td></td>
<td></td>
<td>210</td>
<td>207,825 0 1</td>
<td>834 12 6</td>
<td></td>
</tr>
<tr>
<td>McKenzie</td>
<td>121 57 12 0</td>
<td></td>
<td></td>
<td>192</td>
<td>35,178 7 10</td>
<td>443 13 9</td>
<td></td>
</tr>
<tr>
<td>Smith</td>
<td>12 17 9 5</td>
<td></td>
<td></td>
<td>43</td>
<td>25,530 6 3</td>
<td>608 1 6</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Stock on Properties</th>
<th>Sheep</th>
<th>Horses</th>
<th>Cows</th>
<th>No. of Settlers</th>
<th>Average Sheep with Sheep Carried</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inspector Brown</td>
<td>50,050</td>
<td></td>
<td></td>
<td>600</td>
<td>143</td>
</tr>
<tr>
<td>Steele</td>
<td>20,600</td>
<td></td>
<td></td>
<td>380</td>
<td>165</td>
</tr>
<tr>
<td>Robinson</td>
<td>93,015</td>
<td></td>
<td></td>
<td>430</td>
<td>231</td>
</tr>
<tr>
<td>McKenzie</td>
<td>50,365</td>
<td></td>
<td></td>
<td>900</td>
<td>131</td>
</tr>
<tr>
<td>Smith</td>
<td>5,150</td>
<td></td>
<td></td>
<td>142</td>
<td>24</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Stock under Loan</th>
<th>Agricultural Bank</th>
<th>Stock Firms</th>
<th>Free.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inspector Brown</td>
<td>20,243</td>
<td>27,907</td>
<td>12,000</td>
</tr>
<tr>
<td>Steele</td>
<td>13,310</td>
<td>49,700</td>
<td>36,480</td>
</tr>
<tr>
<td>Robinson</td>
<td>9,350</td>
<td>50,700</td>
<td>28,935</td>
</tr>
<tr>
<td>McKenzie</td>
<td>9,675</td>
<td>33,200</td>
<td>22,690</td>
</tr>
<tr>
<td>Smith</td>
<td>1,660</td>
<td>1,980</td>
<td>2,480</td>
</tr>
</tbody>
</table>

|                    | £40,668           | 164,547     | 162,385—Total 297,790 |


ACCOUNTS AS AT 30TH JUNE, 1932.

Foreclosed or Abandoned Properties.

No. of Accounts. 153

<table>
<thead>
<tr>
<th>Amount Advanced.</th>
<th>£30,159 2 6</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrued Interest.</td>
<td>£32,277 2 6</td>
</tr>
<tr>
<td>Average.</td>
<td>£184 11 4</td>
</tr>
</tbody>
</table>

No. of Accounts. Principal. Interest. Average.

<table>
<thead>
<tr>
<th>£</th>
<th>£</th>
<th>£</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inspector Brown</td>
<td>29</td>
<td>23,467 19 2</td>
</tr>
<tr>
<td>Steele</td>
<td>38</td>
<td>14,582 8 6</td>
</tr>
<tr>
<td>Robinson</td>
<td>22</td>
<td>26,137 2 5</td>
</tr>
<tr>
<td>McKenzie</td>
<td>9</td>
<td>3,842 15 3</td>
</tr>
<tr>
<td>Smith</td>
<td>35</td>
<td>18,103 17 2</td>
</tr>
<tr>
<td>Total</td>
<td>133</td>
<td>80,123 2 6</td>
</tr>
</tbody>
</table>

53 of these properties were foreclosed before accounts transferred to this office. 14 properties leased and 6 in course of transfer.

YEARY COMPARISONS—INTEREST ACCRUED AND INTEREST COLLECTED.

<table>
<thead>
<tr>
<th>Year ended</th>
<th>Interest Accrued.</th>
<th>Year ended</th>
<th>Interest Collected.</th>
</tr>
</thead>
<tbody>
<tr>
<td>£ s. d.</td>
<td>£ s. d.</td>
<td>£ s. d.</td>
<td>£ s. d.</td>
</tr>
<tr>
<td>30-6-32</td>
<td>19,359 9 6</td>
<td>17,193 13 7</td>
<td>36,546 3 1</td>
</tr>
<tr>
<td>30-6-32</td>
<td>20,782 17 8</td>
<td>20,723 7 8</td>
<td>40,555 3 4</td>
</tr>
<tr>
<td>30-6-32</td>
<td>22,543 11 3</td>
<td>23,740 10 6</td>
<td>46,284 7 3</td>
</tr>
<tr>
<td>30-6-32</td>
<td>22,263 4 4</td>
<td>20,234 6 9</td>
<td>42,500 1 1</td>
</tr>
<tr>
<td>30-6-32</td>
<td>22,263 7 2</td>
<td>25,212 13 10</td>
<td>50,460 1 0</td>
</tr>
<tr>
<td>30-6-32</td>
<td>23,423 17 4</td>
<td>23,885 10 10</td>
<td>52,313 17 2</td>
</tr>
<tr>
<td>30-6-32</td>
<td>24,311 7 1</td>
<td>25,071 17 3</td>
<td>52,382 4 4</td>
</tr>
<tr>
<td>30-6-32</td>
<td>25,213 10 16</td>
<td>25,625 2 4</td>
<td>55,830 13 2</td>
</tr>
<tr>
<td>30-6-32</td>
<td>25,914 17 9</td>
<td>25,437 6 5</td>
<td>51,352 8 2</td>
</tr>
<tr>
<td>30-6-32</td>
<td>26,353 6 1</td>
<td>27,197 16 8</td>
<td>54,550 16 9</td>
</tr>
<tr>
<td>30-6-32</td>
<td>27,671 17 9</td>
<td>26,621 7 1</td>
<td>54,191 4 10</td>
</tr>
<tr>
<td>259,882 6 9</td>
<td>281,725 19 5</td>
<td>544,616 6 2</td>
<td>30-6-33</td>
</tr>
</tbody>
</table>

GENERAL EXPENDITURE IN CONNECTION WITH KATANNING BRANCH.

<table>
<thead>
<tr>
<th>Salary.</th>
<th>£ s. d.</th>
</tr>
</thead>
<tbody>
<tr>
<td>W. Wardle (Manager)</td>
<td>403 4 0</td>
</tr>
<tr>
<td>H. Parker (Senior Clerk)</td>
<td>360 0 0</td>
</tr>
<tr>
<td>E. Stokes (Ledger Clerk)</td>
<td>280 0 0</td>
</tr>
<tr>
<td>C. Dimsworth (Ledger Clerk)</td>
<td>270 0 0</td>
</tr>
<tr>
<td>K. Cruickshanks (Jr. Ledger Clerk)</td>
<td>165 0 0</td>
</tr>
<tr>
<td>S. Wells (Messenger)</td>
<td>0 6 5 per day</td>
</tr>
<tr>
<td>J. Bown (Typist)</td>
<td>0 6 6 per day</td>
</tr>
<tr>
<td>Mrs. Williamson (Office Cleaner)</td>
<td>0 13 4 per week</td>
</tr>
<tr>
<td>Telephone Charges</td>
<td>0 10 0</td>
</tr>
<tr>
<td>Electric Light</td>
<td>0 2 6</td>
</tr>
<tr>
<td>Letter Box</td>
<td>0 9 0</td>
</tr>
<tr>
<td>Wood</td>
<td>0 2 1</td>
</tr>
<tr>
<td>Health Rates</td>
<td>0 3 0</td>
</tr>
<tr>
<td>Inspector Brown (Including Travelling Allowance, £173)</td>
<td>420 0 0</td>
</tr>
<tr>
<td>Steele do. do.</td>
<td>420 0 0</td>
</tr>
<tr>
<td>McKenzie do. do.</td>
<td>420 0 0</td>
</tr>
<tr>
<td>Smith (Part time Inspector, 10s. per day)</td>
<td>60 0 0</td>
</tr>
</tbody>
</table>

FIELD STAFF.

<table>
<thead>
<tr>
<th>£</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inspector Brown</td>
</tr>
<tr>
<td>Steele do. do.</td>
</tr>
<tr>
<td>McKenzie do. do.</td>
</tr>
<tr>
<td>Smith (Part time Inspector, 10s. per day)</td>
</tr>
<tr>
<td>Grand Total</td>
</tr>
</tbody>
</table>
Your Commissioners are reporting at some length on their inspection of the Narrogin district, as their opinion the method of conducting the affairs of the Bank in this district furnish the clearest evidence of the urgent need for the re-organisation of the country branches and field work of the Bank.

Prior to leaving Perth, arrangements had been finalised with the Bank for an inspection of the district, and various organisations such as the Primary Producers' Association, Returned Soldiers' League and Wheatgrowers' Union had been consulted and notified of the date the Commission would visit the various centres in the district. These associations made the necessary preparations for their representatives to be in attendance at these centres for the purpose of giving evidence. Your Commissioners advertised in the Perth and local Press for their itinerary and invited evidence.

During the Commission's visit to the district, evidence was taken from the following witnesses:

- **Branch Manager**—Mr. C. D. Mitchell.
- **Field Inspectors**—Messrs. L. R. B. Smith; O. R. P. Wellard; L. E. Whitford; O. W. Edie; F. M. Collett; A. M. McMartin; P. W. K. Doig; T. W. Box; G. H. Birt.
- **Road Boards**—Mr. C. D. Simpson, Chairman, Waroona Road Board; Mr. J. J. Macdonald, Secretary, Karalun Road Board.

**Area of district and the various farming operations carried out thereon.**

The district has an area of 12,000 square miles, being 7,650,000 acres, and extends from Darkan on the west to the lake areas on the east, a distance of 200 miles, and from north to south a distance of 30 miles.

There are 1,095 Bank clients in the district and 953 settlers outside the Bank. The district includes some of the best wheat and sheep lands in the State, and, of course, has its proportion of fair to poor country.

The Great Southern Railway runs through the district from north to south. On the west from Narrogin there is a train service to Bulluburra via Williams and Collin, and one to Perth via Dwand and Paljarra. On the east there is a railway service to Murchison by two loops, one through Corrigin, the other through Kununin. From Wagin, the railway on the west joins up with the Bunbury line from Narrogin and in the east the railway extends from Wagin to Newdegate via Lake Grace, with a spur north from Lake Grace to Rock. The main sheep country is west of the Great Southern Railway, as far as Darkan in the south and Bannister in the north. On the east of the line the sheep country extends about 15 miles. This belt is really sheep and cattle country, although the Bank has, year after year, allowed, or maybe compelled, its clients to grow wheat on this land with an average yield of under 9 bushels to the acre.

Beyond the 15-mile belt before referred to, the country is suitable for wheat and sheep, and this extends as far as Hyden Rock in the north and Newdegate in the south. Many of the wheat farmers also run flocks of sheep.

In the sheep and oats section of the district, the well-known merino studs of Messrs. Dunshe, Hardy, Hilgum, Barrett-Lenard and Russell are established. The wheat and sheep country is capable of carrying an infinitely greater number of sheep than it carries at present.

Right throughout the district there is a universal demand from all classes of settler in all parts of the district for finance to provide for—

- more clearing,
- more fencing,
- rabbit netting,
- water conservation,
- purchase of sheep.

And had the Bank possessed the foresight, when moneys were available, to throw unprofitable wheat farming overboard, and provide their clients in the sheep and oats country with the above-mentioned requirements, the financial position of the Bank and its clients would be much sounder than it is to-day.

This course was not taken; uneconomical wheat-growing was insisted on, with its resultant loss.

The policy of the Bank was "what has been, must be." The officials could not recognise that all parts of the State could not grow wheat.

The main movement of settlement was eastward from the Great Southern Railway and for some years on this country, say 15 to 20 miles east of the line, wheat was grown successfully, but after three or four seasons the land became exhausted and would not grow profitable crops of wheat. It is essentially land for the growing of oats and will provide pasture for sheep, particularly so, if the cleared and cultivated lands are top-dressed with superphosphates.

On the farm of a client of the Bank, your Commissioners inspected stocks of meadow hay and stacks of silage containing in all 50 tons produced from 27 acres of land. The top dressing consisted of the application of 60 lbs. of superphosphate, which was spread over the land before the grasses had made a shoot. The paddocks were grazed until the end of July, when a further 60 lbs. of super was applied. The paddocks were then closed and mown for hay by the end of September or the first week in October according to the season. The hay is carted and stacked the day after being cut. This settler has been top dressing for the last seven years. The soil in the paddocks was of a light texture and the land was ordinary red gum country as is found west of Narrogin.

There is a butter factory established at Narrogin, and many settlers in the flush season of the year send sufficient cream to the factory to provide themselves with money to pay their store accounts during that period of the season. But very few of them are enterprising enough to establish a reserve of silage and/or meadow hay for summer feeding of their cows. With cows, the side lines of pigs, poultry and eggs are added.

Your Commissioners are of opinion that a fair proportion of the middle west country could be more profitably used than it is at present. Elimination of wheat growing, smaller paddocks with top dressing, hard work on the part of the settlers and intelligent control by competent Field Inspectors, would double the income of the settlers. The indolent settler must make way for the man who will work.
In this part of the district the Bank has allowed the pastoral firms to obtain control of the wool pro-
duction, and at the present time the Bank finds the land and improvements, obtains no interest on the capital invested, and the pastoral firms find the sheep, a certain amount of assistance for the farmer, and take the profits.

In making this statement your Commissioners offer no hostile criticism against these firms, but would suggest that there has not been any intelligent handling of the position on the part of the Bank for many years. Although the Bank has absolute control over the settler, it takes no interest whether its clients consign their wool by road or rail, or whether such clients sell their wool privately or send it to Fremantle for auction at the stores.

Approximately 15 miles east of the Great Southern Railway there is a marked improvement in the soil, and wheat growing in years of normal prices becomes profitable on first-class land, and the better sections of second-class land. As previously remarked, many of the wheat farmers run sheep, but those who, during the years of good wheat prices, relied on wheat alone, are now asking for finance to fit their farms for sheep. Again, in the opinion of your Commissioners, this evidences the short view of the Bank. When money was plentiful it was again lavishly devoted to the extension of wheat lands, even north-east and north; in uncertain rainfall country, and no thought was given to consolidating the Bank's holdings in the more certain rainfall areas.

The loss of the Bank's activities into the lake areas, with the problem of Newdegate awaiting solution, forms the subject of a latter portion of this Report.

The Narrogin District will be one of the best assets of the State, but in order to save any margin of security, the Bank must find more capital which must be judiciously expended.

**Kukerin District.**

There are a few settlers south of Kukerin whose main cropping lands are in a drainage area. It has been found that the clearing of the land northwards has resulted in a considerable body of water being carried down the depression and flooding their farms—the same set of circumstances is occurring east of Dumbleyung on the Narrogin Estate. These settlers at Kukerin ask that the flooded lands be reclassified and allowance made to them for the improvements effected on their flooded lands. Your Commissioners are of the opinion that the request of these settlers be favourably considered by the Bank.

**Kalgoorlie District.**

In the year 1921 areas at Kalgoorlie and Hyden Rock were thrown open for selection for returned soldiers; these areas were 45 miles from Kondinin. The settlers allege they were promised a railway from Kondinin in the near future. A railway was opened from Lake Grace to Hyden Rock in 1928. Without railway communication, the financial position of the settlers had become so serious that they could not successfully grow wheat with such a long haul to Kondinin.

During the years without a railway, when prices were good, the costs of production were too heavy. Since the railway was extended to Hyden, the price of wheat has been 2s. 6d. and under 2s. They have never had a chance to make good; they have simply been going down. Your Commissioners suggest to the Bank that the request should receive their favourable consideration.

**ADMINISTRATION.**

The office from which the whole activities of the district are conducted, is situated at Narrogin. This town is on the north-western fringe of the district.

In order to understand this anomaly, two factors must be appreciated. The first is that the main growth of the settlement was eastwards from the Great Southern Railway on which Narrogin is situated. The second is that the Bank could not adapt its methods to the rapid development.

The district around Narrogin was mainly sheep and oats, but as the settlement progressed east, wheat growing became the governing objective. This extensive wheat growing area still had to be controlled from Narrogin in the opinion of the Bank's officials.

The Trustees could not recognise the altered conditions, and decided that Narrogin must remain the centre. We could find no suggestion from Head Office or District Office that the administration was unwieldy, and that any new branch office should be established.

In the year 1921-22, the Narrogin office was established. Mr. Mitchell of Narrogin, was appointed branch manager, with accountant, clerks, typistes, and files. The Field Inspectors were stationed through the length and breadth of the district, no quarters or telephones being provided for them. They, themselves, had to find their own accommodation and provide room for the files. The distribution of the staff was as follows:

- **Narrogin.**
  - Branch Manager.
  - 2 Field Inspectors for West and Middle-West areas.
  - Accountant.
  - Clerks.
  - Typistes.

- 6 Field Inspectors—1 at Kondinin, 88 miles; 1 at Wagin, 31 miles; 1 at Lake Grace, 103 miles; 1 at Newdegate, 140 miles.

The above mileage is by rail from Narrogin.

- 1 at Lake Carmody, whose quarters there are 15 miles from railway at Hyden Rock, Hyden Rock being 163 miles from Narrogin by rail.
- 1 at Lake King, whose quarters are 40 miles from Newdegate, which is 116 miles by rail from Narrogin.

If these Field Inspectors wish to communicate by telephone with Narrogin, they must use a neighbour's or a public telephone, and Narrogin cannot communicate with them directly by telephone. In the case of Lake Carmody, this would be impossible, but in every other case, there is telephonic communication with the various centres, such as Kondinin, Lake Grace, etc.

The following table shows the assets of the Bank within the control of each Field Inspector:

<table>
<thead>
<tr>
<th>Area</th>
<th>Active Settlers</th>
<th>Abandoned or Repossed Farms</th>
<th>Outstanding Principal</th>
<th>Outstanding Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>Narrogin, West</td>
<td>182</td>
<td>28</td>
<td>170,600</td>
<td>48,970</td>
</tr>
<tr>
<td>Narrogin, East</td>
<td>174</td>
<td>15</td>
<td>247,493</td>
<td>51,106</td>
</tr>
<tr>
<td>Kondinin</td>
<td>135</td>
<td>25</td>
<td>333,072</td>
<td>107,276</td>
</tr>
<tr>
<td>Lake Grace</td>
<td>141</td>
<td>45</td>
<td>292,918</td>
<td>81,854</td>
</tr>
<tr>
<td>Newdegate</td>
<td>82</td>
<td>32</td>
<td>197,652</td>
<td>31,900</td>
</tr>
<tr>
<td>Lake Carmody</td>
<td>99</td>
<td>25</td>
<td>58,043</td>
<td>5,772</td>
</tr>
<tr>
<td>Lake King</td>
<td>71</td>
<td>24</td>
<td>45,831</td>
<td>7,618</td>
</tr>
<tr>
<td>Wagin</td>
<td>190</td>
<td>11</td>
<td>290,855</td>
<td>46,992</td>
</tr>
<tr>
<td>Harrismith</td>
<td>129</td>
<td>24</td>
<td>237,106</td>
<td>80,641</td>
</tr>
<tr>
<td>Kukerin</td>
<td>60</td>
<td>7</td>
<td>113,772</td>
<td>19,867</td>
</tr>
</tbody>
</table>

1,468 234 1,857,317 £308,625

The Field Inspectors form the connecting link between the settler and the Branch Manager. All the business of the Bank from Head Office to settler, or from settler to Head Office, has to pass through the District Office and Field Inspectors.

One file is kept at Perth, one file in the District Office, and a file is also kept by the Field Inspector.

The system of the Bank may have been more or less applicable to the conditions when the Bank was pursuing a sound policy of advancing a certain percentage value for improvements made on the land by the settler. However, the Bank took upon itself a policy of financing seasonal credit for the settlers, or if it may be it had this policy forced upon it by Parliament, and still retained it.
its old methods of business, such methods became a tragedy for the settler and taxpayer.

Many instances were given in evidence of timely applications for harvest machinery. The expected amount of harvest machinery might be expected to have been arranged for some four or five years; towards assisting the staff and obtaining greater efficiency, it appears desirable that a change in certain cases, to some other branch should be effected.

Economy.—It is extremely desirable that where farmers are operating under more than one of the Agricultural Bank, the Industries Assistance Board accounts, arrangements be made to amalgamate the several accounts into one consolidated account; it is recognised that the separate accounts are at present governed by various Acts of Parliament relating to the Bank and its allied institutions, difficulties in carrying out this suggestion are also recognised, particularly in obtaining a uniform rate of interest and conditions of repayment, but as the results of such amalgamation of accounts both in efficient handling and saving in cost of administration, appear undoubtedly, the various accounts should be amalgamated even though amendments to the various Acts be found necessary.

Branch Management.—The impression formed is that the branch should be managed by an officer with a sound knowledge of office routine and of the duties usually associated with a branch manager's position; the present Branch Manager is popular and all the necessary qualifications for an outside man, he is conscious of the fact that his knowledge of office management is limited and that his services could be utilised to greater advantage in supervising inspection work and control of the Bank's securities. It is highly desirable that the control of the office be entirely vested in an officer fully conversant with Branch management and office routine. In the event of a Branch Manager being relieved of outside management, it is suggested that a senior inspector be appointed from among the field staff at present employed in the district, and his present work distributed over the remaining inspectors. By a reorganisation of this nature, the services of the senior clerk in the Branch Office, could be dispensed with, and a further reduction in staff effected by the amalgamation of accounts on the lines suggested above.

Receipt of Moneys by Field Inspector.—Evidence taken from Inspector L. R. B. Smith disclosed that money is received by that officer from Bank clients, no acknowledgment is given to the person concerned by the Inspector, who pays such money to a branch officer who is expected to forward official receipts to the farmers. The system is very unsatisfactory, being both unfair to the field officer and the Bank client; suitable official receipts should be issued by all field inspectors under such circumstances.

Transfer on Sale of Abandoned Farm.—In the course of an inspection of the Branch accounts, an instance was noted where an abandoned farm had been sold by the Bank, no debit or credit voucher having been made out and the ledger account in connection with the property still remained in the name of the former owner; apart from the question of security the transaction should have been duly recorded by the necessary entries in the books of the Branch.

Branch Correspondence.—The Manager of the Branch is away from the office for three weeks at a time and in the aggregate is away from the office between three and four months of the year. During those periods the management of the Branch has to be conducted by the Accountant; correspondence relating to the business of the Branch, addressed to the Manager in his private capacity is not opened by the Accountant, and in consequence delay in answering such correspondence usually follows, to the dissatisfaction of the Bank's clients.

Interviews with Bank Clients.—Complaints have been made by farmers in evidence that they have discussed their business with Branch officials at the public counter, as no other accommodation was provided. It is suggested that such interviews should take place away from the hearing of the general public and that the
Manager's room is perhaps the best place for such interviews with Bank clients.

With reference to the general competence of the Branch Manager and Field Inspectors, these matters are dealt with in our general report.

If the farming operations of the settler are evidenced by the average yield per acre of wheat, then it does not speak well for the control of farming operations by the Field Inspectors. If the land will not produce a better average yield per acre than it does in certain areas of the district, then the Trustees, Branch Manager and Field Inspector should be able to explain why wheat growing thereon was financed from year to year and the inefficient settler retained.

The Managing Trustee stated the Bank did not wish to turn men off and have more abandoned farms on their hands. This answer does not explain the drift in time of good prices for wheat and wool.

Several of the Inspectors when pressed on these matters, alleged that they frequently reported men on the farms, but no notice is taken of their reports by Head Office. The men reported were allowed to stay on and be financed by the Bank. A most striking case was brought under our notice by Field Inspector Smith, Toody. The men, brothers, applied for and obtained a farm to be worked jointly. The farm was divided into equal parts by road. The partnership was dissolved (AB), one of the brothers retained one portion of the farm and his brother's portion was taken over by one (C). The Inspector states that the portion retained by (AB) is, if anything, the better part of the land.

(C) works hard, pays his way with the Bank and is making good. (AB) is extravagant, does not work, does not pay his way and he is drifting badly. Each year he asks for his file to be sent to Perth when his application for assistance is being considered. He visits Perth each year with the result that Head Office directs that he is to be carried on.

When the Farmers' Debts Adjustment Act was passed, it was anticipated that when the merchants refused to carry a man on, the bank would take this opportunity to getting rid of undesirable. But instead of doing so, when a man was turned down by his creditors under the Farmers' Debts Adjustment Act, the Bank still continued to retain him on his property and provide him with sustenance.

Your Commissioners regret to say that they cannot find any evidence of co-operation between the Department of Agriculture, Branch Manager and the Field Inspectors. The Director of Agriculture (Mr. Sutton) alleges that there is such co-ordination, but the Field Inspectors deny it.

There is no regular system of yearly review of the accounts by the Branch Manager with his Field Inspectors. When bad accounts are reported by the Field Inspectors to the Branch Manager, he only investigates such cases. No yearly inspection is made of the securities held or their value, either by the Branch Manager or by Head Office in conference with the Branch Manager. The Field Inspectors, unless they receive special instructions in particular cases, act on their own initiative. They are supposed to visit each settler once a month. The records kept by them are:

1. A list of settlers visited, containing names and dates with a record of mileage travelled.
2. Field Book containing untabulated information of cropping operations, and stock and plant.

The Branch Manager rarely inspects these books. If he did he would require much time to extract information from them. Many of the settlers stated in evidence, that the visits of the Field Inspectors to their farms were more or less a matter of form, and theyreceived no advantage from them.

The settler who requires Bank sustenance for the year, files in and completes a return of his proposed expenditure and anticipated income for the year. This is sent in to Narrogin and the Field Inspector makes a report thereon, also a report in respect of the securities. As no yearly review is made, these returns are of little value and are placed in a file and never referred to.

Under its statutory lien over crops, the Bank receives the balance of the crop proceeds after payment of liens for super and comebacks. It retains a year's interest, if available, and pays the balance, if any, to the settler. The Bank does not supply the settler with any detailed statement of account for the year and many of them bitterly complain that they do not know how they stand. This system destroys the money sense of the settler and destroys confidence in himself. In many cases, however, the settler is so heavily involved that so long as he is allowed to stay on the farm and is given sustenance by the Bank, he will go on working and does not care whether he ever sees an account or a statement.

In some cases the wheat merchant or Pool, under instructions from the settler, pays liens for super, comebacks, machinery instalments, etc., and one man's interest to the Bank, then reclaims the balance with a statement of account to the settler. These cases are few and only occur when the settler is not over-loaded with indebtedness to the Bank.

The effects of Section 37A as it is called, which gives to the Bank a statutory lien on the crop, are dealt with in Part 6 of the general report.

FINANCE.

All finance is conducted by Head Office. Consequently, the money sense of the Branch Manager and Field Inspectors has become atrophied. A certain amount of collection is done by Field Inspectors. The monies are sent to Narrogin and remitted to Perth by that Office.

ABANDONED AND/OR REPOSSESSED FARMS.

There is no system adopted by the Bank for dealing with farms on their hands.

No register of particulars of the farms is kept at the branch office; no methods of advertising are adopted. No commission is paid by the Bank on a sale, therefore land agents, who generally find buyers, are not interested. No means of inspection are provided for a proposed buyer. If there is a buyer, and the inspector is going out that way, he can take the buyer with him, but as the Inspector has to pay for his own petrol, he will not make a special journey out for such inspection.

When tenders are called and a farm is not sold, there is no conference between Head Office and Branch Office for the fixing of price and terms. The amount actually due to the Bank for principal and interest and accommodation interest, is the reserve price. The Bank calls it a sale if a purchaser pays transfer fees but no deposit, and a bank entry is made of the transaction. No effort is made by the Branch Office to keep the rabbits down on these farms and they only become a nuisance to surrounding settlers as they afford breeding grounds for the rabbits. This matter is also dealt with in our general report.

ROAD BOARD RATES.

There are nine road boards operating in the district.

Agricultural Bank clients rarely pay their rates now, and of course require the roads maintained. The Bank tells the road board they have no responsibility for payment, and the Government say they have no money. The boards say that without revenue they cannot maintain the roads, and were it not for the associated banks finding the rates of the clients, the boards could hardly function. The associated banks are wise in finding the road board rates for their clients, as it must be realised that without roads, the value of the security is destroyed. The Agricultural Bank cannot protect its securities in this wise way so pitiable has its financial position become.
The working of this estate is a standing example of the resultant evils of the present administration. No strict financial control and settlers allowed to plunder on learning their farming by costly mistakes.

The rabbits are bad, netting must be provided, judicious writing down done to the good man, and effective supervision given. The misfortune to the west heart and are dependent of the future. Your Commissioners believe that if they were given an equity in their farms and some opportunity for themselves and their children, they would make good.

**REPURCHASED FARMS.**

The same remarks apply to many of the farms scattered through the district purchased for returned soldiers.

**Lake Areas.**

These areas comprise a strip of country running from Lake Carmody in the north to Lake King in the south, a distance of approximately 100 miles. It is an area of salt lakes with the typical melaleuca and boora growing on the lands surrounding them.

Your Commissioners are informed by the Trustees that they advanced money in these areas before the provision of transport was definitely arranged. At the present time £25,879 has been advanced, and there is an amount of £15,729 secured interest.

There are 137 government settlers in the area, and 49 abandoned farms.

The belt of first-class country in the area is narrow, except for some extensions eastwards at Holts Rock and Lake Cathleen. The extreme width would not be more than four miles. On the best it is bounded by salt lakes and on the east by scrub plain of no value.

Fresh water is only obtained in small quantities, say, 1,000 gallons a day from certain wells which have been found by boring, at the base of large granite outcrops. Though much boring was done very few wells have been found.

The Bank ceased advancing for improvements when a soil survey, directed by Dr. Teakle, proved that the major part of the area contained too much alkali for successful wheat-growing, but the Bank has been advancing for assistance, cropping requisites, and cartage subsidies, in order to maintain settlers on their holdings.

On the publication of Dr. Teakle's report, many farms were abandoned. The settlers who have remained on are a very fine type and the State should not lose them.

The lake area, for the purpose of Bank administration, is divided into the northern area, Lake Carmody to within seven miles of Lake Varley. This area is under District Inspector Collett. Lake Varley and Lake King are known as the southern area, and run from the southern boundary of the northern area to 30 miles south of Lake King. This southern area is in charge of Field Inspector Martin.

The average carting distance from the areas to the railway, in the northern area Hyden Rock and in the southern area Newdegate, is 41 miles. The Government has allowed a carting subsidy of $12. a ton a mile to a 15-mile radius from rail head.

The settlers at Mount Madden must be given carting subsidy to Newdegate; at the present time these farmers within a carting distance of 30 miles of Newdegate are allowed the subsidy only if they cart to Ravensthorpe. Under the circumstances, these men are penalised by—

(a) Having to take 2d. a bushel less for their wheat at Ravensthorpe than they would receive at Newdegate.

(b) Having to go to Newdegate for their superphosphate or else pay for having it carted for them.

The freight on super to Ravensthorpe via Hopetoun is prohibitive; if the cartage subsidy is to be continued, then it would be in the interests of the Bank to allow cartage subsidies to Mount Madden farmers for carting their wheat to Newdegate.

Your Commissioners took evidence at Mr. Bolton's farm on the north end from representative settlers there. Evidence was also taken at the half at Lake Varley from the settlers in the central parts of the district, and at Lake King from settlers representing all
the district including Lake Kathleen. The evidence which was taken proved that at the present time every part of the area cropped showed the same good returns. That is whether the crops were on affected or unaffected lands.

Some small patches of salt were observed, but such patches were of very limited extent, but Mr. Wright, one of the witnesses at Lake Osmoony, stated that there were very many patches of salt which were extending and he expected to lose the whole of 100 acres.

The average wheat yield was from five to six bags, and in some seasons nine bags had been obtained.

The settlers have every confidence of success, provided permanent transport is provided. They state that at present they cannot make wheat growing pay, even with the carting subsidy, and they ask for money to be provided for further cleaning, fencing and water conservation, as both sheep and cattle do well in the district.

For the purpose of considering the advisability of providing permanent transport by rail, your Commissioners will assume that the settlers are right in their contention that, despite Dr. Teakle's report, the land is good wheat-growing country. As we have said, the crops produced and the grass have been seen, and it is not only good wheat land but it is good pasture country also and if there was no alkalinity problem and the area of first-class land was double what it is, we might suggest to Parliament the advisability of constructing a railway. If such a railway were constructed, it would have to run eastward from Hyden Rock and then down south either east or west of Lake Carmody and 15 miles south of Lake King. This would make a dead-end, unless the railway continued either south-east to Ravensthorpe or else taken across Lake King to Newdegate. In the latter event, the railway, after crossing Lake King, would go through 30 miles of the worst type of scrub plain country. The area of good country, apart from the alkalinity problem, is of too limited extent to justify the construction of a railway, the freight to be earned from this limited area would not pay the running expenses, much less interest on capital expenditure.

We need hardly say that, if Dr. Teakle is right, then the construction of the railway is not to be seriously considered.

The general consensus of opinion amongst the settlers was that if there was no hope of permanent transport by rail, they would not stay on the holdings, as the cartage subsidy is not sufficient to make wheat-growing pay, and even with the carting subsidy and no hope of a railway, the district is too remote, no telephone, no schools, no medical attendance, and they will abandon.

The new management should give attention to the consideration of the lake area problem.

The settlers there are a fine type and should be informed as soon as possible what the policy of the State and the Bank is to be in respect of this settlement. It may be the area of the holdings will have to be increased and rabbit netting and stocking with sheep, wheat areas converted into grazing areas.

Newdegate.

This area comprises approximately 100,000 acres and has been formed for the last ten years. It is a type of country similar to the lake areas, and when your Commissioners, as attested from the evidence submitted to them that salt was giving trouble and causing anxiety among the farmers, it was decided to inspect the farms affected. Dr. Teakle and the Field Inspector of the Bank, Mr. Birt, are watching the salt development very closely. The opinion of these gentlemen is that the occurrence of salt will be confined to the depression forming the drainage areas to the salt lakes, and to the local depression in which are found clumps of large borse. They are of the opinion that the patches of salt found in many paddocks will not expand—your Commissioners trust that they are right.

The development of the salt problem at Newdegate has been reported from time to time to the Trustees of the Bank; therefore, close attention must be given to this area.

Certain settlers at Newdegate are losing lands by salit. Mr. Orr has lost 700 acres and Mr. Jones 120 acres. These settlers ask that the land be reclassified and the amounts they have expended in improving these lands be written off the amount due by them to the Bank.

There are certain settlers at Lake Magenta who will have a case before the Commissioners. Lake Magenta is 25 miles from Newdegate and the settlers there have to cart from 22 to 30 miles to that centre. With wheat at present prices the production of wheat is prohibitive. The farms are all well improved, but the settlers say they must have sheep to carry on; and the area is good sheep country. The settlers ask for the following:

(a) Clear more land.
(b) Provision of rabbit netting and wire for fencing external boundaries.
(c) Wire for subdivlslonal fences.
(d) Purchase of sheep.
(e) Water conservation.

They say they will do all the fencing work, and if provided with a suitable plough they can excavate the dams.

It appeared to your Commissioners that it would be good policy to accede to the request of these settlers.

APPENDIX No. 5.

Northam District—Agricultural Bank.

The Northam District of the Agricultural Bank comprises an area of 8,540,590 acres.

The district extends from Pingelly in the south to Buntine in the north; from Childlow's Well in the west to Cunderdin in the east. It is managed from the central office at Northam. A thrust of settlement north, east and west has left Northam in the south-east corner of the District, and we suggest that the office be moved to a more northerly situated station, or in the site of the railway, the north-western area should be cut off and attached to the Geraldton District.

The district comprises many types of country suited to various types of farming. From Northam to Childlow's Well it is mixed viticultural, with orchards, a few dairies and intense culture. From Northam to Pingelly's Well it is mixed viticultural, with orchards, a few dairies and intense culture.

The southern portion contains the well-known Avon Valley lands, Toodyay, York and Beverley—wheat and sheep; Beverley to Pingelly—wheat, oats and sheep; Northam to Grass Valley—wheat and hay; north and east—wheat and sheep. The country in the north and north-east suffers from a falling off of rain in the latter end of the season, but with good faller, this danger is greatly lessened.

FINANCE AND SETTLEMENT IN THE DISTRICT.

It is, of course, well known that the oldest settlement, and some of the richest lands in the State surround York, Northam, Pingelly and Beverley, and are situated in south-eastern part of the district. As the thrust of settlement was made north, north-east and east of Nor-
tham, the majority of the clients of the Bank have settled in these portions of the district.

There are 1,305 active settlers, including 226 on the Industries Assistance Board, and 61 abandoned farms. The amounts owing from Agricultural Bank clients on properties in possession and abandoned farms are as follows:

<table>
<thead>
<tr>
<th>Principal</th>
<th>Interest</th>
<th>£</th>
</tr>
</thead>
<tbody>
<tr>
<td>993—Agricultural Bank</td>
<td>...</td>
<td>957,389</td>
</tr>
<tr>
<td>429—Soldiers’ Settlement Scheme</td>
<td>32,167</td>
<td>113,742</td>
</tr>
<tr>
<td>276—Industries Assistance Board</td>
<td>225,953</td>
<td>41,164</td>
</tr>
<tr>
<td><strong>£1,098,612</strong></td>
<td><strong>£259,323</strong></td>
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Of the 1,205 farmers in the district, there are 973 wheat and sheep farmers, 64 on abandoned wheat propositions, 48 orchardists, and 10 who go in for dairying and intense culture.

Of the 973 wheat and sheep farmers, 514 have their properties fenced, watered and stocked. Each of the remaining 429 settlers could supply 300 sheep on his farm if the properties were fenced and watered. It is estimated that to enable him to do so £150 would have to be expended for water conservation, £350 for subdivision and other fencing, and £150 for sheep.

In the season 1931-32 the area cropped in the Northern district was 872,923 acres under wheat, 112,483 acres under oats, and 30,361 acres under barley.

The crop harvested was 10,125,119 bushels of wheat, 2,935,521 tons of hay, 1,485,523 bushels of oats for grain, 11,851 tons of eaten hay, and 71,769 bushels of barley. The acreage sold per acre was 11.8 bushels of oats, 14.07 bushels of oats, and 11.4 bushels of barley. These figures apply to all the farmers of the district, numbering 2,909, of which 763 are Agricultural Bank clients.

The District Manager Fauclancy states that 75 per cent. will have to be written off the indebtedness before the position can be cleared up at all, and 50 per cent. will have to be written off abandoned farms. Twenty-five holdings are seriously affected by salinity, and there are 20 holdings showing strong indications of salt.

**REPURCHASED ESTATES.**

There are 12 repurchased estates in the district, namely Bucklands, Sitters, Quelgating, Wongamingle, Glenfields, Wilding, Hilgading, Avondale, Daugh, Moulin, Glowering, Jeeleford.

1—Bucklands Estate.

There are 16 settlers in this estate, the total indebtedness being £45,906. When the estate was subdivided it was anticipated viticulture and orchards could be successfully established, and many small blocks from 60 to 100 acres were surveyed. The only active settlers who established vineyards on these small blocks, there being 12 in number, are W. W. Andrews, and No. 6 among the documents attached to this report is a report from Field Inspector Low, of the expenditure and income on these properties for the last four years, which shows that the settlers are not making a living there, and cannot pay interest or principal. We have therefore suggested that the remaining blocks be consolidated into one holding, or if this cannot be done, the blocks be added to any adjoining large holding on the estate.

The balance of the estate is subdivided into areas for mixed farming, and as there were complaints from the soldier settlers as to the price charged them for the land, your Commissioners inspected a fair average block occupied by Mr. Quarmannvale. This settler is a good man, has his property in first-class order, and his stock are a credit to him. The land is land to medium, very little heavy wheat land on it. On his present indebtedness including overdraft, the land has to bear a load of £12 10s. per acre, which it cannot possibly carry.

The estate was purchased at 60 6s. 7d. per acre, and the average price charged was £3 12s. 11d. per acre to the soldier settlers. By the time clearing, fencing, water conservation, house, stables and outbuildings were erected, the capital cost was beyond the productive value. This estate, like so many other repurchased estates, was purchased at too great a price, and there must be a writing down, otherwise there will be abandonments.

The estate, of course, has good proximity value, being within ten miles of Northam, and adjacent to siders.

2—Sitters Estate.

This estate is at Geomalling, and as in the case of Bucklands, values will have to be adjusted to the productive value.

On the road from Northam to Beverley, your Commissioners inspected this estate, particularly the property of Mr. Brewerton. There are various salt patches breaking out on this settler’s property. The main one was about 90 acres in extent, and was in the middle of a flat paddock of good country, lying between two watercourses. The water-course to the northwards showed salt badly, and the trees along the bank of the water-course were not doing. This was not so marked on the water-course on the southern part of the paddock.

Your Commissioners suggested to Mr. Brewerton that he should take levels and drain this flat country into one of the water-courses, and when this has been done he adopt the plan being carried out by Mr. Hedges of Koobarra, who put furrows down about 8 inches deep and about 12 feet apart throughout the affected area, and the soil turned up from the furrow was subsequently planted with Wimmera Rye Grass. Mr. Brewerton said that he had no money with which to carry out this experiment. Your Commissioners informed him that we did not think the Government would attempt to deal with the salt problem, and it would have to be left to individual settlers.

The account of this settler stands as follows:

**£**

Acreage: 1,900 acres; purchase price: £3,853; amount due to the Agricultural Bank: £7,055, and interest owing: £46. The country is nice land, giving five bags to the acre, with a carrying capacity of 1 sheep to 3 acres. Your Commissioners estimated the value of the block without salt at £2 15s. to 23 per acre. It is very hard to say what depreciation will have to be put on the property by reason of the presence of salt, and this cannot be done until the salt has defined itself.

2—Quelgating Estate.

There are 6 settlers in the Quelgating Estate. The purchase price paid by the Government for the property was £21,177 3s. 9d. The purchase price to the settlers was £21,851 18s. 6d., and at the present time the total indebtedness of the Estates, including purchase price, Agricultural Bank advances, and overdue interest was £35,074 at 30th June, 1933.

The average indebtedness of the six settlers is £5,825—the financial position of the settlers on these figures is hopeless.

**BRANCH MANAGEMENT.**

The management of the branch is at present controlled by Mr. Fauchere, who is relieving Mr. Murrell (away on sick leave). Mr. Fenn is branch accountant, and there are nine Field Inspectors supervising the following subdistricts:

- R. S. Brown—Kalannie and Pithara (alternate weeks).
- W. B. Hooper—Balidin.
- A. Whiteford—Koorda.
- H. Forward—Delhallaun.
- W. B. Parker—Dowerin.
- E. Sugden—York.
- E. P. Whitefield—Kerrollocking.

Judging from the accounts and the arrears of principal and interest due on some, it would be thought that the management of Mr. Murrell must have been very lax.

Field Inspector Whiteford of Koordina appears to possess more than the average intelligence that we have met with in some of the Field Inspectors. The Field Inspector Low furnished us with some excellent classifications of some of the properties visited.

**PROMISES.**

The Bank rents part of the Lands Department premises. The building is centrally and adequately situated, and appears to be in a satisfactory condition.
The portion of the building occupied by the Bank is quite suitable for the purpose. Fittings and conveniences appear to be in accordance with requirements. The strong-room accommodation is sufficient to allow of the Bank's books and documents being placed therein.

CASH

The cash is entrusted to the teller who holds a key to a small safe set apart for the teller, which is kept in the strong-room, and at times, in addition, he holds the key of the strong room door. This, for obvious reasons is highly undesirable.

The holding of cash in the safe varies from small amounts to larger amounts, the latter during the harvest portion of the year. Payments of amounts due by clients and to, are almost invariably made by cheque.

All cheques should, immediately on receipt, be encased with the Bank's rubber stamp, thus affording some protection in the event of loss or theft of cheques.

RECEIPT BOOKS.

Official receipts are issued for the receipt of money by the teller and field inspectors. The receipt books issued to field inspectors are changed twice per month.

AUDIT OF ACCOUNTS.

The audit of accounts is carried out by an officer of the Audit Department. The Audit Inspector's report dated 25/10/33 mentions various irregularities which, if not satisfactorily explained, reflect seriously on the management of the branch, covering omissions on account of tenders received, the suspected illegal disposition of wheat, omissions in regard to general office routine, and negligence in collecting moneys stated to be due by merchants and others. Pending receipt of response to the various questions raised, full comment on the various matters must necessarily be deferred.

FILING.

The filing of correspondences is controlled by one officer. The indexes are indexed, files outwards and inwards are recorded, and the Accountant stated that to his knowledge in twelve years only one file has gone astray.

INSURANCE.

Current insurance covering Bank stationery, furniture, fittings, etc., is stated to have been effected by the Head Office.

INTEREST PAYMENTS.

Amounts received under the Bank's statutory lien are first paid into a suspense account; later the amount due to the Bank on account of interest, etc., is credited to the client's interest account, the balance, if any, being made available to him. In the event of the amount held in the suspense account being greater than the sum due on account of the statutory lien, the Bank's client does not obtain the advantage in respect of interest in regard to the latter money.

UNSOLD ABANDONED FARMS.

Interest Account.—A list of dates when farms were abandoned has been prepared, together with particulars respecting principal and interest outstanding as at 30/6/33.

Interest is charged half-yearly on the total amount outstanding in respect of all abandoned Agricultural Bank farms. When the Bank has decided on a reserve sale price, below the amount of the client's indebtedness, in respect of an abandoned farm, the Bank has obtained the charge interest on the total indebtedness.

The indebtedness on properties has been written down, interest has been charged, on the written down or reduced amount.

<table>
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<tr>
<th>One Instance Noted—Farm Abandoned 1930:</th>
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<tr>
<td>Agricultural Bank—Principal due</td>
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<tr>
<td>Agricultural Bank—Interest due</td>
</tr>
<tr>
<td>I.A.B. Funded Debt</td>
</tr>
<tr>
<td><strong>£1,377 2 6</strong></td>
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The Bank fixed a Reserve Price of £500, but interest is still being charged on the amount outstanding, viz., £1,377 2 6.

ABANDONED AGRICULTURAL BANK FARMS

The District Manager advised that when a farm is abandoned, an Inspector reports to the District Office on the class of improvements and loose assets; the District Office adds particulars of indebtedness and forwards the whole to Head Office for the opinion of the Trustees. The Trustees decide whether tenders shall be called for such property. If tenders are invited they are made returnable to the District Office. When tenders are to hand, the Trustees decide which tender shall be accepted. If the accepted tender is less than the amount of the Bank's advance, the difference or balance, is written off by the Trustees. Head Office advises the District of the action taken.

A file containing particulars of abandoned farms is kept, but full information respecting abandoned farms has not been recorded in a register.

It was suggested that particulars respecting abandoned farms, loose assets, etc., be kept on cards with an index card, in the names of debtors and districts, permitting of ready production of information.

FIELD INSPECTORS' REPORTS.

Field Inspectors supply the District Office with a monthly journal of duties on printed forms, and separate reports in respect of each farm visited are forwarded to the District Manager, as the Field Inspector may determine. The journals of duties are checked by the District Manager. No record, however, appears on the Inspectors' monthly journals of what transpires on the occasion of such visits. It is considered that this information should be included.

INDUSTRIES ASSISTANCE BOARD ACCOUNTS.

The funded I.A.B. accounts are recorded in the branch accounts as "Bad and Doubtful Debts." The amounts outstanding on Industries Assistance Board accounts are kept entirely separate from those of the Agricultural Bank.

The District Manager advised that any loss on realisation of securities is first sustained by the Industries Assistance Board. The Agricultural Bank being the first mortgagee received the purchase money and the surplus, if any, over liability to the Agricultural Bank is paid over to the Industries Assistance Board. Any loss incurred by the Industries Assistance Board in connection with the realisation of security is the direct concern of the Treasury, the Agricultural Bank being only involved with any loss sustained in respect of Agricultural Bank accounts.

REGISTER—BILLS OF SALE.

A system has been recently introduced under which particulars of each Bill of Sale have been recorded on cards.

It is the intention of the Bank, through the Field Inspector to check annually the items over which the Bank has a Bill of Sale, and a form of report for that purpose has already been printed, the object being to compare Branch Office records with the Field Inspectors' reports. No uniform system of check of Items under Bills of Sale was made previously at Branches, and it does not appear that any records of such schedules were kept at the District Office.

A comparison in this connection made at time of visit, disclosed that the Inspector's report showed one horse less than was recorded in the schedule under the Bill of Sale.

The Branch is proceeding to complete the check, time and pressure of work precluding such check at the present.

DELAYS IN DELIVERY OF SUPER.

The District Manager stated that in regard to the delay in the delivery of super this only occurred in those cases where an announcement of Government
policy was awaited. Orders for super which required a Bank guarantee were despatched early in February, but the final decision was frequently dependent upon Government policy in respect of the necessary finance, and delays naturally occurred in such cases.

STAFF.

The Acting District Manager has been relieving Mr. A. Morrell for a period of four months. The Acting District Manager advised Managers absent from the office the Accountant is responsible for the conduct of the business of the Branch. The Accountant has control of the Staff.

The Accountant stated that during months of the year, the staff were working at ease, but during the remainder of the year, particularly during the three months ending 31st March, the staff were very fully employed and worked, on an average, eight weeks’ overtime, or an aggregate of 864 hours.

The following paragraphs give particulars of the accounts under the control of each Field Inspector:

Inspector Parker.—125 Bank clients and four abandoned farms.

He estimates the cost between £500 and £900 to a settler for machinery implements, and £500 for a team of horses.

Seventy of the settlers under him have sheep and 50 of the settlers depend on wheat alone. The average yield for his district is 12 to 15 bushels. Of the 60 farmers not running sheep 20 could now stock, and 20 would have to have water and fencing provided.

Inspector Whitfield.—112 active accounts, eight abandoned farms.

Of the 112, one half have wheat and sheep. The others depend on wheat alone. Before the latter could stock up with sheep, water conservation and fencing would have to be provided.

Inspector Whiteford.—131 Bank clients, nine abandoned farms.

All the clients have wheat, and 20 have sheep. Many of the settlers are not at the state where they could stock up with sheep. The men with wheat and sheep are not worrying about their position.

Of the Agricultural Bank settlers 52, or 42 per cent., owed at 30th June, 1933, interest for one year. Of these 32 owe one year’s interest only and 16 of them have paid up a year’s interest. Of the others, 24 will meet their statutory obligations, and the remaining 2 have no crops. About 50 or 41 per cent. owe one to two years’ interest. Of these 36 should meet statutory claims, 13 should meet a portion, and five have no crops. Of those who have lost less than one year’s interest 24, or 19 per cent., will pay in full.

Inspector Whiteford has a number of new settlers. His district is extending northwards. Settlers in his district are an excellent type.

Of the 20 doubtful accounts, the prospect of collection in 18 is reasonably good. Of the 111 settlers who have not any sheep, 20 or 30 are ready for them. Of the balance, expenditure required would be £150 for draught, £300 for fencing, including subdivision and paddocks. The country would carry one sheep to four acres.

Some of the very bad accounts are of those who have suffered from a number of crop failures. Some men should be in better country.

The average wheat yield for the last five years on the farms of Agricultural Bank clients in the district has been 10 bushels to the acre, in a rainfall of less than 12 inches. Of the nine abandoned farms, two are useless.

Inspector Low.—Stated that there were 179 Bank clients under his control. Six have vineyards, three dairy farms, the balance being wheat, or wheat and sheep. 80 of the settlers are without sheep. He classifies the properties as 75 good, and 40 second or third class. Of the latter, 30 are unfit for wheat cultivation. They are mostly in the Chillingar District.

In respect of the repurchased estates and many of the other holdings, the liability owing on them is greater than the capacity of the farms to meet the debt. ‘Until recently we were not aware of the liability on the original holdings, although in control of them for over 12½ years the only way I could learn something of the settlers indebtedness was by sighting their accounts when taking their annual declarations.’

Inspector Chapman.—This Inspector of Pingelly has 178 Bank clients under his control.

The district is sheep end oats. 60 good men pay their interest and installments regularly; of the remaining 153, 93 are fair, but the accounts of the remaining 15 are bad.

The rabbits in the district are bad. At the present time the stock firms get the bulk of the money from the proceeds of the sheep. There is a considerable number of cases of toxic paralysis reported in this district.

By reason of the failure to pay interest the average wheat yield is only nine bushels. Some of the farms were at first abandoned 15 years ago. Until the advent of the Royal Commission they did not have a list of abandoned farms.

Inspector Sugden.—This Inspector controls 155 accounts, including those relating to abandoned properties. Of the Bank accounts, 40 are good, 33 are doubtful and 33 are bad. Of the 25 small accounts, 24 are good, 15 doubtful and 5 bad.

Securities will have to be written down, but he cannot say to what extent. All but six of the settlers are farming wheat and running sheep.

INSPECTION OF VARIOUS ACCOUNTS.

Various Individual Accounts were inspected.

The following documents have been filed for reference, marked ‘Northam Report’:

1. List of properties over-capitalised in the area controlled by Field Inspector Low.
2. List of settlers and particulars of refunds made in discharge of statutory claims.
3. List of bad and doubtful debts and value of securities in Inspector Chapman’s district.
4. The like in Inspector Whitfield’s district.
5. The like in Inspector Sugden’s district.
6. Copies of reports made by District Manager Parkes in respect of various properties.
7. Estimates of income and expenditure for four years of two settlers, H. M. Anderson and R. C. Andrews, properties—Backlands Estate.
8. Particulars of properties in possession.
9. Return of properties where action taken for enforcement.
11. Schedule of tenants and the amounts owing in the respective districts of the Field Inspectors.
13. List of witnesses examined. (Particulars attached to this Appendix).

EVIDENCE.

Evidence disclosed four serious matters in the district:

1. Loss of sheep by toxic paralysis.
2. Ravages of pasture being occasioned by the red-legged mite.
3. In the north-east area the damage to farming lands being occasioned by the spread of wild turnip.
4. Rabbit invasion.

Mr. Ross Moore, the representative of the Primary Producers’ Association, said that in the Avon Valley and Toodyay Districts, the red mite had reduced the carrying capacity of these lands for sheep to 42 per cent.

The Department of Agriculture had sought to obtain assistance from the Council of Scientific and Industrial Research. That body said they could do more effective work in this State, if a laboratory and research building were provided for them here, and we would suggest that this accommodation be provided, as
the red-legged mite is gradually spreading throughout this State. On return to Perth your Commissioners examined Mr. Sutton, and his evidence in respect of these menaces is worthy of perusal.

TOXIC PARALYSIS.

The Agricultural Department has established an observation station at the farm of Mr. Blood at Mockering. Many opinions were expressed among the witnesses as to the cause of this disease and there was a strong consensus of opinion that it was occasioned by the fact that the red-legged mite and rabbits had the pick of the pastures. These pests ate the small green shoots and tender particles of food leaving the coarse fibres for the sheep, thus causing a deficiency in phosphates and proteins. Mr. Sutton gave evidence on this point at pages 538, 3 and 4, and see annexe No. 9—Report of Field Inspector Sgodion.

WILD TURNIP AND RABBITS.

These menaces are so general that we have commented on them in Part 1 of the Report.

GENERAL OBSERVATIONS.

At Dororina the evidence of Messrs. Malley, Bradley and Everett was most informative. Mr. Malley who farms 12,000 acres, said that the fall in wheat prices had not affected him so seriously as it had other wheat farmers. He was well established in horses, sheep, cattle and pigs, before the calamitous fall occurred. He advocated the provision of fencing and water to enable the wheat men to stock up.

Messrs. Bradley and Everett were two Agricultural Bank clients nominated by the Bank to give evidence. These settlers by hard work and thrift had kept their principal instalments and interest paid up to the Bank. When they were asked how they could do it, when so many of the other clients of the Bank fell into arrears, they said that they could not play tennis and take joy-rides through the week, and had to do odd jobs on their farms on Sunday. Further, that so many of the Agricultural Bank settlers had ample time for sports through the week, and never lifted a hand on Sunday to do a bit of work. This evidence affords a striking commentary on the lax supervision of the Bank's officers in the past.

These settlers acknowledge that many of the Bank's clients had been allowed to drift to such an extent that they were now overburdened with debt. They claimed that if any writing down was to be done, the thrifty Bank client was entitled to the same benefits as would be extended to the unthrifty one.

Inspector Whiteford, Koorda, said that the settlement in his sub-district was being pushed north, and the new areas took up so much of his time that he could not devote the necessary attention to the more southern clients of the Bank as he would like to do. His field books were a model of what a Field Inspector's books should be. When asked how long it would take him to make a valuation of the securities of the Bank in his district on a classification basis he replied—24 hours.

We did not inspect the York, Beverley and Pingelly districts, as they are well established. Inspector Chapman of Pingelly informed us that from Pingelly west to Wandering, wild turnips had taken possession of the district. He stated that he had repeatedly brought before his Head Office and the Department of Agriculture the spread of this pest, but no action was taken by any authority to compel the farmers to keep this pest in check. The northern and north-eastern areas of the Northam District exhibited the same problem, arising out of the want of foresight and the lax management of the Trustees.

(1) In these parts of the district owing to the rainfall falling off in September and October, following and good farming were essential. Advantages were made to all comers, and no effective supervision was maintained.

(2) Advances were made in light lands which proved economically unproductive. No effort was made to turn these lands to account by provision of fencing and water for sheep.

(3) Inefficient farmers allowed to remain too long on their holdings.

(4) Arrears of principal and interest allowed to accumulate, thus taking the heart out of the settler when prices fell and he considered his liabilities.

(5) No discrimination in Industries Assistance Board advances. These advances were made year after year on a cropping basis, and the yields only yielded an average of under nine bushels.

(6) Plant and horse-power allowed to become ineffective, causing bad farming.

(7) No reserves maintained by the Bank for this purpose.

(8) The Trustees not benefiting from experience gained from Bank and Industries Assistance Board settlers, and failing to eliminate the inefficient and non-paying settlers.

The administration has been tightened up in this district since the advent of Mr. Paulcker. There will have to be a conditioning of the principal and interest monies due, and probably a writing down. The above-mentioned must be dealt with. Stricter supervision, re-conditioning of the plant, and the provision of horse-power, are all necessary.

The far northern area cannot be dealt with from Northam. There are very many bad accounts in the district but we quote one case of a farm we inspected at Spencer's Brook. In December, 1931, the Trustees approved a sale of a property formerly held by Wells Bros. to E. R. and E. M. Wendt for £5,185. The property, comprising 1,600 acres is supplied by the railway. To admit of a sale at this price, £2,175 of interest was capitalised and 1937 of interest written off. This meant that interest of over £2,000 had been allowed to get into arrear.

The Wendts took over possession in December, 1931, and have remained in possession ever since. All that they have paid is a sum of £75 for transfer fees. At the present time they are running 10 horses, 51 head of cattle and 300 sheep under Bill of Sale to Dalgety's.

The District Manager for Northam reported to Head Office in November, 1933, that some action should be taken, and on the 12th December, he again reported, but at the time of our visit in January, this year, nothing further had been done. Since the Wendts have been in possession, £459 for interest has accumulated. This is one of the worst cases of neglect we have found, but there are hundreds of cases very nearly as bad.

The inspection of the northern portion of the Northam area was postponed until your Commissioners were returning from their inspection of the Geraldton District.

Your Commissioners completed the inspection of the Geraldton District at Mullewa, left there by train on Saturday, the 24th March at 2.30 p.m., arriving at Dalwallin at 11.30 p.m.

The country is very fair to patchy south of Mullewa to Cann, when the country improves. Gatha appears to be the centre of a fair extent of wheat land.

Three Inspectors were in attendance at Dalwallin, namely Inspector Forward, Dalwallin area; Inspector Groom, Kalannie area; and Inspector Hooper, Bullulin area.

DALWALLINU AREA.

This area comprises an extent of country 16 miles north to south, running from Maya in the north to Minnie in the South, and has an average width of 20 miles, each side of the Wogram Mullewa Railway Line.

There are 132 active settlers and 10 abandoned farms. The principal monies due by the Agricultural Bank settlers is £205,930, with accrued interest thereon to 30th June, 1933, of £29,698. The principal due on the abandoned farms is £27,576, and interest to the same date is £2,307.

Of the active settlers, 40 carry sheep, the average number of the flock being 300. Of the remaining 76
farms the whole of whom will require fencing and water before sheep can be carried. The Inspector estimates the average cost of such provision would be £130 to £150.

The heavy country, when cleared and improved, would carry one sheep to three acres, and the light country, one sheep to eight acres. The farming pian is in a bad way, and horse-power is deficient. The Inspector estimates the average cost of replacement at £200.

Post:
Wild Radish is the principal weed pest, and there is an appearance of Wild Turnip at Nungodgou, Rabbits are not troublesome; neither are insects or foxes.

The Inspector is a returned soldier and is apparently suffering from a nervous breakdown. Your Commissioners were not at all satisfied with his work, and cannot place any reliance on the estimates he gave, or the information furnished by him.

The average rainfall in the district is 14 inches and the average wheat yield is 12 bushels and 10 bushels for oats. The Inspector could furnish your Commissioners with no other statistics. He submitted an estimate of the good, doubtful, and bad accounts which your Commissioners cannot accept as his knowledge of the district and of his clients appears to be fragmentary. He has been in the district only two years.

Your Commissioners inspected certain Bank properties on the line from Nungodgou to Wudin, including the properties of Messrs. Collins, Klein, Leibo and Schultz. In the first three cases, the security is well supported by a second mortgage with the Bank of New South Wales.

The last property is in a precarious position. The amount owing is £3,748 principal and £2075 interest. The acreage is 1,837 acres, of which 1,030 acres are cleared, 800 to 800 first-class land. The average wheat production is 10 bushels.

After inspecting these properties, your Commissioners went west, across the line, and inspected the repurchased Soldier Settlement Estate (Glowery's). The Bank has only three properties left on this Estate; two abandoned farms (Messrs. Barnes and McLaren) and one active settler, namely the Estate of the late J. W. Finister, which is administered by his son.

The Barnes property comprises 2,001 acres, being 1,000 first, 500 second and 301 third. 800 acres are cleared, but part of the land is going back to scrub, as it was light country which is being cleared.

The property is fenced on its outer boundaries with six wires, and is subdivided into three paddocks with three wires. There is a small weather-board homestead but no other buildings. The good land is not in a solid block, but runs out on all sides into irregular patches of scrub. There is no water supply, but a bore has been placed, and there is good stock water at 40 feet.

The rent due on the property is £8,604, and the arrears of interest are £347. There is £4,647 due for purchase money to the Lands Department. Your Commissioners inspected this property, and in their opinion it is not a good property. It requires provision of water, completion of sub-divisions fencing, cleaning up of the cleared land, erection of homestead and building. Your Commissioners estimate the value of the property at £30/- per acre.

McLaren's property consists of 1,066 acres, 800 first, 900 second, 110 third, and 361 third. 800 acres are cleared, one dam, which has gone salt. On return to Dalwallin your Commissioners inspected the same, and found that 1,000 acres had been abandoned. One dam, which has gone salt. On return to the property at £2,000, and 522 third, of 2,322 acres. One dam, which has gone salt.

The rent due on this property is £2,055, with accrued interest of £2,314. In addition there is an amount of £410 due for the Lands Department for rent.

Your Commissioners estimated the value of this property at about £2 per acre; there is a fair homestead, but no other buildings.

When your Commissioners went on the property they found that a hay-stack had been burnt, no harness, the machinery in a most dilapidated condition, and no horses. It was a surprise to the Inspector to find the place abandoned. One drill was found, and it was evident that the machinery had been removed by the tenant. They were passed through small numbers of fire and improvements on all properties, except Bony's, are not in a good condition. Bony's property and the property of O'Dea and Townsend are under second mortgage to the Bank of New South Wales but the Bank of New South Wales is not paying Agricultural Bank interest on the properties.

The Inspector informed your Commissioners that all the properties west of the line consist of light land. If they are poorer than the properties east of the line, then the Bank may anticipate making heavy losses on same.

When inspecting McLean's property, which consists of 2,322 acres, 1,109 acres first-class, 700 acres second and 522 third, it was found that 1,000 acres had been cleared. The amount due on the property is £2,055, with accrued interest of £2,314. In addition there is an amount of £410 due for the Lands Department for rent.

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Your Commissioners estimated the value of this property at about £2 per acre; there is a fair homestead, but no other buildings.

When your Commissioners went on the property they found that a hay-stack had been burnt, no harness, the machinery in a most dilapidated condition, and no horses. It was a surprise to the Inspector to find the place abandoned. One drill was found, and it was evident that the machinery had been removed by the tenant. They were passed through small numbers of fire and improvements on all properties, except Bony's, are not in a good condition. Bony's property and the property of O'Dea and Townsend are under second mortgage to the Bank of New South Wales but the Bank of New South Wales is not paying Agricultural Bank interest on the properties.

The Inspector informed your Commissioners that all the properties west of the line consist of light land. If they are poorer than the properties east of the line, then the Bank may anticipate making heavy losses on same.

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The average rainfall is 14 inches.

The land in the district ranges from heavy forest soils to light lands of medium quality, which, however, run into poor scrub plain in the western boundary. The Inspector estimates there would be two-fifths of good land and three-fifths of light land. Very few of the securities would be entirely light land farms.

There are 110 active settlers, the principal outstanding being £137,449, with secured interest to 30/6/33 of £21,825. There are 10 abandoned farms, with principal outstanding on some of £20,924.

With regard to the active settlers, the position is as follows:

- Cleared land 127,900 acres, cropped for wheat 36,492 acres, cropped for oats 2,083 acres, area on the farms for 1933-34 season 33,735 acres. Horses 883, cattle 267, sheep 15,083, pigs 718.

Of these settlers, 46 carry sheep, and the properties of 73 are not ready to carry sheep. The average cost of providing water and/or fencing to enable them to do so would be £300.

The country is mostly watered by dams, but many wells are now being put down.

Inspector Hooper states that for many years he has been pressing the District Office to make provisions for fencing and water for the farmers who were not carrying sheep, but nothing has been done. On the 16 abandoned farms there is due £20,924 for principal, and not one of these is in a position to carry sheep.

During the whole time of his inspectorship, the Trustees, as far as he is aware, have not visited his area.

With wheat at 3/- and wool at 1/-, the Inspector estimates that 60 per cent. of his accounts would be good, 30 doubtful and 10 bad. He states that the Bank has been too lenient in the past. He has reported men has lenient, but in no case has any action been taken. He further says that the verbal instruction from Mr. Morrell, the District Manager at Northam, was to leave the men on the farms.

The district appears to be a sound one, but with a district average yield of wheat at 12 bushels, it would appear that it would have been more profitable if grown oats and stock up with sheep. 35,000 acres under wheat and 2,000 under oats, with 127,900 acres of cleared land, and only 14,000 sheep—the figures speak for themselves as to the unproductive use to which the land is being put.

It would appear that Head Office, with their ey. on the outer settlement as usual, could not find time to consolidate the position of the Bank in a solid area such as this district.

Many of the accounts require investigation. The Inspector reports that most of his clients are good men, but if prices do not improve there will be many abandoned farms. The farming machinery is deficient, and requires reconditioning. The headquarters of the Inspector are at Ballidu, and there is no telephone at quarters.

Rabbits are not troublesome at the present time, but wild radish and wild turnip are occasioning trouble.

Kalananie Area—Inspector Groom:

Inspector Groom is one of the best Inspectors met by your Commissioners during their inspections. His district extends from eight miles east of Pithara and Dalwallinu, running across to Lake Hilliwa in the east, south to Kirwan siding, and north to the northern boundary of the Murchison Miners’ Settlement. It embraces an area of approximately 980 square miles, and covers a great extent of sound country.

The country is broken, and there appeared to be too great an area of light land which has had to be taken up to get a sufficient area of forest land. This necessarily makes the light lands an overhead burden until they can be brought into productivity. The country is badly watered; the land is not good holding ground for dam, and although supplies of well water are being found, it is beyond the financial ability of the ordinary settler to bore for water, much less to sink wells if water is struck.

The majority of the settlers are not well established, and there will be many abandonees unless some large measure of relief is given.

The headquarters of the Inspector are at Kalannie, the present terminus of the line north from Anovye Junction.

Part of the Murchison Miners’ Settlement is within this Inspector’s area. The other part of the settlement is in the district of Inspector Whiteford. Including both districts there are 29 settlers—18 under Inspector Groom and 11 under Whiteford. Of the 18, there are only nine original miners left in the settlement, and five of these are away at the Murchison at their own occupations, and have left their farms on share-farming. The other properties have been taken up by ex-livingston.

The Inspector does not regard the settlement as a success. It is situated too far north from Kalannie to make wheat payable. There is 25 miles to cart, but will be all right if the Kalannie line is extended north.

The principal part of the country north of Kalannie lies between two lakes, and extends for a distance of 24 miles with a width of 24 miles. The first seven miles from the borders of the lake consist of very fine country, soil of light texture and inclined to be fluffy. It then runs into salmon and gum flat country and extends for a fair amount of light country has had to be taken up with the forest country, as the surveyors were instructed that there must be 1,000 acres of first class land in each district.

There are 121 active settlers in this district, principal moneys due being £151,526, with outstanding interest to 30th June, 1933, or £21,306. Of these settlers 28 are running sheep, with an average flock of 400, and 30 are without sheep. There are six abandoned farms, 13 farmers under the Farmers’ Debts Adjustment Act, three under Trustees, and two under management.

The principal moneys due on the abandoned farms are £13,572.

Of the active settlers, 48 are tractor farmers, 17 horse and tractor, and 30 horse alone.

Water difficulties account for the number of tractor farmers.

The total number of sheep carried is 12,560; with the provision of fencing and water this number could be greatly increased. Your Commissioners would suggest that the Bank should instal its own boring plant in these areas, and then provide money for the change-over. The Inspector estimates that this change-over would cost £300 per farm, exclusive of the provision of stock.

The average cleared is 113,480 acres, of which 48,319 were sewn for wheat and 17,056 for oats. 29,218 acres have been followed for the ensuing harvest.

There are 415 horses, 232 cattle and 292 pigs in this district.

The Inspector takes the keenest interest in his work, and is recommended to the new management.

Your Commissioners left Dalwallinu at 9 a.m. on Tuesday, the 27th March; went east to Kalannie, then south of Kulja, east of Jiangalun, then turned back and after passing through the very fine property of Kennedy Bros, Many Agricultural Bank securities were passed through, but your Commissioners had not time to inspect any. There are in this area many fine areas of rich wheat lands.

On the property of Meagre, Nixon Bros., 3,000 acres produced 21,000 bags of wheat. These farmers are tractor farmers, and have a well-developed holding.

Your Commissioners did not go north of Kalannie, as the tracks were bad. Inspector Groom gave a description of the country, and reliance can be placed on his report. Your Commissioners found him very accurate in all the information he has furnished, and he has an intimate knowledge of his district.

He states that unless the farmers are encouraged to remain on their properties, there will be grave aban-
ments next year. He further informed your Commiss- 

ioners that in most cases the men are quite content to battle, but immediately the womenfolk get discontented, that is the end. Most of them live under most primitive circumstances, and he thinks that if the Bank intends to carry the settlers on they should certainly provide decent living for the wives and families.

Rabbits are not bad in the district, but there is a bad spread of wild radish, and wild turnip is showing badly around Kulja.

The following is a list of documents supplied to the Commission by Northam Branch:

Exhibit No. 62:
1. List of repurchased estates, with particulars and aggregate amounts due thereon.
2. Statement of Inspector Whitfield of Koorda showing the amounts due by settlers in his area, and particulars of some of the bad accounts.
3. Statement of Inspector Whiteford of Koorda, showing similar details for his district.
4. The like, Inspector Forward's district.
5. The like, Inspector Hooper.
6. The like, Inspector Groom.
7. The like, Inspector Sugden.
8. The like, Inspector Parker.
10. The like, Inspector Low.
11. The like, District Manager Fauckner.
12. Summary of Inspectors' schedules.

Exhibit No. 64:
A statement showing on a percentage basis the relation between interest and principal, and also percentage of interest payments under discharged statutory liens, number of accounts where no interest payment made, and number of agreements fully discharged.

Exhibit No. 65:
Statement showing the interest outstanding in multiples of 250.

Exhibit No. 66:
Statement showing the area seeded this year, fallow, respective yields, etc.

Exhibit No. 67:
Statement showing first year's operations on the special Miners' Settlement Scheme, north-east of Kulja.

Exhibit No. 68:
1. Return showing the various road boards within the Northam area, i.e., the name of each board with the area. (Completed 6/1/34.)
2. Copy of returns of doubtful accounts reported on by myself to Head Office.
3. Return of the number of properties on which action taken towards enforcement of the security from 1924 onwards. Also a return for similar action from 1922 to 1930. (Office records.)
4. Number of years over which this interest has accumulated, particularly showing the interest accumulations between the years 1922 and 1929, when good prices were ruling for wheat.
5. Refunds made ex payments received in discharge of our statutory claims, name of settler, amount of statutory claim, amount of refund; cows, pigs, etc., held by these settlers, and whether they have gardens to assist them in home maintenance.
6. Number of bills of sale over sheep held by Department, name of settler, amount advanced, number of sheep purchased, number of sheep at present held, payments made to Department ex wool proceeds or sheep sales.
7. Number of settlers running sheep subject to a bill of sale to a stock firm. Name of settler, number of sheep held, amount of bill of sale to the firm. Any moneys paid to this Department ex wool proceeds or sale of sheep.
8. Cost of implements used on a farm cropping, say, 500 acres. Name of each implement, with cost.
9. Return of number of settlers running cars and trucks.
10. Statement regarding writing down, Slater's Estate.

List of Witnesses examined. (Previously referred to in this Report.)

Road Boards—A. Atikea, Chairman Koorda Road Board.
Farmers—N. M. Brandt; G. S. Bradley; W. P. Calli- 

name; G. E. Everitt; L. G. Fenwick; P. A. Hewitt; T. L. Lodge; R. A. Moore; J. M. Matthews; J. A. Maisey; A. G. N. Quartermains.
APPENDIX No. 6.

Kununoppin Branch—Agricultural Bank.

The district under the control of the Kununoppin Branch of the Agricultural Bank contains 3,840,000 acres of land. It is bounded on the south by a line running east and west 20 miles south of the Dryning-Kununoppin-Nungarin railway line; on the east the district is bounded by a line which passes north between Nukarni and Nokarni Siding on the Kununoppin-Merredin railway, and Boobranook and Baladjie Siding on the Bencubbin-Bullfinch railway, and further north as far as settlement extends; thence west to a point north of Cleary Siding on the Bursklin-Bowrie-Rock railway; thence south past Cleary Siding and between Yelbeni and Nembudding Siding on the Merredin-Kununoppin-Wyalkatchem railway to a point 20 miles south of this railway.

FINANCE AND SETTLEMENT IN THE DISTRICT.

There are 1,395 settlers in the district, 1,043 of whom are Agricultural Bank clients. The amounts owing by Agricultural Bank clients on account of the Agricultural Bank, Soldiers' Settlement, and Industries Assistance Board, at 30th June, 1933, are as follow:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal</td>
<td>£2,737,382</td>
</tr>
<tr>
<td>Interest</td>
<td>£297,299</td>
</tr>
<tr>
<td>Agricultural Bank</td>
<td>£2,084,481</td>
</tr>
<tr>
<td>Soldiers' Settlement Account</td>
<td>£19,706</td>
</tr>
<tr>
<td>Industries Assistance Board</td>
<td>£425,407</td>
</tr>
</tbody>
</table>

Total: £3,053,630

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>REPOURCHASED FARMS</td>
<td></td>
</tr>
<tr>
<td>Agricultural Bank</td>
<td>£89,160</td>
</tr>
<tr>
<td>Soldiers' Settlement Account</td>
<td>£87,359</td>
</tr>
<tr>
<td>Industries Assistance Board</td>
<td>£77,768</td>
</tr>
</tbody>
</table>

Total: £254,218

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grand Total</td>
<td>£1,007,854</td>
</tr>
<tr>
<td>REPURCHASED ESTATE</td>
<td>£297,199</td>
</tr>
</tbody>
</table>

INTEREST—COLLECTIONS.

The Roseholme Estate is the only repurchased estate within the Kununoppin Agricultural Bank District. There are eight settlers on the estate, the total indebtedness being:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal</td>
<td>£16,451</td>
</tr>
<tr>
<td>Interest</td>
<td>1,491</td>
</tr>
</tbody>
</table>

Collections of interest between the years 1922 and 1929 have been unsatisfactory; unpaid interest has accumulated until 30th June, 1933, an amount of £225,500 was outstanding on account of 1,043 settlers, and £70,000 on account of 104 abandoned Agricultural Bank properties, being an average of £217 in respect of the former and £679 the latter.

The reasons advanced in the evidence of the Branch Manager, Accountant of the Branch and Field Inspectors, for the failure to collect interest, are many and varied. The Branch Manager maintained that during the years 1922 to 1929 the Industries Assistance Board handled the crop proceeds of Industries Assistance Board clients, ignoring the fact that a number of farmers who were not Industries Assistance Board clients failed to pay interest on advances during that period.

Inspector Burdon declared that failure to pay interest was due to farmers making further farm improvements with funds which should have been paid to the Bank in respect of interest charges.

Inspector Atkinson stated that the Bank did not press for payment of interest and overdue instalments, and he was never instructed to do so.

Replies equally perplexing were received from other field inspectors; the fact remains that a huge sum representing unpaid interest remains uncollected. Reasons are advanced by those responsible for their collection, which are not convincing. The impression formed is that, during what is known as the good years, the Bank was entirely without fixed policy in the matter.

BRANCH MANAGEMENT.

The management of the Branch is controlled by Mr. E. A. Cook, who has occupied this post for a period of twelve years.

Mr. E. A. McPhail is Branch Accountant, and there are six Field Inspectors, supervising the following sub-districts:

Field Inspectors—L. G. Burdon, Cobbin District; F. T. Atkinson, Mulleebolin District; A. W. Bevan, Wilki District; M. K. Drinkworth, Campion District; F. E. Eddy, Goonmarin District; M. L. Austin, Nungarin District.

The Branch Manager advised that he was absent from his Office in carrying out inspections during 83 days in 1920-21, 85 days in 1921-22, and 41 days in 1922-23. During the period he was absent from the office, the Branch Accountant took charge, in accordance with his duty.

The six Field Inspectors attached to the office appear to possess character and ability equal to the average Field Inspectors interviewed to date, and to have a good knowledge of their districts and of farming generally.

Field Inspector Atkinson, although highly reported upon by the District Manager, does not appear to possess the personality and knowledge of the duties required by an officer in his position. In evidence he stated that he did not know the rate of interest charged by the Bank to its clients on principal money owing.

It is understood that Inspectors Eddy's wife holds land in her own name in the Nungarin District, upon which £2,353 has been advanced, and upon which an amount of £1,329 interest is outstanding. Such a state of affairs, irrespective of any explanation which might be advanced, places Bank officials in a false and embarrassing position, when pressing Bank clients for payment of interest and instalments.
Evidence was taken from the following witnesses:-

Messrs. E. A. Cook, ... District Manager, Agricultural Bank
F. A. McGrath ... Accountant, Kununoppin Branch.
L. G. Bardon ... Field Inspector
T. T. Aikman ... 
A. W. Bovin ... 
M. L. Austin ... 
M. E. Delahovorth ... 
F. E. Eddy ... 
A. N. Tisdale ... Farmer, Bonnie Rock
A. N. McKenzie ... Farmer, Bencubbin, representing R.S.L.
M. A. Thompson ... Farmer, Bencubbin
H. P. Hansen ... 
Walter Bagshaw ... Farmer, Welbourn; President Zone Council, Wheatgrowers' Union
H. W. C. Lacey ... Farmer, Mandalong, representing Wheatgrowers' Union
B. W. C. Hopwood ... Farmer, Bencubbin
R. B. Creagh ... Farmer, Kwelkin
S. P. Herbert ... 
T. C. L. Whitehorn ... Farmer, Kununoppin
G. M. Appleyard ... Farmer, Kununoppin
F. J. Stockton ... Farmer, Lake Brown
E. A. Handby ... Farmer, Lake Brown
M. J. Smith ... Farmer, Lake Brown
T. B. Cowper ... Chairman, Mulgindine Road Board
F. C. Laidler ... Member, Mulgindine Road Board
B. C. Nilson ... Vice-Chairman, M. Marshall Road Board
J. M. Felgate ... Secretary, Kununoppin-Traralgon Road Board
Mrs. L. M. Smith ... Lake Brown

EVIDENCE.

The evidence given by the District Manager was, apart from a few minor points, of little value to the Commission. In evidence the District Manager stated that the Bank had no record of the amount due to the Lands Department on account of the Ronchabul repurchased estate upon which the Agricultural Bank has advanced £15,451, and in respect of which £1,401 is due on account of interest.

To the question "Why was the drift in collections of interest allowed to continue?" the District Manager's reply was not convincing. He claimed that prior to 1929 the Industries Assistance Board took charge of all crop proceeds, and suggested, therefore, that the matter was then out of the Agricultural Bank's jurisdiction.

In reply to further questions he stated that Head Office did not ask why collections of interest were not made, and the Branch was not asked for suggestions regarding financing its clients in the district, and that they were expected to be sympathetic towards clients and to encourage them to get sheep.

The evidence submitted by Field Inspectors stressed the seriousness of the effects of alkalinity in soils in the districts where the Bank's securities were situated, and the extreme danger of farming morrel country. The inspectors emphasized the necessity of shallow cultivation and stocking to overcome difficulties in dealing with morrel country and this was borne out by Mr. S. P. Herbert, a farmer witness, nominated by the Bank, who, having a block of morrel country, stockaded his farm and as a result is carrying on his farming operations successfully.

The evidence submitted by former witnesses varied according to conditions under which the farmers were working. The successful farmers nominated by the Bank submitted evidence in which crop returns over a number of years averaged from 14½ to 23 bushels of wheat per acre. On the other hand, the evidence of farmers admitted as salt-affected soils at Lake Brown was a story of great endeavour, the result, however, being complete failure with heavy financial loss to the settlers, besides the loss of valuable years of life.

A feature of the evidence submitted by farmer witnesses nominated by the Bank was that, realising the limitations of the Agricultural Bank's operations and failures to advance for sheep, they were forced to obtain loans for this purpose from outside institutions, and claimed in their evidence that this action enabled them to attain success which otherwise would have been impossible.

FARM LANDS IN THE DISTRICT.

During a tour of the district made on the 13th instant, lake grown in the Lake Brown area, between that centre and Kununoppin were inspected.

In otherwise medium crops, the morrel land could be readily distinguished from other crop by excess of flag, and the stunted nature of growth. On large areas of morrel country, both red and grey, crops were very poor, and four farms in one group consisting mainly of morrel land return.

From information obtained both during inspection and in evidence, morrel lands after two years grow barley grass of substantial feed value, and therefore, with experience these lands obtained to date, a policy of stocking such holdings should be adopted, thereby making such lands productive.

From evidence given, the district represents, apart from the Saloon Guns Agricultural Bank District, the least satisfactory of the Bank's securities investigated to the present time. The evidence indicates that the districts of Lake Deborah, Lake Brown, Campion, Welbourn, and parts of the more westerly districts of Traralgon, Kununoppin, and Nirranda, are affected with morrel and excess alkalinity in soils, to such an extent as to render wheat production unprofitable, and the Bank, in exercise of its policy, has extended settlement into districts which were known to be doubtful wheat lands in 1914, when settlers abandoned the Lake Brown district through liability to grow crops. This territory has been again settled, and from the evidence wheat-growing in that district is unprofitable and will undoubtedly be discontinued.

From the foregoing it would appear that the evidence given by Inspector Eddy has some significance, that officer having stated that the Bank to his knowledge made no local inquiries before opening up new lands.

The action of the Trustees in again advancing money to induce settlement in the Lake Brown district, after experiencing a total abandonment of farms in that district in 1914-16 without exhaustive investigations, has caused great suffering to those settlers who have expended their savings and energy in farming land unsuitable for wheat growing, and will eventually result in severe financial losses to the State.

The following evidence was given by a farmer from South Lake Brown:

977. What is your acreage?—The block contains 1,900 acres. I took it up in 1927, from a returned soldier who was put into the asylum. I paid £500 for going in, and have since put £3,900 of my own money into the property. I am in a hopeless position, for everything has gone. Of my block 300 acres are of morrel country the remainder being gidgee and mulga with some gum. I have been advised by the Agricultural Bank Inspector not to clear it. In 1928, my first year there, I followed 800 acres, put 600 acres under crop, and got a return of four and one-third bushels. In 1929 I cropped 600 acres, of which 300 were on fallow, and I got a return of just over eight bushels. In 1930 I cropped 800 acres, of which 300 were on fallow, and I got a return of 13 bushels. In that year we had a good rain at the start and again at
the close. In 1931 I cropped 400 acres, of which 200 were on flour and, and I got a return of nine bushels. In 1932 I cropped 430 acres, of which 230 was on fallow, and I got a return of six and one-third bushels. This year, I cropped 327 acres, 225 being on fallow, and I got 3½ bushels.

2772. Was your fallow clean?—Yes, 50 per cent, of it was, but the remainder was dirty with barley grass. I was late in getting the crop in. Before taking up the land I had had no farming experience. According to Dr. Teakle's report, I have over 200 acres of salt. On that land the crop grows about a foot high and then dies away. Some of it does not germinate.

2773. What are your financial figures like?—Principal $3,975, interest to the 30th June, 1933, $283, and interest since then, to the 31st December, $76. I had no morrel country in this year's crop. I have it in fallow. I only skim the top of it.

2774. What is the use of cropping it if Dr. Teakle says it is full of salt?—We had heard that it would grow crops, I now have proof that it will not. It is full of salt and is bare as this floor. It will not grow even barley grass. As for the balance, Dr. Teakle said it was doubtful country.

2775. According to Dr. Teakle's report, could you get 100 acres of non-affected country in it?—Yes, there are two paddocks from which I can get crops of about five bags. One paddock contains 60 acres, and the other, 40 acres, and a third paddock, which is slightly affected, contains 150 acres. In the 80 acre paddock I used to get good returns, but last year I only got six bushels. This year I put it under stubble, and it did not go back, so I am wondering if I have brought up the salt by cultivation. My boundary is fenced with wire-netting, but I have no water for sheep. My dam has never been full, nor has the Governmenl dam. I have four Agricultural Bank horses, one being 23 years of age and another 27 years. I have a tractor but I cannot always afford fuel for it. I do not think a writing-off would do any good. I have asked to be shifted to another property where I could grow wheat. My unsecured creditors represent $282, and my total creditors, $1,577. On the Returned Soldiers' Settlement out there everybody is in the same position as I am.

2776. Is that the old civil servants' settlement?—Yes, Mr. McLarty said that the returned soldiers should not have been put on it. I have heard that a letter to the other set is signed by various people.

With regard to the many difficulties affecting the Bank's securities in the district, the absence of co-operation between the Agricultural Bank and the Agricultural Department is strongly stressed by inspectors and others. It is highly essential that this serious condition of affairs will not be permitted to continue. With a system of co-ordination between these two departments, the best results possible might be obtained, to the financial benefit of the State and the farmers.

**VALUE OF SHEEP.**

Of the 1,043 Agricultural Bank clients in the district, 176 have sheep, the total number in the district being 56,290.

The evidence given by Field Inspectors and farmers disclosed that only in very few instances were the purchase of sheep financed by the Bank, the settlers having to obtain same under stock mortgage, mainly to stock cattle.

The evidence submitted by the Branch Manager and Field Inspectors was to the effect that these farmers with sheep were in a much better position to pay interest than those confining their operations to wheat. They considered that sheep and wheat farming conjointly appear to be almost essential to produce a living and means to meet at least some of the recurring financial obligations. In view of these statements it is surprising that the financial of settlers to obtain sheep has been left to the stock agents, and not adopted by the Bank in the interest of its clients, and therefore, for its own protection.

In no Agricultural Bank district does the change-over from wheat production to wheat and sheep appear to be more urgently required than in the Kununoppin areas. The serious condition affecting the Bank's securities in the greater portion of this district through the shortage of rainfall, the poor yield on the extensive area of morrel country, and the presence, in certain large areas, of alkalinity in the soil, requires immediate consideration, with the object of changing over to a policy of mixed farming, with sheep farming to replace that of wheat in those cases where fencing and water supplies are available, and further advances made necessary to establish mixed wheat and sheep farming on those farms which, while suitable for the purpose, remain unfenced and without adequate water catchment. Inspectors stated in evidence that the settlers present are unable to pay water rates. The properties in these areas are for the most part sufficiently fenced to run sheep, and the provision of sheep on such holdings would enable settlers to pay water rates and materially assist them towards ultimate success.

**ABANDONED AGRICULTURAL BANK FARMS.**

There are 104 abandoned Agricultural Bank farms in the district, which, on the evidence of the District Manager, have been abandoned principally as a result of inability to secure water or the continuous recurrence of extreme drought to the presence of excess alkalinity in certain areas.

From the evidence it would appear that continuous publicity is not given to the fact that the Bank's properties are for sale, and that the Bank's agents have to bear the cost of taking prospective clients to inspect the abandoned blocks, little inducement is extended to likely buyers or lessees to visit the properties.

In this connection it appears that the Bank's organisation throughout the State should be utilised to its full extent in providing intending purchasers with every reasonable means of inspecting the Bank properties. A rigorous policy, including inducement by offering reasonable facilities for possible buyers of the abandoned properties to inspect same, should at once be introduced.

With reference to resale of abandoned Agricultural Bank farms, the branch manager stated in evidence that Head Office frequently sells blocks without reference to the local branch. From inquiries, it appears that information respecting the character and suitability of persons purchasing farms from the Bank is not obtained from the local branch. As the information referred to is generally available from the district officials, it is considered that such information should be noted by the executive before sale is effected, as some protection against the blocks being occupied by clients unsuitable for farming.

**KUNUNOPPIN BRANCH OFFICE.**

The branch premises, situated in a central and convenient position in the town of Kununoppin, are constructed of brick, with a roof of iron. The building is roomy, and ceiling being of cellulite board.

In the division into rooms, the district manager's and accountant's offices are placed farthest from the public counter, and no passage-way has been provided giving clients ready access to those offices, the public having to walk through the general office. The privacy is necessary for the working of the Bank's affairs.

**INTEREST COLLECTIONS.**

Inquiries disclosed that the rate of interest is—Agricultural Bank ordinary account 5 per cent. to Soldiers' Settlement 4½ per cent.; the rate charged on overdue interest, however, is 5 per cent. on both Agricultural Bank and Soldiers' Settlement accounts.

In regard to the Industries Assistance Board funded debt, the rate of interest is 5 per cent. No interest, however, is charged on overdue interest.

With reference to Agricultural Bank and Soldiers' Settlement debts, interest is charged on principal and also on unpaid interest in respect of principal, but no interest is charged on unpaid interest, that is, accommodation interest.
LEGENDS.
Loose leaf ledgers are used in the office. The balancing of ledgers is not carried out at any definite period. The balancing may sometimes be left for periods of three months. A regular period should be fixed.

ABANDONED FARMS.
There is no register or list of abandoned farms kept at the branch. The only information available is the relief reference to abandoned blocks made on the ordinary lists of clients in the district. Complete lists of abandoned properties should be kept either in registers or cards, in which full particulars respecting the properties should be kept, allowing of ready reference.

AGRICULTURAL BANK, I.A.B. AND S.S.S.
ACCOUNTS.
Accounts are opened in respect of each loan or advance made to clients. It is suggested that some scheme be introduced in order that all operations be through one account, and separate accounts could be conducted simultaneously for Soldiers' Settlement and Industries Assistance Board accounts, the interest to be debited up to principal half-yearly, as is the custom in trading banks. This would undoubtedly reduce work and allow of passbooks or statements of account being issued to the Bank's clients, and thereby stopping numerous complaints, because of paucity of information supplied in present statements.

HEAD OFFICE INSPECTION OF BRANCHES.
With reference to inspection of branches by Head Office, the accounts advised that inspections usually took three days; that no inspection had been made during the past 14 months, and that to his knowledge, while in Northam, no inspections were made during a period of two years.

APPENDIX No. 7.
Kellerberrin Branch—Agriculture Bank.
(Miners' Settlement, Southern Cross, Bullfinch Areas.)

The Kellerberrin Branch of the Agricultural Bank controls a district which is situated in the eastern wheat belt, and parallels the Eastern Goldfields Railway from the No. 2 Rabbit-proof fence at Cunderdin on the west to beyond O'Connell on the east, a distance of 142 miles in length. Its breadth varies from about 30 miles on the western end to about 70 miles at Southern Cross on the eastern end.

The centres embraced by this district are the following stations and sidings:—Wyola, Lively's Siding, Tammin, Bungulla, Kellerberrin, Woolundra, Dougall, Banock, Bannock, Bannockup, Walgolan, Currup, Boddallin, Noongrup, Nulla Nulla, Moria Rock, Kool's Siding, Southern Cross, Goolow, Coruntha, Perilya, Bullrich, Narla, Baladgi, Norpa, Coolgar, Koonadalgin, Olva, Koral, Nookaming.

Other centres not situated on railways and embraced in this territory are Yarrawakine, North Bannister, Westonia, Marral Lock, Woolley, Turkey Hill.

Evidence was taken from the following witnesses at Merredin and Kellerberrin on the 17th and 19th January, respectively:—Branch Manager, Agricultural Bank, Kellerberrin, Mr. L. D. Butfield; Field Inspectors G. P. R. Jennings, L. Cameron and R. Wilkes; Mr. W. H. Harding, Chairman Merredin Road Board; Mr. H. J. Barrow, Chairman Kellerberrin Road Board; Mr. W. J. Cohn, Secretary Merredin Road Board; and the following farmers: Messrs. L. T. C. Barnett, H. Davy, I. Graves, H. T. Howes, H. H. Hodgkiss, P. J. Kelly, J. B. Lambert, D. C. M. Moore, J. W. Mann, R. A. Nixon, W. Pickworth, B. J. Pallard, H. E. Sheerock, W. Stone, J. D. Thyne, E. J. R. Ward, W. Waddell and H. W. Weldon.

Farmers' witnesses from Yarrawakine and North Bannister complained bitterly of the distance to cart their produce—due to the failure to construct the Yarrawakine-Eastward railway, the main factor that induced them to select land in this locality.

The whole territory comprises approximately 5,000 square miles.

Land.—Land conditions vary considerably throughout in regard to soil, timber, climate and rainfall. Jam and York gum belts are to be found more on the western portion, mixed with gimlet, salmon gum and white gum. In the eastern portion, the York gum gives way to the heavier types of gimlet, salmon gum and mallee. The various scrub are noticed throughout the territory.

Rainfall.—The average rainfalls over a period of years are as follow:

<table>
<thead>
<tr>
<th>Centre</th>
<th>Rainfall (inches)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cunderdin</td>
<td>14.67</td>
</tr>
<tr>
<td>Tammin</td>
<td>14.91</td>
</tr>
<tr>
<td>Kellerberrin</td>
<td>13.14</td>
</tr>
<tr>
<td>Merredin</td>
<td>13.4</td>
</tr>
<tr>
<td>Barredupin</td>
<td>11.97</td>
</tr>
<tr>
<td>Southern Cross</td>
<td>10.41</td>
</tr>
</tbody>
</table>

Water Supply.—The 30-inch main of the Goldfields Water Supply passes right through the territory adjacent to the railway line. Branch pipe lines are thrown out for miles and the water reticulated to a great number of farmers, making the district an admirable one for mixed farming.

Frod Mills.—There are two flour mills in the district, one at Kellerberrin and one at Merredin, which are a decided convenience to farmers for the purpose of grinding wheat for flour, in addition to obtaining the by-products for stock-raising, etc.

STATE EXPERIMENTAL FARMS.
The district has also the advantage of having two experimental farms within its territory, one at Merredin and the other at O'Connell, controlled by the Agricultural Department. The result of the experiments carried out at each of these farms should be of inestimable assistance to the farmers generally—firstly, in demonstrating the correct and more scientific methods of cultivation; secondly, in breeding and wheat of early maturing varieties, making wheat-farming possible in the drier areas.

It is of interest at this stage to quote the harvest report of the Merredin and Yilgarn Experimental Farms for the season 1932/34.
The total rainfall for the year was 967 points, which is 232 points below the average; the rainfall during the growing period was 784 points, 50 points below the average. The following table shows the monthly rainfall together with the average over a period of 22 years:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1933</td>
<td>24</td>
<td>0</td>
<td>14</td>
<td>16</td>
<td>160</td>
<td>213</td>
<td>128</td>
<td>149</td>
<td>49</td>
<td>85</td>
<td>754</td>
<td>42</td>
<td>87</td>
</tr>
<tr>
<td>Average 22 years</td>
<td>51</td>
<td>52</td>
<td>112</td>
<td>79</td>
<td>157</td>
<td>185</td>
<td>187</td>
<td>162</td>
<td>88</td>
<td>83</td>
<td>854</td>
<td>43</td>
<td>54</td>
</tr>
</tbody>
</table>

It will be noticed that the rainfall from 1st January to 30th April was only 54 points, and although 150 points were registered for May, no rain fell until the 23rd of that month. As well as being 24.0 points short before seeding, the rainfall during the growing period was also 50 points less. Seeding was delayed as long as possible in the hope of getting rain, so as to germinate weeds, but as no rain had fallen up to the middle of May, seeding was commenced, as it was not possible then to finish by the middle of June.

Crops sown before the rain were very dirty, and the yield low on that account. All crops sown on land worked after the weeds had germinated yielded very well. The bulk crop of Neongear sown on the 16th June yielded over 24 bushels, whilst the study wheat plots of Gluyas Early, Neongear and Carrabin sown on the 26th June yielded from 24 to 31 bushels.

This season weeds have been the limiting factor in yield, and where the land could be cleared good yields were obtained despite the low rainfall. The Bulk crop of oats which was sown on light land yielded poorly, due principally to weed growth. Experiments all the heavy land gave a good return, although very dirty.

### STUD SEED PLOTS—WHEAT

#### Variety

<table>
<thead>
<tr>
<th>Date Planted</th>
<th>Area (acres)</th>
<th>Yield (lbs.)</th>
<th>Average Yield per Acre (bus. lbs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benbubbin</td>
<td>27th May, 1933</td>
<td>4.0</td>
<td>5,835</td>
</tr>
<tr>
<td>Carnabin</td>
<td>20th June, 1933</td>
<td>2.0</td>
<td>5,407</td>
</tr>
<tr>
<td>Gluyas Early</td>
<td>19th June, 1933</td>
<td>4.8</td>
<td>7,490</td>
</tr>
<tr>
<td>Merredin</td>
<td>19th June, 1933</td>
<td>3.8</td>
<td>6,527</td>
</tr>
<tr>
<td>Nabawa</td>
<td>29th May, 1933</td>
<td>4.0</td>
<td>6,520</td>
</tr>
<tr>
<td>Neongear</td>
<td>21st June, 1933</td>
<td>3.7</td>
<td>6,730</td>
</tr>
<tr>
<td>Totaggin</td>
<td>30th May, 1933</td>
<td>5.3</td>
<td>6,701</td>
</tr>
<tr>
<td>M. 38</td>
<td>12th June, 1933</td>
<td>-</td>
<td>191</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>27.7</strong></td>
<td><strong>40,890</strong></td>
</tr>
</tbody>
</table>

### BULK SEED PLOTS—WHEAT

#### Variety

<table>
<thead>
<tr>
<th>Date Planted</th>
<th>Area (acres)</th>
<th>Yield (lbs.)</th>
<th>Average Yield per Acre (bus. lbs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benbubbin</td>
<td>19th May, 1933</td>
<td>42.8</td>
<td>35,954</td>
</tr>
<tr>
<td>Carnabin</td>
<td>31st May, 1933</td>
<td>11.5</td>
<td>10,779</td>
</tr>
<tr>
<td>Gluyas Early</td>
<td>10th June, 1933</td>
<td>41.0</td>
<td>40,850</td>
</tr>
<tr>
<td>Merredin</td>
<td>2nd June, 1933</td>
<td>22.0</td>
<td>33,339</td>
</tr>
<tr>
<td>Nabawa</td>
<td>16th May, 1933</td>
<td>26.0</td>
<td>24,920</td>
</tr>
<tr>
<td>Neongear</td>
<td>16th June, 1933</td>
<td>28.3</td>
<td>41,700</td>
</tr>
<tr>
<td>Totaggin</td>
<td>27th May, 1933</td>
<td>08.0</td>
<td>79,115</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>239.6</strong></td>
<td><strong>290,048</strong></td>
</tr>
</tbody>
</table>

### SUMMARY—WHEAT

#### Variety

<table>
<thead>
<tr>
<th>Date Planted</th>
<th>Area (acres)</th>
<th>Yield (lbs.)</th>
<th>Average Yield per Acre (bus. lbs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bulk Seed Plots</td>
<td>Various</td>
<td>229.6</td>
<td>290,048</td>
</tr>
<tr>
<td>Stud Seed Plots</td>
<td>do.</td>
<td>27.7</td>
<td>46,890</td>
</tr>
<tr>
<td>Experiments</td>
<td>do.</td>
<td>42.6</td>
<td>54,070</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>308.8</strong></td>
<td><strong>333,978</strong></td>
</tr>
</tbody>
</table>

### SUMMARY—OATS

#### Variety

<table>
<thead>
<tr>
<th>Date Planted</th>
<th>Area (acres)</th>
<th>Yield (lbs.)</th>
<th>Average Yield per Acre (bus. lbs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mulga</td>
<td>2nd May, 1933</td>
<td>38.5</td>
<td>26,076</td>
</tr>
<tr>
<td>Buyra</td>
<td>27th April, 1933</td>
<td>18.0</td>
<td>11,568</td>
</tr>
<tr>
<td>Experiments</td>
<td>20th May, 1933</td>
<td>2.0</td>
<td>2,623</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>58.5</strong></td>
<td><strong>40,688</strong></td>
</tr>
</tbody>
</table>

### SUMMARY OF CROPS

<table>
<thead>
<tr>
<th>Crop</th>
<th>Area (acres)</th>
<th>Yield (lbs.)</th>
<th>Average Yield per Acre (bus. lbs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat for Grain</td>
<td>308.8</td>
<td>19,000</td>
<td>63</td>
</tr>
<tr>
<td>Oats</td>
<td>36.5</td>
<td>17</td>
<td>16</td>
</tr>
<tr>
<td>Wheat and Oats for Hay</td>
<td>89.0</td>
<td>Approx. 89 tons</td>
<td></td>
</tr>
<tr>
<td>Fodder (sheep feed)</td>
<td>12.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>438.3</td>
<td></td>
<td>16</td>
</tr>
</tbody>
</table>
The monthly rainfalls as recorded at the farm during 1933, together with the averages for the past six years, are set out hereunder:

<table>
<thead>
<tr>
<th>Year</th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>April</th>
<th>May</th>
<th>June</th>
<th>July</th>
<th>Aug</th>
<th>Sept</th>
<th>Oct</th>
<th>Total</th>
<th>Nov</th>
<th>Dec</th>
<th>Total for Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1933</td>
<td>20</td>
<td>108</td>
<td>29</td>
<td>211</td>
<td>245</td>
<td>120</td>
<td>193</td>
<td>40</td>
<td>59</td>
<td>850</td>
<td>42</td>
<td>70</td>
<td>1,138</td>
<td></td>
</tr>
<tr>
<td>Average 6 years</td>
<td>35</td>
<td>57</td>
<td>58</td>
<td>77</td>
<td>202</td>
<td>153</td>
<td>110</td>
<td>140</td>
<td>46</td>
<td>710</td>
<td>71</td>
<td>57</td>
<td>1,071</td>
<td></td>
</tr>
</tbody>
</table>

The rainfall for the year was 67 points above the average for the past 6 years, while for the growing period an excess of 143 points above the average was recorded.

The season opened very late, the seasonal winter rains commencing on 21st May. For the first four months of the growing period, May, June, July and August, falls of above the average were recorded, but for September and October conditions were very dry, although the crops withstood this trying period better than would have been expected. The lack of moisture has, however, manifested itself in that the grain is not as plump as usual.

The crops were located in two paddocks, viz. "C" and "F." The land carried originally salmon gum and gimlet timber with a small area of scrub. It was ploughed and harrowed in June, July and August, 1932, part with a disk plough and part with a disc cultivating plough, and was springlyme cultivated in September and again following heavy rains in October.

Seeding operations commenced on 13th April, and were completed on 8th June, this late finish being caused by wet conditions during late May.

Owing to the late opening of the season, the mid-season varieties and oats were planted on dry seed beds. The remaining varieties of wheat were planted immediately after rain.

The detailed harvest results are as follow:

### BULK CROPS—WHEAT.

<table>
<thead>
<tr>
<th>Variety</th>
<th>Date Planted</th>
<th>Area</th>
<th>Yield</th>
<th>Average per Acre</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bencubbin</td>
<td>26/29-4-1933</td>
<td>56-0</td>
<td>87,311</td>
<td>26</td>
</tr>
<tr>
<td>Glynys Early</td>
<td>21-5-1933</td>
<td>11-0</td>
<td>15,210</td>
<td>15</td>
</tr>
<tr>
<td>Nabawa</td>
<td>24-4-1933</td>
<td>15-5</td>
<td>15,395</td>
<td>16</td>
</tr>
<tr>
<td>Noongaar</td>
<td>2/8-6-1933</td>
<td>27-0</td>
<td>36,684</td>
<td>22</td>
</tr>
<tr>
<td>Totalginn</td>
<td>29/30-5-1933</td>
<td>37-0</td>
<td>53,070</td>
<td>25</td>
</tr>
</tbody>
</table>

| Total | 146-5 | 202,864 | 23 |

### STUD CROPS—WHEAT.

<table>
<thead>
<tr>
<th>Variety</th>
<th>Date Planted</th>
<th>Area</th>
<th>Yield</th>
<th>Average per Acre</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bencubbin</td>
<td>25-4-33</td>
<td>5-5</td>
<td>6,901</td>
<td>20</td>
</tr>
<tr>
<td>Glynys Early</td>
<td>31-5-33</td>
<td>21-5</td>
<td>5,631</td>
<td>17</td>
</tr>
<tr>
<td>Nabawa</td>
<td>22-4-33</td>
<td>5-5</td>
<td>7,745</td>
<td>23</td>
</tr>
<tr>
<td>Noongaar</td>
<td>2-6-33</td>
<td>5-3</td>
<td>5,987</td>
<td>18</td>
</tr>
<tr>
<td>Totalginn</td>
<td>30-5-33</td>
<td>4-9</td>
<td>4,014</td>
<td>16</td>
</tr>
</tbody>
</table>

| Total | 26-8 | 31,095 | 19 |

### SUMMARY—WHEAT.

<table>
<thead>
<tr>
<th>Variety</th>
<th>Date Planted</th>
<th>Area</th>
<th>Yield</th>
<th>Average per Acre</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bulk Crops</td>
<td></td>
<td>146-5</td>
<td>292,864</td>
<td>23</td>
</tr>
<tr>
<td>Stud Crops</td>
<td></td>
<td>21-8</td>
<td>31,095</td>
<td>19</td>
</tr>
<tr>
<td>Experiments</td>
<td></td>
<td>37-4</td>
<td>39,361</td>
<td>17</td>
</tr>
</tbody>
</table>

| Total | 210-7 | 273,310 | 21 |

### OATS.

<table>
<thead>
<tr>
<th>Variety</th>
<th>Date Planted</th>
<th>Area</th>
<th>Yield</th>
<th>Average per Acre</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mulga Stud</td>
<td>19-4-33</td>
<td>3-6</td>
<td>3,341</td>
<td>30</td>
</tr>
<tr>
<td>Mulga Bulk</td>
<td>20-21-4-33</td>
<td>20-9</td>
<td>16,478</td>
<td>20</td>
</tr>
</tbody>
</table>

| Total | 22-6 | 19,710 | 21 |

In addition to the above returns, all of which were obtained from fallow, an area of 18 acres of the variety "Bencubbin," which has been planted on stubble light land as a cover crop for lupins, was harvested for a total yield of 181 bushels 58 lbs., and an average of 10 bushels 4 lbs. per acre.

The final analyses of the cropping are as follows:

<table>
<thead>
<tr>
<th>Crop Type</th>
<th>Area</th>
<th>Yield</th>
<th>Average per Acre</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat planted on fallow yielded</td>
<td>210-7</td>
<td>4,555 bus. 10 lbs.</td>
<td>21 bus. 37 lbs.</td>
</tr>
<tr>
<td>Wheat planted on stubble yielded</td>
<td>18-0</td>
<td>181</td>
<td>&quot; 64 _ 6 _ 6 &quot;</td>
</tr>
<tr>
<td>Wheat yield</td>
<td>229-7</td>
<td>4,737 bus. 4 lbs.</td>
<td>20 bus. 43 lbs.</td>
</tr>
<tr>
<td>Oats yield</td>
<td>22-6</td>
<td>492 bus. 39 lbs.</td>
<td>21 bus. 53 lbs.</td>
</tr>
</tbody>
</table>

The detailed harvest results are as follow:
The average acre yields obtained each year since the farm was established are as follow:

<table>
<thead>
<tr>
<th>Year</th>
<th>Area (acres)</th>
<th>Average Yield</th>
</tr>
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<tr>
<td></td>
<td>Oats</td>
<td>Wheat</td>
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<td>1928</td>
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<td>20·5</td>
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<td>1929</td>
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<td>4·0</td>
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<td>1930</td>
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<td>7·9</td>
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<td>1931</td>
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<td>8·7</td>
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<td>1932</td>
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<td>1933</td>
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<td>22·6</td>
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<tr>
<td><strong>Average</strong></td>
<td>38·5</td>
<td>17·2</td>
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</table>

Finance and Settlement.—There are 1,433 holdings controlled by the Kellera Branch office, 120 of which are abandoned properties. The amounts owing by Agricultural Bank clients and its allied institutions are as follow:

<table>
<thead>
<tr>
<th>Principal</th>
<th>Interest</th>
<th>£ s. d.</th>
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</thead>
<tbody>
<tr>
<td>Agricultural Bank</td>
<td>386,877</td>
<td>17 2 1</td>
</tr>
<tr>
<td>Soldiers' Remembrance Fund</td>
<td>7 11</td>
<td>39,337</td>
</tr>
<tr>
<td>Industries Assistance Board</td>
<td>180,702</td>
<td>12 11</td>
</tr>
<tr>
<td>Total</td>
<td>1,022,372</td>
<td>18 0</td>
</tr>
</tbody>
</table>

Return of "C." given in evidence by Mr. Butfield, states: “The average value of a holding for the whole of the district is £1,202 which can be regarded as a conservative figure, and on this basis 1,043 securities can be valued as a whole at £1,756,075, this showing assets over liabilities the sum of £204,133. This, of course, is of little value, as each security must of necessity be assessed separately.

Abandoned Farms.—Generally the same conditions apply in this district as elsewhere. Of the 120 abandoned farms, 26 are leased for cropping on a percentage basis. Mr. Butfield stated in evidence that there was a larger increase during the year 1935, 32 farms being abandoned due to the following causes:

1. Calamitous fall in wheat prices.
2. Impossibility of obtaining further credit.
3. Prevalence of weeds, noxious and otherwise.
4. In some cases, salinity of the soil.
5. The amount involved on the abandoned farms is principal £138,076 and interest £17,555.

Inspection of Premises, Accounts, Etc.—An inspection of the Kellera Branch Office of the Agricultural Bank was made on the 19th January, 1934, with the following results:

Bank Premises.—The premises, which are situated north of the railway station, are constructed of wood with an iron roof, and consist of four rooms. The premises do not provide sufficient accommodation for the staff, necessary equipment and files, the latter being housed in an attached building, and are without protection from fire, and very little protection from burglary or destruction by the public.

The accountant, when questioned regarding insurance, was unable to state definitely whether the building and contents were sufficiently covered by insurance.

Cash.—The teller’s cash is backed up in a separate safe, the teller having the keys of both safe and cash drawer. The teller has, therefore, access to the safe and drawer at any time. This arrangement is unsatisfactory. The key of the safe should be held by the teller. There is no cash received each day is banked at the first opportunity the following morning.

Lodgers.—Lodgers were previously balanced monthly; now, however, under a recent arrangement, lodgers are balanced every two months. Certified copies of the balances are sent to lodgers every six months.
Separate ledger accounts have been opened in respect of each loan granted. The accountant when discussing the account stated the difficulty in amalgamating these accounts was the necessity of fixing instalments of repayments in respect of each loan from the actual date upon which the loan was raised, and consequently this process has been impossible in amalgamating these various accounts.

Register of Abandoned Farms.—It was found on inquiry that no complete register of abandoned farms has been kept. A complete record of particulars of abandoned farms could be kept on cards, providing easy and accurate reference for the convenience of the staff and the intending purchasers.

Interest Collections.—In respect to inquiries the accountant stated that full interest had been charged on total advances in respect of abandoned Bank properties, and, in cases where a reserve amount had been fixed in respect of these properties, the branch has continued to charge interest on the full amount of the advances.

Mr. K. H. Nunn, Yorkelina.—A complaint voiced by Mr. Nunn in the course of his evidence was investigated with the following results:—

1. Mr. Nunn complained that while an amount of £36 had been made available for the purpose of sashenandoa, the excess had been subsequently transferred to the credit of his interest account. The accountant advised that several cases of this nature occurred, the reason being that a previous accountant at the Yorkelina branch had made purely speculative advances, and he had concluded that the statement made by Mr. Nunn represented one of these. The head office of the Bank, however, not being agreeable to releasing the amount claimed by Mr. Nunn, the amount in question had been credited to Mr. Nunn’s interest account.

2. A further complaint was made by this settler that he had been denied assistance from the Commonwealth Necessitous Farmers’ Grant because he possessed and used a motor car. Mr. Nunn complained that, while he had been treated in this manner, adjoining squatters who also owned motor cars were granted assistance. On inquiry it was found that Mr. Cudwallader, one of the persons mentioned by Mr. Nunn, had a motor car, but had not used same for over a period of two years. On inquiries in regard to Mr. Naughton, another settler mentioned by Mr. Nunn, it has been ascertained that a motor car was registered in the name of Mrs. Naughton, with the Wyalkatchem Road Board to the 31st December last, and it can be naturally assumed that the car has been used.

Office Files.—As previously pointed out, very little protection is afforded the branch office files. These files are housed in an attached building, easily accessible to interested persons who scoff at the files, and there is no protection against fire.

In reply to inquiries, the accountant stated that the loss of the files would seriously inconvenience the work of the branch, as no duplicate file is kept in head office. It is suggested that reasonable protection should be afforded these important papers.

Registered Bills of Sale.—A system has been recently introduced under which particulars of each bill of sale have been recorded. The system which has now been introduced aims at providing a complete check of the transactions and the bill of sale, and the stock and plant actually on the farm. The branch has already put in hand the work of making the necessary check.

Staff.—The district manager is in charge of the district for the district office from Kellerberrin. On these occasions, the accountant is left in charge of the branch business; letters, however, addressed to the manager, remain until his return. Unless the delay in these matters appears unavoidable under the present system.

Nuisance Weeds.—The rapid spread of the wild turnip (Brassica tourcfortii) has seriously embarrassed farmers, more particularly in North Bannidie in the eastern portion of the territory. The wild turnip is a most prolific weed, and unless drastic steps are taken to eradicate it wheat yields will be seriously reduced.

The Chairman of the Kellerberrin Board of Evidence said:—‘‘Stock are not inclined to eat it.” His Board drew the attention of the Agricultural Department to its presence at Bannidie in 1927, the only result being that a pamphlet was issued, wherein it was described as ‘possibly the most serious weed of all the weeds the wheat farmers have to contend with.” With this statement, the witnesses stated that no further action had been taken to check the spread of this aggressive noxious weed.

Evidence was taken from the following witnesses in addition to the branch manager:—

Field Officer Jennings, who complained that, although he had reported several of his clients for inefficiency, he received little support from head office, and the men were allowed to carry on.

Field Officer Withers, who stated that most of his bad accounts were attributable to the administration of the Industries Assistance Board. Moneys were advanced to settlers despite the protests of Field Officers.

The policy of granting assistance on a basis of the area seeded has been described as a constant source of trouble. On the previous harvest he complained bitterly and apparently with good reason of the delay at the Kellerberrin office in finalising his affairs in order that he might obtain seasonal requirements, and, consequently, his average yield for this year was 3 bags per acre, compared with 61 bags previously. In justice to Mr. Burfield, it must be stated that at this period he was absent in Victoria.

H. H. Harling, Chairman of the Merredin Road Board, advanced the claims of Merredin for a district office of the Bank, pointing out its geographical position, with railways branching out into all parts of the district. In any reorganisation scheme entered upon, the merits of this claim are worthy of consideration.

Messrs. Wheeler and Pollard, of Tammin; Mr. J. H. Mann, Yorckin; Messrs. D. G. L. Jowett, Merredin; Mr. J. D. Lambert, Merredin; Mr. L. T. C. Barnett, Mr. F. J. C. Ward, Mr. W. F. Fromholtz, North Walguolan; Mr. H. Davy and Mr. R. E. Sherlock, Bodallin, all successful farmers who had paid their way, the result of their industry and the use of mixed farming.

Messrs. D. G. L. Morgan and W. Pickworth, farmers of Moorine Rock, gave evidence of the necessity for an extension of the water scheme in order to encourage mixed farming.

Mr. H. H. Redditt of Waigolgaun, expressed his intention of abandoning his farm owing to salinity, having an excessive area of unproductive country. Thence, upon which the Bank had advanced £3,406. His average wheat yield for five years was 7 bushels per acre.

Mr. Walter Stone, of North Bannidie, stated that he and his wife had put approximately £2,800 of their capital into the farm, after a permanent survey of the Yarrawonga-Eastward railway had been completed. All hopes of a railway were abandoned. He had now to work 29 miles. Unless he had a substantial reduction in his indebtedness he would be compelled to walk off.

Tea abandoned farms adjudged him, being leased for grazing. These farms were a menace, being infested with rabbits and wild swine. In addition to the farms examined in the Southern Cross and Bulliand districts, and referred to in reports concerning these districts, the following farms were inspected:—

Messrs. G. H. Morphet and Sons, Eines Hill; Mr. A. K. Gigney, Bannidie; Mr. J. F. H. Nicholls, Deedallake.

SOUTHERN CROSS MINERS’ SETTLEMENT.

On Saturday, the 11th day of November, your Commissioners inspected the Miners’ Settlement, south of Southern Cross. This is an endeavour on the part of the Government to establish what are known as ‘trusted’ miners on the land.

There were originally 91 settlers in this settlement; at present there are 80 active settlers and 2 farms have been abandoned.
The principal advances on the holdings occupied amount to £162,381, with accrued interest to 30th June, 1933, of £23,441. The principal money due on the two abandoned farms is £3,503, and the accrued interest to the above date is £485.

The settlement commences 4 miles south of Southern Cross and runs north with about 20 to 25 miles. Most of the settlers have 1,000-acre blocks, except in some instances where sand-plain country has been included with the good blocks to make up a larger acreage.

Each settler has an average of about 500 acres cleared, a homestead, bush stabling and sheds. Few have dams.

The settlers have their water supplies from the pipeline to Marrel Lech on the east, and from main Government dams in other parts of the settlement.

The following are the average wheat yields since the commencement of the settlement:

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It will be seen that a shortage of rain occurs nearly every year for the closing months of the season, namely September and October. In the few seasons which have had good rains for these months we are told there have been excellent harvests.

Without these late rains the district is a precarious one for wheatgrowing.

The Bank has over-advanced in this area and there is no security value in the farms. The Bank may be said to practically own the farms, and in order that these farms will obtain a greater productive capacity, the Bank, if it is to carry the settlement on, will have to advance money for fencing—rabbit-setting boundary fence, 6-wires of subdivisonal fence, and provide at least a 1,000 cubic yard dam on each holding for water supply. When this is done sheep will have to be provided.

If the Bank is to carry on the settlement then a stricter control must be exercised over the settlers.

Your Commissioners make the following recommendations:

1. Crown rents to be written off.
2. All arrears of interest to be written off.
3. Crown rents to be assessed at a lower rate.
4. Principal amounts due to be funded and to be paid without interest by 30 annual instalments on the Ist day of February in each year, commencing on the Ist day of February, 1935.
5. Statutory lien over all crops and wool to be given to secure the due payment of such yearly instalments.
6. No further advances to be made in the district until for seasonal credit 1934-35 season.
7. Due notice to be given to the settlers of para- 

8. Stricter control to be exercised over the settlers, 

BULLFINCH AREA. 

(1ncluding Bullfinch, Wheatley and Turkey Hill Districts.) 

This area was subdivided for the purpose of supervision, into various areas, the whole being controlled by Inspector Liddle from Kellerman. In the 

morning the Wheatley and Turkey Hill areas under the control of Field Inspector Edwards were inspected. 

In these two areas there are 97 active settlers and 27 abandoned farms. There is £10,925 due for principal and £7,582 due for accrued interest to 30th June, 1933, on the farms of the 97 active settlers, and £3,505 due for principal and £7,582 due for accrued interest to the same date on the 57 abandoned farms. 

For the 1933-34 season 29,000 acres have been seeded and the estimated yield is 9 bushels per acre. 4,000 acres have been fallowed for the 1934-35 season. 

Your Commissioners commented on the small acreage of fallow, and the inspector explained that most of the fencing which was for fencing was very poor. Where the 

farms have to cut water, and at the present 

time the farmers have not the money to pay for fuel with which to fallow. The 4,000 acres which have been 

done in done by these farmers were horse-power. 

The crops seen were poor, with the exception of some 

crops in the northern part of the Turkey Hill area. 

The average price for land is 10s. per acre. 

There are very few dams on the holdings, most of 

the water carrying being done from a stand-pipe of the 

Water Board 10 miles north of Southern Cross, and from Government dams in the district. This of course results in economic waste, as the time occupied in water 

carting could more profitably be used by the settlers on 

their farms. 

On the abandoned farms there is a quantity of feed 

going to waste, and such blocks are a menace to the 

district as they form a breeding ground for pests—rabbits, 

enteropilars, grasshoppers, cutworms, etc. 

These farms are admirably suited for big stock, and 

with the provision of fencing and dams should attract 

settlement. 

In order to minimize the waste of time in water-carting, the Hon. the Minister for Lands has suggested that key dams at good catenment sites of 5,000-yard capacity, be put down, and there will give an available supply of 

water to the settlers, and your Commissioners think 

the suggestion an excellent one. 

There is a peculiar feature of this area that the crops in the northern portion of the area give an infinitely 

better average yield than the crops in the southern portion. 

When questioned on this matter, Inspector Edwards said that in his opinion the Heidelberg range which lies 

north of Bullfinch splits the rainfall and gives the northern areas a better rainfall than the southern, and this increased rainfall extends to Goolo Stock Farm 

and five miles farther south. In the northern areas the 

farms of Messrs. Smith Brothers and Morley Brothers were inspected, and no doubt the crops growing on these 

farms were infinitely better than anything which had 

been seen south, and might probably average 5 bags. 

It appeared, however, that the texture of the land was 

lighter north than south, would admit of better farming, 

would not require the heavy rainfall which the heavy 

morrel country south required, and the heavier crops 

might be due entirely to those factors. 

Having finished the inspection of Wheatley and Tur- 

ey Hill areas, your Commissioners inspected the Bullfinch area, directed by Inspector Liddle, working up 

from the Turkey Hill area to Bullfinch townsite, then down south through Corinthia, returning to Southern 

Cross along the southern boundary of the area. Time 

did not permit of inspections to be made on these 

Bullfinch Inquiries were made from the inspector as to this country, however, and he stated it ran from the heavy morrel country in the southern part of the Bullfinch area 

into lighter country north and west, the country being 

what is known as 'sweep and settle' country, which 

did not require such a heavy rainfall as the heavier 

country south. Inspector Liddle stated that the crops in the north and west were on the whole better than the crops south, as in the heavy morrel country south, the rainfall this season was too light to produce good crops. 

In the southern part of the area we noticed evidence of salt appearing in many of the farms; these patches are spreading and may become a menace to the district. 

In the Turkey Hill or Wheatley areas such pronounced evidence of salt was not found, but it is possible it will manifest itself in the heavy morrel country in these areas. The Field Inspector stated that in the lighter country north and west of Bullfinch there is no appearance of salt. The crops in the southern area of 

Bullfinch were poor, and we should very much doubt if they would average 0 bushels per acre. 

There are in the Bullfinch district at the present time 

85 active settlers and 23 abandoned farms. The sum of £63,942 principal and £16,167 accrued interest as on 

30th June, 1933, is due on the holdings of the active 

settlers, and £23,745 principal and £6,784 accrued inter-

est due on the above date on the abandoned farms. 

All settlers are in arrear with the payment of their 

principal instalments, interest and Crown rents, and we do not think there is much prospect of restoring 

the arrears of interest, Crown rents and the amount of 

principal that is due by them, inasmuch as the season cuts off very early and it is only in an exceptional year with a late season that a farmer will get a bumper crop. He 

will then require the proceeds of this crop and a good price to make up the leeway made by the farms during the years of low average yields. 

No sheep are carried in the district, as dingoos are 

bad, and the men who have attempted to carry sheep have not done so successfully. Some of the settlers failed 

to store cattle during 4 months of the year, and others 

bought and sold cattle. These cattle appear to do well, 

but it may be they will require to be handled during 

certain months of the year. 

From a security point of view, your Commissioners 

are not impressed with the district and inevitably the 

Bank must face considerable writing down of capital 

and writing off of all arrears of interest. 

The land rents also should be re-appraised, as settlers 

cannot afford to pay their rents. When this has been 

done the settlers may have a hope of pulling through. 

The average yield of wheat is too low and wheat would have to greatly advance in value to enable the 

farmers to get ahead. As already stated, if they had 

experienced one good season with good prices, it would 

help, but would not put them on a sound financial foot- 

ing. 

Your Commissioners, therefore, find this district to be 

a precarious wheat-growing district, and one in which the Trustees of the Bank should not have advanced 

money. The Director of Agriculture (Mr. Soutne), in 

his evidence before the Commission, stated that he 

warned the Trustees and the Minister for Lands that the 

rainfall in these areas was too precarious for wheat-

growth and the lands should only be thrown open for 

grazing areas. 

Your Commissioners make the following recommendations:— 

1. Re-appraisal of land rents. 

2. Writing off of all arrears of rents. 

3. Writing off of all arrears of interest. 

4. Fund present principal indebtedness, and make 

some repayable with interest by 30 annual ins-

titutions. 

5. Priority lien on all produce for each year's insta-

ment. 

6. Vesting of land to Crown if default is made in 

maintenance of improvements, and/or in pay-

ment of instalments, and such default continues for one year after notice. 

7. No seasonal credits to be given after the 1934-35 season and thereafter of which due notice will be 

given to settlers. No further advances to be made by the Bank. 

BULLFINCH AREA.
The Geraldton Agricultural Bank District has an area of 16,000 square miles, under the control of Mr. Haxton Grant, District Manager, Geraldton, with the assistance of six Field Inspectors, stationed at the districts mentioned:

- J. Rohrs - Northampton
- V. Wilson - Three Springs
- L. P. H. Bruteaux - Morawa
- P. Roberts - Mullewa
- S. J. Garnett - Coastal
- S. P. Whyte - Percarni

The district runs south along the Midland Company's Railway line to Marchagee, embracing the following well-known districts - Corrora, Winchester, Carnamah, Three Springs, Lynoh, Arrina, Wandoeuk, Millngarra, Irwin Valley, Dongaraj through the famous Greenough Platts, Walkaway and Geraldton; north to the Marcheron River, served by railway to Ajana, branching at Wokarin, on to Yuna; also through the Upper Chapman, in a north-easterly direction.

On the Ajana line such districts are to be found as Binna, Hutt, Ogilvie, Wohl, Baddrara, Northampton, Bowes, Chalby, Jacka, Oakabella, Howatharra, White Peak, Waggulkine and Chapman.

Eastward the territory runs along the Geraldton-Mullewa-Wongan Hills line to Maya, a distance of about 105 miles. The district served by this railway includes Latham, Percarni, Bowgada, Koolumooka, Morawa, Patthuruka, Gutha, Callumb, Tardum, Wilroy, Curara, Mullewa, Tenindewa, Indarra, Eradu, Northern Gally, Grants and Melnyoomooka.

The district office controls 492 active settlers in the whole area. In addition there are 70 abandoned properties, 333 clients have sheep in addition to growing wheat, leaving 557 farmers who grow wheat only. In respect to abandoned farms, the same conditions apply as elsewhere. Some are let on cropping leases, some for agistment. There are 40 farms in which nothing has been done to lease.

WITNESSES.

Evidence was taken from the branch manager, and the above-mentioned Field Inspectors, in addition to the following farmers:


FINANCE.

The amounts owing by Agricultural Bank clients and its allied institutions on 690 active and abandoned farms are as follow:

<table>
<thead>
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<th>POSITION OF ACCOUNTS AS AT 30TH JUNE, 1933.</th>
<th>Active</th>
<th>Abandoned</th>
<th>Total</th>
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<td><strong>Agricultural Bank</strong></td>
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<tr>
<td>Principal</td>
<td>405,009</td>
<td>30,077</td>
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<tr>
<td>Interest</td>
<td>8,114</td>
<td>9,246</td>
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<tr>
<td>Total</td>
<td>413,123</td>
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<td>452,446</td>
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<tr>
<td><strong>Soldier Settlement Scheme</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal</td>
<td>296,028</td>
<td>25,311</td>
<td>321,340</td>
</tr>
<tr>
<td>Interest</td>
<td>19,449</td>
<td>10,485</td>
<td>31,934</td>
</tr>
<tr>
<td>Total</td>
<td>315,477</td>
<td>35,796</td>
<td>351,273</td>
</tr>
<tr>
<td><strong>Industries Assistance Board</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal</td>
<td>8,488</td>
<td>2,982</td>
<td>11,470</td>
</tr>
<tr>
<td>Interest</td>
<td>487</td>
<td>1,210</td>
<td>1,697</td>
</tr>
<tr>
<td>Total</td>
<td>9,975</td>
<td>4,192</td>
<td>14,167</td>
</tr>
<tr>
<td><strong>I.A.B. Funded Debts</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal</td>
<td>79,001</td>
<td>12,870</td>
<td>91,871</td>
</tr>
<tr>
<td>Interest</td>
<td>1,504</td>
<td>3,727</td>
<td>5,231</td>
</tr>
<tr>
<td>Total</td>
<td>80,505</td>
<td>16,597</td>
<td>97,102</td>
</tr>
<tr>
<td><strong>Total Principal on Active Accounts</strong></td>
<td>560,506</td>
<td>159,571</td>
<td>720,077</td>
</tr>
<tr>
<td><strong>Total Interest on Active Accounts</strong></td>
<td>22,035</td>
<td>6,469</td>
<td>28,504</td>
</tr>
<tr>
<td><strong>Total Principal on Abandoned Properties</strong></td>
<td>780,038</td>
<td>20,042</td>
<td>800,080</td>
</tr>
<tr>
<td><strong>Total Interest on Abandoned Properties</strong></td>
<td>50,042</td>
<td>24,770</td>
<td>74,812</td>
</tr>
<tr>
<td><strong>Collections in Suspense</strong></td>
<td></td>
<td>21,786</td>
<td>21,786</td>
</tr>
</tbody>
</table>

WITNESSES.

Evidence was taken from the branch manager, and the above-mentioned Field Inspectors, in addition to the following farmers:


FINANCE.

The amounts owing by Agricultural Bank clients and its allied institutions on 690 active and abandoned farms are as follow:

<table>
<thead>
<tr>
<th>POSITION OF ACCOUNTS AS AT 30TH JUNE, 1933.</th>
<th>Active</th>
<th>Abandoned</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Agricultural Bank</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal</td>
<td>405,009</td>
<td>30,077</td>
<td>435,377</td>
</tr>
<tr>
<td>Interest</td>
<td>8,114</td>
<td>9,246</td>
<td>17,360</td>
</tr>
<tr>
<td>Total</td>
<td>413,123</td>
<td>39,323</td>
<td>452,446</td>
</tr>
<tr>
<td><strong>Soldier Settlement Scheme</strong></td>
<td></td>
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<td></td>
<td>21,786</td>
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</table>
SHEEP.
The average number of sheep bred by the Bank's clients would be 500, making a total of 160,000 sheep. The Bank has financed about one-third of this number; the balance belong to the associated stockbrokers.
The same unsatisfactory position is fixed in Geraldton as elsewhere. The brokers get the better of the deal. In some instances both the Agricultural Bank and stock agents have sheep under Bill of Sale on the one property, which naturally leads to confusion of ownership, to the detriment of the Agricultural Bank, invariably. One inspector mentioned that the young sheep are disposed of by the agents, and the calls left on the property for the Bank.

The District Manager, Geraldton (Question 4041) stated:-"A client in Ajan disposed of 200 of our sheep. The stock firms scooped up the lot; our sheep disappeared. I reported the matter to head office, and the matter, I understand, was adjusted. The Bank got a cheque for 500 from the stock agents."

WATER.
In some parts of the district water is the major problem. The soil is not good holding country for damas and in many instances salt water is found as a result of boring for wells. In other parts of the district, subterranean boring has been successful in obtaining good stocks of water. Generally, the whole of this district is suitable for sheep and wheat, but as mentioned before water is the principal drawback in some parts. The sheep sales conducted regularly at Mullewa, of sheep brought overland from the North, offer an excellent opportunity for farmers to purchase their requirements.

TRANSPORT.
Railways from all parts of the territory lead into Geraldton. The majority of farmers are within easy distance of the stations and sidings, and are well provided for in respect to transport facilities. Almost the whole of the Bank's clients sell their produce to the port, when inspection is required as sheep are generally exported incompleted, overseas ships will load a full cargo of wheat there.

Phosphate works are the requirements of the district are established, also flour mills. All merchants have branch offices, or are well represented by agents at this port.

Commercially, Geraldton is a province of its own.

LAND.
Land conditions vary in the Geraldton area, greater probably than in other Agricultural Bank districts, in regard to soil, timber, climate, and rainfall. All the timber to be found elsewhere, in other wheat belts, are found in this district. In addition, such timbers as eucaly sugarbaker indicate that evidently there are good soils there.

The heavy black soil of the Greenough Flats is perhaps incomparable in Western Australia. It is excellent hay country. The Agricultural Bank has very few securities in this area.

Approaching Geraldton, we find the softer type of soil, where timbers are grown both extensively and profitably. This is also the home of the blue lupin, once a noxious weed, now a most valuable pasture, having added very considerably to the stock-carrying capacity of the land.

Again, unlike other districts, the pastoral industry, in a great portion of the area, preceded the wheat industry in the Geraldton Agricultural Bank District. There still remain the homesteads of some of the oldest known pastoralists in the State. Such names as the Malpas, Burgesses, Grants and others, are familiar.

Many of these estates have been purchased, subdivided for closer settlement, and are, now wheat and sheep properties. The more recently purchased estates, upon which the Agricultural Bank holds security for advances made, are as follows:—Carnamah, Mendol, Wongoondy, Kockatea, Yandanooka, Ioneer, Menning and Yarr Yarr.

The district manager, in evidence, states as regards repurchased estates that "the position is very fair indeed, except in the case of Yandanooka."

In the early stages of this settlement, district office lost control. The inspector at that time was Mr. White, whose instructions were to submit applications direct to head office in order to expedite matters. He considered that excessive advances were made to clear the land, and farmers were treated too leniently.

Question 4052: "Did the settlers pay their part?"—"Some did; others did not. Some of the settlers let their properties for adjustment, and then cleared out to live on the rents, until they were rounded up and sent back to their properties."

The district manager further stated that he did not know the amount of the liability to the Lands Department, upon which he had advanced to £5 an acre, and agreed that it was time that repurchased estates were brought under one Department in order to have control of the indebtedness on the security.

YANDANOOKA ESTATE.
Evidence was taken by your Commissioners from several settlers on this estate, in respect to the gathering of interested farmers, and your Commissioners were subsequently driven through the estate. Both the smaller areas of good lands and broken country on the outskirts were inspected. Yandanooka is claimed to rival Pullenvale, in quality of soil and productivity, in respect to both wheat and wool. If judged by the relative success of the settlers, Yandanooka would suffer considerably in consequence.

There are a few settlers who had been able to pay their way prior to the fall in prices, working under the same conditions as those who did not pay. Almost in a body now they ask for an adjustment of their debts. It would appear that the failure of putting men on repurchased estates, without considerable capital, is again in evidence. The purchase price, the cost of development for wheat, with horrified on account of the interest bill which few men have the capacity to carry.

Originally conducted as a State farm by the Government prior to subdivision for the settlement of 55 soldiers, it would appear that some of the areas are altogether too small. Five to six hundred acres, as a wheat and sheep proposition, does not permit of rotation crops. Sheep are essential to eradicate noxious weeds. Perhaps the worst known in the State, "as a result of Government farming and stock-raising operations," are on this property. On the outskirts the country is lighter, and there is a lot of breakaway country. The capitalisations, at present wheat values, are altogether too high.

Mr. Brown, giving evidence on behalf of settlers, submitted figures to prove, with a return of 18 bushels per acre at present capitalisation, a loss of £170 per year would be made.

Both a writing down and a Muelding out of some of the settlers would be an advantage to the estate.

WONGOONDY AND KOCKATEA ESTATES.
Mr. J. M. Steele represented the Wheatgrowers' Union on the above estates. These properties, he said, were repurchased, subdivided, and allotted to farmers in 1926. Most of the settlers had capital, and developed their holdings, and had grown good wheat yields, but the settlers were unfortunate, in that their first harvest should coincide with the fall in commodity prices. They now found their capital depleted, together with the depreciation of their plant. They had little equity in their farms. He supported the plan submitted by his executive.

NANGETTY STATION.
Passing out of the Wongoondy red loamy soil on the way to Minganow, you travel through Nangetty Station, the property of Mr. Butcher, renowned for its stock-carrying capacity. This is a distinct type of a clay country, not to be found elsewhere in the State.

J. S. Simpson, Nahara, farmer and President of the Upper Chapman Returned Soldiers' League, gave evidence on behalf of his members. He requested a reduction of the capitalisation of their indebtedness. Under
any conditions, settlers were unable to meet their Rabi
ties. Roberts, he estimated, were 25 per cent. of his crop;
etting was required. He had 515 acres in his holding,
which appeared altogether too small an area for wheat
and sheep farming.

RAINFALL AND WHEAT AVERAGES.

The district manager supplied the following figures in
respect to the average rainfall and wheat yields for
the districts mentioned: —

<table>
<thead>
<tr>
<th>District</th>
<th>Average Rainfall</th>
<th>Average Wheat Yield per acre</th>
</tr>
</thead>
<tbody>
<tr>
<td>Three Springs</td>
<td>10</td>
<td>14-75</td>
</tr>
<tr>
<td>Mengawu</td>
<td>10</td>
<td>13-50</td>
</tr>
<tr>
<td>Geraldton</td>
<td>18</td>
<td>11</td>
</tr>
<tr>
<td>Yuna</td>
<td>14</td>
<td>13</td>
</tr>
<tr>
<td>Morawa</td>
<td>14</td>
<td>13</td>
</tr>
<tr>
<td>* Good Hay District</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

It will thus be seen that with the exception of Ajana,
the average yields for wheat are well above the State
average. Referring to Ajana, District Manager Grant
said it somewhat spoiled the picture. Settled in 1910,
the land was mostly hard, stony and difficult to work.
It was the northern extremity, and emus were very
detrimental to crops.

Yuna has 30 farmers, with an average of 21 bushels
per acre, which is an excellent return.

Mr. Oldham, farmer of Indarra, gave evidence of high
averages also. Seven, eight and ten bags to the acre
were frequent.

It must be admitted that for both wheat and sheep,
Geraldton Agricultural Bank District has few rivals.

PREMISES.

The Geraldton branch premises were visited on the
22nd March, 1934, and Inspections made of the premises,
books, accounts, files, etc.

The premises are on the ground floor of a large brick
building, situate in Marine Terrace. The office is con-
veniently partitioned, and files, etc., are neatly stored.

CASH.

This is in the custody of the cashier. It is kept in a
cash box in the strong room. The cash should be put in
a safe. There is a safe in the strong room in which
the cash of the sub-agency of the Savings Bank is
kept. The accountant, who conducts the agency, has the keys
of both the strong room door and the safe, giving him
access to the Savings Bank cash and the cashier's cash at
any time. This is undesirable, and it is suggested that
a responsible officer, not having custody of the cash,
should hold the key of the strong room door.

BILLS OF SALE.

Cards containing particulars of stock, machinery, etc.,
as furnished by the Field Inspector, are in course of
preparation, but owing to pressure of work, a progress
check with particulars of Bills of Sale at head office
had not commenced.

LEDDIRS.

These appear to be well kept. The slow system of
calculating interest is followed. The accountant states
he cannot understand why the decimal system, as used
by the Associated Banks, is not adopted.

STATEMENTS OF ACCOUNT.

These are said to be sent out half-yearly, in January
and July.

WORKING HOURS OF STAFF.

The branch accountant stated that owing to pressure of
work it is customary for members of the staff to
work long hours, and that overtime is not allowed for.

MANAGEMENT.

Mr. Huxton Grant, District Manager, has been 16
years in charge of the Geraldton branch, as district in-
spector. Prior to joining the Agricultural Bank he was
attached to the Engineering Division of the Public
Works Department. He is unseasoned, and it must be
added, quite loquacious, imports his views of the dis-

The manager claimed he had as good a team of offi-
cers as any other Bank district. This may or may not
be true; but there are at least two officers who do not
appear to have qualifications for the importance of their
position. Tact, integrity and practical knowledge were
among the necessary qualifications submitted by the
manager for a Field Officer.

Your Commissioners had occasion to inquire into the
conduct of one Field Officer, "upon whom we deem it
our duty to make a special report."

Briefly, Mrs — made application for a loan for
clearing. This Field Officer classified its land as fol-

Within 9 months of joining the partnership the addi-
tional sum borrowed from the Agricultural Bank was
£1,575.

Within one year of signing the partnership agree-
ment, Field Officer ——'s wife had a meeting under the
Farmers' Debts Adjustment Act. Unsecured creditors
£899 16s.; secured creditors £3,139; total Liability
£4,038 16s.

At this meeting no arrangements were made with the
creditors to carry on. The Agricultural Bank went into
possession. Among the unsecured creditors were clearers,
storekeepers, merchants and others. Debts were mostly
contracted as a result of loans approved and subse-
quently advanced by the Bank. The lady from whom
the property was acquired is listed among the creditors
and apparently has little redress.

So much for the integrity and practical knowledge of
this officer.

Mr. Grant, district manager, recommended that this
officer should be transferred to Werombi.

In a letter dated 14/3/32, the Managing Trustee stated:

"I have for some time been dissatisfied with the
actions of Inspector Roberts. His financial posi-
tion and land transactions are likely to bring dis-
credit on the Bank. I am forced to the conclusion
that Mr. Roberts is not a satisfactory inspector,
and that consideration should be given to his retire-
ment."

Two years have elapsed, and this inspector still oc-
cupies the same position.

DARTMOOR AND BALLA.

The Geraldton district office claims to having a valu-
able wheat province awaiting development, to be added
to its already fine areas, previously referred to. This
wheat province is known in the Dartmoor and Balla
areas. This belt of country is within 60 to 70 miles of
the seashore, of which 151,909 acres were selected in
1921. In addition, 256 blocks, with an area of 319,028
acres, are surveyed, but not yet open for selection. The
bulk of this area is claimed to be first class wheat lands,
making a total of 465,888 acres.
The Dartmoor area lies to the north of Yuna Shaling, which is the head of the Upper Chapman railway, 46 miles from Geraldton.

Balla areas adjoin the west side of Dartmoor, and connect with the Northampton-Ajana line at Binna.

The Wundoolang Estate, Dartmoor, has consistently given good yields. The following returns are of interest:

<table>
<thead>
<tr>
<th>Season</th>
<th>1930-436 acres</th>
<th>...</th>
<th>271 bns. per acre</th>
</tr>
</thead>
<tbody>
<tr>
<td>...</td>
<td>...</td>
<td></td>
<td>...</td>
</tr>
<tr>
<td>1933</td>
<td>137</td>
<td></td>
<td>13</td>
</tr>
<tr>
<td>1932</td>
<td>137</td>
<td></td>
<td>13</td>
</tr>
<tr>
<td>1933</td>
<td>137</td>
<td></td>
<td>13</td>
</tr>
<tr>
<td>1934</td>
<td>137</td>
<td></td>
<td>13</td>
</tr>
</tbody>
</table>

...and 4,500 square miles of country and contains $5,890,000 acres. The district extends to Mt. Hampton east of the rabbit-proof fence, and to within a few miles of Quairading on the west, to within 20 miles of Kellerberrin in the north, and to Bullaring, 14 miles south of Corrigin, in the south.

RAINFALL.
The average rainfall of the district is 15.98 inches at Corrigin, 14 inches at Narembeen, and 15 inches at Bruce Rock.

FINANCE AND SETTLEMENT.
There are 662 Agricultural Bank clients in this district. The amounts owing by them to the Bank on all accounts is $976,549 for principal, and $108,838 for interest to 30th June, 1935, aggregating $1,084,357.

REVERTED FARMS.
There are 27 reverted properties in course of transfer, on which there is an amount of principal due of $3,781,545 and arrears of interest due of $3,211. On 32 properties in possession of the Bank the principal due is $1,91,107 and the arrears of interest $284,401; 27 of the reverted properties are let on cropping leases, and 4 on grazing leases; the terms for cropping leases are 20 per cent. of proceeds, and for grazing leases 1% per week for 500 to 400 sheep.

CONDITION OF ACCOUNTS.
The branch manager, Mr. Gillies, states that out of 662 active accounts, 423 are good, 192 doubtful, and 78 are bad. Of the 662 active accounts, 250 require suspension, which is found from release of interest paid by settlers from crop proceeds under the Bank's statutory lien. Of the active settlers, 49 are under the Farmers' Debts Adjustment Act. Mr. Gillies, as receiver, handles 20 of these accounts, and his fees are paid to the Bank.

REPURCHASED ESTATES.
There has been settlement of returned soldiers on four repurchased estates, namely, property purchased from Messrs. Butcher Bros. at Bruce Rock; Kunminin Station, Kunminin; Mundien Estate, Puntapid; and Short's Estate, North Shankleton.

MESSRS. BUTCHER BROS.' PROPERTY.
This property was purchased from Messrs. Butcher Bros. and adjoins the town of Bruce Rock. It is well held and settled on the estate, and the settlement is holding its own, and in certain of the cases the settlers are selling out at a good price when the values of wheat lands were high. This property comprises some of the best wheat land in the district. The original purchase price of the estate was $5,005, representing 23s. per acre.

KUNMININ ESTATE.
This property comprises 4,794 acres, for which the sum of $12,433 paid. The average price paid by soldier settlers was 23.11. 10d. per acre. We inspected the property and found the country mosty jom and york guna, with extensive granite outcrops, more fitted for grazing than for the production of wheat. There are only five farms on the estate, one of which is abandoned. With few exceptions the settlers are burdened with a purchase price, advances from the Bank for improvements, and Industries Assistance Board indebtedness. There will have to be an adjustment of indebtedness in order to afford the settlers remaining on their farms a chance of making good, and to this end, abandoned farms could well be consolidated with adjoining properties, where possible.

OFFICE MANAGEMENT.
The staff consists of the branch manager, Mr. Gillies, and Field Inspectors—R. A. Withall, stationed at Bruce Rock; P. G. Cram, stationed at South Kunminin; J. P. Selma, stationed at Narembeen, and F. J. Hitchins, stationed at Corrigin. Mr. J. E. Maclean is branch accountant, and in addition, there are six clerical assistants in the office.

BRANCH PREMISES.
The branch premises are constructed of brick, with an iron roof. The building, which is of substantial nature, is of recent construction. The offices are not conveniently partitioned, the public having to pass behind the public counter to reach the manager's office.

CASH.
The teller has a safe for the keeping of cash, to which he has both keys of the safe and cash-drawer. This arrangement is unsatisfactory as it provides the teller with access to the safe and cash-drawer at all times. It is suggested that the key to the safe should be held by the accountant.

INTEREST CHARGES.
Interest at the rate of 5 per cent. is charged on Agricultural Bank and Industries Assistance Board accounts, and 45 per cent. on advances made under the Discharged Soldier Settlement Act. Interest on overdue interest in regard to Agricultural Bank and Soldier Settlement Scheme accounts is charged at the rate of 5 per cent., but no interest is charged upon overdue interest in regard to Industries Assistance Board accounts.

APPENDIX No. 9.

Bruce Rock District—Agricultural Bank.

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The branch premises are constructed of brick, with an iron roof. The building, which is of substantial nature, is of recent construction. The offices are not conveniently partitioned, the public having to pass behind the public counter to reach the manager's office.

CASH.
The teller has a safe for the keeping of cash, to which he has both keys of the safe and cash-drawer. This arrangement is unsatisfactory as it provides the teller with access to the safe and cash-drawer at all times. It is suggested that the key to the safe should be held by the accountant.

INTEREST CHARGES.
Interest at the rate of 5 per cent. is charged on Agricultural Bank and Industries Assistance Board accounts, and 45 per cent. on advances made under the Discharged Soldier Settlement Act. Interest on overdue interest in regard to Agricultural Bank and Soldier Settlement Scheme accounts is charged at the rate of 5 per cent., but no interest is charged upon overdue interest in regard to Industries Assistance Board accounts.

WATER SUPPLY.
Sub-aquatic water has been located in the area at a depth of 130 to 200 feet. The rainfall is 11 and 12 inches, most of which falls in the growing period.

RAILWAY.
Parliament has authorised the construction of a railway from Yuna northwards, to serve part of this area.
LEDDERS.

Ledgers, previously balanced monthly, are now balanced every two months.

ABANDONED BANK FARMS.

A list of abandoned farms has been prepared, but an indexed register or cards setting out particulars of all Agricultural Bank abandoned farms should be prepared for convenience of office records, and in placing particulars of such properties before would-be purchasers.

BILLS OF SALE.

A system has been recently instituted under which items included in the various Bills of Sale are set out on cards in respect of each client. The items on the Bills of Sale set out on the cards are now in the course of being checked with the stock, etc., on the various farms.

FILING CORRESPONDENCE.

The manager advised that although the district office file contained certain matters of a domestic nature, which were not forwarded to head office, still all complaints made by clients were forwarded to head office.

AMALGAMATION OF ACCOUNTS.

The branch manager stated that the difficulty in amalgamating the various loans in respect of each client under one account was the different dates of the various loans on which dates of repayment are fixed.

PARTICULARS OF ADVANCES.

The branch manager advised that a list of advances made is sent to head office each year, but particulars respecting same have not been shown. The manager stated that at one time complete particulars respecting clients' indebtedness were sent to head office yearly.

STAFF.

The branch manager is in charge of the office, and when absent the accountant resumes control.

We obtained from the branch manager copy of correspondence between head office and the branch. In respect of interest collections and accounts. Copy of this correspondence is annexed to this report and it would appear to show that the head office did not insist on proper collections of principal instalments and interest.

In 1934 a circular was sent urging interest collections, but there does not appear to have been any follow-on from year to year, and the energy which might have been occasioned by this circular appears to have been quickly exhausted. At the present time the accounts show a lamentable failure to collect principal and interest. In such country as this district is, we should expect to find the collections in a much more satisfactory condition than they are at present.

Inspection Cran, who controls the Narembeen area, lives on a farm at South Kunnamin. It is a matter of surprise that a Field Inspector should also control farming operations.

WITNESSES.

Evidence was taken from the following witnesses:—

Branch Manager—Mr. O. S. Gillies,

Field Inspectors—Messrs. R. H. Withall, J. F. Seinos, P. G. Cram, P. S. Hitchens,

Road Board—Mr. F. Yandle, Vice-Chairman, Narembeen Road Board.


We obtained some very interesting evidence on various matters and we draw particular attention to the evidence of Mr. Riley (page 729), Mr. Powell (page 77) and Messrs. Nichols and Hool (pages 727 to 739).

Mr. Riley, who is an Agricultural Bank client at Babakin, spoke of the psychology of the farmer in the district. He is of the opinion that the hard times which they have had, for the last two years, has not been met with understanding. The farmer thinks that the wheat industry is a national one. Therefore the maintenance of the industry is a national responsibility. The farmer has lost confidence and this confidence must be established.

He suggests—

(a) That all rents should go in reduction of capital.

(b) Large scale buying by the Bank for replacement of machinery; increase of horse power.

(c) Department of Agriculture to advise the best sidelines to establish on lands suitable for such sidelines, such as fodder crops, dried fruits, figs, and such other lines as may be suggested in addition to the ordinary ones of pigs, poultry and butter.

(d) Sustenance at fair rates is justified to the good and earnest worker on good to fair lands.

(e) Elimination of the waste and throwing unproductive wheat lands out of cultivation should be the first step to establish this confidence.

Mr. Powell in his statement pressed the point that the mortgagees are shareholders in the farm, and must share the loss equally with the farmer, that the Bank should classify the lands to be cropped and that the improvements on the farms have not been maintained during the last four years, machinery had been allowed to get into bad repair and that farms must be conditioned to carry sheep.

Mr. Nichols submitted the following estimate of £5,320 to establish 1,000-acre farm with 300 sheep, and he also submitted a profit and loss account of 225 acres cropped with an average return of 15 bushels to the acre. This statement, with notes, is attached.

SHEEP.

There are 229 of the Agricultural Bank clients who carry sheep on their farms; the average flock is 300. Nearly all sheep are under lien to stock firms and the Bank does not derive any benefit from the sheep. After the present wool returns are in, it is estimated that 70 per cent. of the 229 will be clear of the stock agents, and the Bank should demand to have a lien on the stock and wool given for one year's interest at least. The Bank should also require all its clients to consign their wool by rail.

CHANGE OVER TO SHEEP.

There are 320 Agricultural Bank clients who do not carry sheep, and Mr. Gillies estimates that it would cost £300 per farm to provide necessary feeding and water on these farms in order that sheep could be carried thereon. This would not include the purchase of sheep—at least £200 per farm would have to be found for this purpose.

CROPPING RETURNS.

The following averages for wheat cropping for years 1931-32, 1932-33 and forecast for year 1933-34 were submitted by Mr. Gillies:—

Wheat:

<table>
<thead>
<tr>
<th>Season</th>
<th>Area</th>
<th>Production</th>
<th>Average Yield</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>acres</td>
<td></td>
<td>bushels</td>
</tr>
<tr>
<td>1931-32</td>
<td>324,450</td>
<td>4,705,076</td>
<td>14-5</td>
</tr>
<tr>
<td>1932-33</td>
<td>347,045</td>
<td>4,906,355</td>
<td>15-4</td>
</tr>
<tr>
<td>1933-34</td>
<td>330,000</td>
<td>5,020,047</td>
<td>15-1</td>
</tr>
</tbody>
</table>

(Forcast)

Oats:

<table>
<thead>
<tr>
<th>Season</th>
<th>Area</th>
<th>Production</th>
<th>Average Yield</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>acres</td>
<td></td>
<td>bushels</td>
</tr>
<tr>
<td>1931-32</td>
<td>27,655</td>
<td>449,201</td>
<td>16-4</td>
</tr>
<tr>
<td>1932-33</td>
<td>37,085</td>
<td>447,343</td>
<td>16-8</td>
</tr>
<tr>
<td>1933-34</td>
<td>47,885</td>
<td>685,299</td>
<td>14-5</td>
</tr>
</tbody>
</table>

(Forcast)
RECONDITIONING OF PLANT.

The farmers, owing to the bad times, have allowed their plants to fall into bad repair, and have failed to maintain their horse power. Mr. Gillese estimates that it will cost £400 a farm to recondition plant and bring horse power up to full strength.

Capitalisation.—The district is highly capitalised, by reason of the generous advances made under the Industries Assistance Board Act. Generous advances were made under the Industries Assistance Board, and that is where the over-capitalisation occurred. The advances seemed to be purely on cropping on an acreage basis. The trouble was that the acreage was set in irrespective of farming methods in order to get larger advances, with the result that crops did not meet the advances against them. It was a serious thing for the Bank when the debt had to be funded.

General Observations.—This district comprises the well-known areas of Totung, Karalga, Bruce Rock, Sander, a belt of Songkai, Bank Hill, Monstalig, Mt. Baked, and Narembeen, and that highly improved property "Koolherring" developed by Mr. W. K. Hedges is 26 miles from Bruce Rock and 10 miles from Narrogin.

With the exception of an extensive belt of sand-plain country, north-east of the town of Bruce Rock and some light lands in the north-west corner of the district towards Quairading, this district comprises a greater area of uniformity of farming lands than any district we have visited.

Settlement had extended some twenty miles east of Narembeen and when it was announced that a railway was to be taken from Southern Cross to Karalga, as part of the 2,500 farm scheme, this settlement was extended many miles east beyond the rabbit-proof fence, and we find settlers farming 50 miles east of Narembeen.

These last settled areas are known as Hampton, Holleton and Gihb Rock, and we should say the average carrying distance is 40 miles. The Bank has advanced approximately £400,000 in these new areas and are maintaining same by the usual earling subsidy. For the 1932-33 harvest the sum of £1,000 was paid on account of this subsidy.

Without permanent transport is provided these areas cannot be carried on by the Bank, and should be evacuated. Mr. Thomas, a very fine type of settler and one of the finest set of them, said that with wheat at 15s. per bushel, and subsidy included, he could not make wheat grow and pay at that distance. The good country is of limited extent and would hardly justify a railway.

It is indeed hard to understand how the Trustees came to advance the country so far from the railway. There is some gold mining at Holleton, and if this mining centre develops into a payable field, a spur line of light railway can be taken out from Narrogin, which would serve the field and provide transport to the above area.

Salt is affecting an area of salt lake depression running from north of Avatham to South Kunnamin. There are two abandoned farms of the Bank in this area which are now practically useless for wheat growing. From an agricultural belt of morrall country east of Narembeen we should expect future occurrence of salt in this belt.

The agricultural lands south of the eastern goldfields railway are of much better sheep carrying capacity than the lands to the north of this railway. The sheep seen in this district were of big frames and are reported to cut well, but we should not think the wool would be of as good quality as in the southern districts, such as Narrogin and Katanning, the break of the season being too sudden.

The average wheat yield for the district is 14 bushels.

The usual problems affect the district—

1. Formulating a policy which will instil confidence into the settlers.
2. Readjustment of values of repurchased estates.
3. The Mt. Hampton, Holleton and Gibb Rock settlers.
4. Salinity in the soil.
5. Rabbit destruction, particularly on abandoned farms.
6. Close watch for wild turnips, and enforcement of its eradication.
7. Payment of road board rates by Agricultural Bank settlers.

FARMING COSTS AND NOTES.

Supplied by Mr. H. Niellollis,
Farmer of Pentagin.

The accompanying figures relate to the theoretical cost of developing and equipping an average 1,000 acre block as a wheat farm, personally worked by the farmer with a minimum of hired help, and worked on the 'three-year' system as generally advocated by agricultural experts and many practical farmers.

The figures generally are based on actual experience in many instances, and a long view of the matter must be taken, as the assets by which the capital expenditure is represented must be maintained and the fertility of the farm must be kept up, so as to be able to produce the chief produce—wheat—over a number of years at a higher rate per acre than the average yield for the State.

The details of costs of converting 1,000 acres of bush into a farm in full production show a sum of £3,600 is needed; the addition of the working plant and live-stock, including a flock of sheep, brings the cost to £5,000, to which I have added £500 as "Working Capital," which is still insufficient to enable all supplies to be purchased on a cash basis.

This brings the capital invested to £5,500, and interest at 5 per cent, on this sum is a heavy charge against production.

Depreciation rates—Buildings, fences, etc., at 5 per cent., working plant at 7½ per cent., horses at 10 per cent.

The method under this system is that 25 acres are cropped with wheat (on fallow), 325 acres are fallowed, and 90 acres of the third portion of the cleared area sow to oats, from which hay and oats for the team are obtained, and which appear in the accounts as a "cross entry" for the sake of keeping the account as simple as possible.

By taking into credit the returns from the flock of sheep at £1,000, the profit and loss account shows that it needs a return of 15 bushels at 3s. 1d. to balance the accounts, or approximately 3s. 7d. a bushel, at an 18-bushel average, and 3s. 1d. at a 12-bushel average.

It is doubtful if a much larger flock of sheep can be carried without sowing more oats, and that is hardly possible without a bigger team and plant, as 325 acres wheat and 90 acres or so oats is about all one eight-horse team can handle properly, without sacrificing the quality of the fallow, and thus adversely affecting the wheat yield.

In these accounts, which just balance on a 15-bushel yield at 3s. 1d., there is no credit balance or surplus to enable a reserve fund to be built up, to enable the farmer to withstand adverse circumstances, such as a slump in prices, damage from floods, or droughts, etc.

The amount of £1,000 as wages for a farmer is really unfairly low when one considers the capital he is responsible for, the knowledge and experience required, personal energy; similar quality and quantity in other fields of endeavour generally demand greater remuneration.

An additional 3d., making the cost 3s. 4d. per bushel, would yield a surplus of £50 which would be a reasonable profit, and provide more adequate reward for the effort and risks involved, and provide the necessary reserves.
DETAILS OF THE COST TO FULLY IMPROVE AND EQUIP 1,000 ACRES WHEAT FARM WORKED UNDER THE "THREE YEAR" SYSTEM AND CARRYING A STOCK OF SHEEP.

<table>
<thead>
<tr>
<th>Item</th>
<th>£</th>
<th>s.</th>
<th>d.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,000 acres Unimproved</td>
<td>590</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Clearing 390 acres at 40s.</td>
<td>1,410</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>5 miles Habitation Fencing</td>
<td>410</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>5 miles Sleep-dividing Fencing</td>
<td>150</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Water Supply</td>
<td>200</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,780</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

**Buildings**

<table>
<thead>
<tr>
<th>Item</th>
<th>£</th>
<th>s.</th>
<th>d.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Horse</td>
<td>600</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Mews</td>
<td>40</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Stables</td>
<td>80</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Seed and Super. Seed, etc.</td>
<td>40</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Yards, etc.</td>
<td>20</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>740</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

**Working Plant**

<table>
<thead>
<tr>
<th>Item</th>
<th>£</th>
<th>s.</th>
<th>d.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hay (£20), Flaky (£20)</td>
<td>40</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Wages</td>
<td>160</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Thresh (£20), Hay (£20)</td>
<td>130</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Combine Drill</td>
<td>150</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Scarecrow</td>
<td>80</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Binder (£20), Hooker (£20)</td>
<td>220</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Engine and Cutter</td>
<td>110</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Potence Cart</td>
<td>10</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Half-share Harrow and Pickle</td>
<td>42</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Sowing-bows, Tools, etc.</td>
<td>23</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Hoses and Chains</td>
<td>35</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Sundries</td>
<td>10</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>970</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

**Stock**

<table>
<thead>
<tr>
<th>Item</th>
<th>£</th>
<th>s.</th>
<th>d.</th>
</tr>
</thead>
<tbody>
<tr>
<td>9 Horses (£20)</td>
<td>20</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>200 Sheep (£16/9) other stock</td>
<td>180</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>450</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

**Profit and Loss Account**

- **Interest on Capital, £3,280 at 8%**: £256 0 0
- **Fencing, Water supply, etc., £340**: £27 0 0
- **Wages of help, £2,761 6s. 10d.**: £131 0 0
- **Total**: £5,899 13s. 3d.

**Capital Account**

<table>
<thead>
<tr>
<th>Item</th>
<th>£</th>
<th>s.</th>
<th>d.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,000 acres cost</td>
<td>590</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Working capital</td>
<td>1,470</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,970</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

**Making of accounts for the year ended 30th June, 1922.**

APPENDIX No. 10.

Audit 29/27; Exhibit 121; Mr. C. E. Newsham.

AGRICULTURAL BANK.

The Auditor General:

Sir,—I have to report that an examination has been made of the accounts of the Agricultural Bank under the provisions of Section 40 of Act No. 15 of 1906, for the year ended 30th June, 1922.

**Balance Sheet**

2. **Authorised Capital**, £4,600,000.—The authority has not been increased in the Agricultural Bank Act since the Amendment Act of 1914, but under the Estimate Parliament has authorised certain sums to be expended on the settlement of returned soldiers under the provisions of the Agricultural Bank Act and Amendments, as provided for in the Discharged Soldier Settlement Act and Regulations. The amounts spent to 30th June, 1922, are stated hereunder (paragraph 4).

3. **General Loan Fund**, £20,000,000 10s. 10d.—The General Loan Fund was drawn upon during the year for a further sum of £13,515 10s. 2d., for the ordinary department of the Bank's business. The Treasury rate of interest on this new money being 0 per cent., the old rates varying from 4 to 61 per cent. Of the total £13,515 10s. 2d., £3,300,000 is in Inscribed Stock, on which the rate of 4 per cent. interest only is being charged by the Treasury.

4. **Appropriation for Advances under the Discharged Soldier Settlement Act and Regulations.**—In addition to the above amount of £13,515 10s. 2d., further sums were supplied by the Treasury within the year, totalling £7,904,799 11s. 0d., for advances, etc., for the purposes authorised by the Discharged Soldier Settlement Act and the Regulations thereunder. The total amount advanced by the Treasury under this heading at 30th June, 1922, was £3,869,485 13s. 5d., of which £3,679,613 15s. 6d., has been refunded to the Department for repayment to the Commonwealth on account of the original Loan moneys advanced.

5. **Obligating Cash Orders**, £21,069 13s. 3d.—This includes the amount of cash orders stated to be drawn and not presented for payment at the district offices and in the field by inspectors up to 30th June, 1922, and at head office £2,709 0 0.

6. **Mortgage Fees**, £1,520 17s. 7d., is the amount of mortgage fees paid in by clients and held for payment of fees, etc.

7. **Receipts in Suspense Account**, £10,244 0 0.

The account is made up in, the main, of receipts for sale of stock and other chattels, and balances from sales of abandoned farms, and is held pending re-advance to settlers or other appropriation. Most of the former is held in connection with the soldier settlement. The moneys collected in connection with the Farmers' Distress Fund, some years ago, the balance of which is reduced to £100 0 0, are held in this account. It has been suggested in previous audits that the moneys of the Farmers' Distress Fund should be cleared from this account and invested separately.

A number of these balances have been held for six years, and if they are unclaimed for that period they should go to revenue, in accordance with the law. There are for two many balances held in this account, and if proper attention were given to the matter a great number of them could undoubtedly be promptly credited. There are a large number that have been held for twelve months and longer and it is most unsatisfactory that they are not promptly credited in their final accounts.
8. Other Liabilities not shown.—There are other liabilities, such as insurance premiums, payable in the period, which are not taken into account.

9. Sundry Borrowers—Ordinary Department—Principal, £2,788,715 Is. This is £14,591 5s. 6d. more than the amount outstanding last year after writing off the amount of £14,074 Is. 9d. for losses unascertained on certain properties that had been sold.

10. The amount of £166,778 10s. 9d. was credited as repayments during the year, some of this arising from sales to settlers under the Soldier Settlement Scheme, although the amount was nothing as large as in the previous year, the amount of these being therefore merely transferred to the other Loan Items under the Bank's control.

11. Absence of Controlling Account of Redemption Instalments.—I have repeatedly drawn attention to the fact that the general ledger does not disclose the amount of moneys that have passed into the Redemption stage, consequently there are no particulars given or compiled from which it can be seen by the accounts what is the amount or repayments due at the end of each year, or at the 30th June last. This necessary information is not divulged in the accounts of the Bank. The very grave importance of these figures and their non-publication for the information of the Government and Parliament is, I think, a matter of prompt attention on the part of the Trustees.

12. I have drawn attention before to the very large number of accounts in which the Redemption instalments are long overdue, and the fact that difficulty is experienced in collecting many of those that are collected; also, that in the case of those clients of the Bank who are assisted by the Industries Assistance Board, no Redemption instalments have been collected at all, in a very large number of instances. The instalments are overdue for many years past, and while the Industries Assistance Board pays the overdue interest to the Agricultural Bank and charges up the amounts to the settlers in the Industries Assistance Board's books, no action is apparently taken to recover the instalments due for principal.

13. The position is a very serious one. On a very large number of the overdue instalments the interest being charged is at the old rate of 5 per cent. as stipulated in the mortgages. In my report of last year dated 7th December, 1921, paragraphs 13 and 14, I drew attention to the fact that if the terms of the mortgages and the provisions of the Act were insisted on, and this money was got in, the Trustees would have the use of this comparatively cheap money to carry on with, or to reduce the liability of the Bank to the Treasury, instead of constantly borrowing fresh moneys from the Loan funds of the Treasury year by year and having to pay the higher rates of over 6 per cent.; and further that serious losses were being made through the inaction, or inability, of the Trustees to collect these old 5 per cent. loans, the repayment instalments of which are so long overdue.

If the moneys could not be used profitably for further re-advances at the higher rates of interest, it would be of great benefit to the Treasury if these moneys were collected and the capital indebtedness of the Bank reduced. This would obviate the necessity for the Treasury having to borrow other moneys, which they are doing and paying for at the higher rates of 6½ per cent. and over.

14. Redemption instalments for improvements, I would point out, do not begin to fall due until five years from the approval of the loan. The good seasons and high prices prevailing for some past years past should have been in favour of the collection of these instalments. The probability of their being paid in bad seasons and with much lower prices existing for wheat, wool, oats, stock and other products will have to be faced.

15. The outstanding balances for principal due are shown at the original amounts advanced. No provision has been made for losses, although it is known that heavy losses have been made, and will be made, in addition to the small amount written off during the year, viz., £14,074 1s. 9d., as ascertained losses on properties resold.

16. The position of the foreclosed properties, the amount of which is included in the total of outstanding balances, as above, is as follows:

At 30th June, 1922, there were 720 properties on the books of the Bank, the sum due for £238,859 10s. 9d., and for interest £252,311 1s. 1d. Of this number, 360 properties came into the Bank's hands during the year under review, on which the principal due was £170,998 17s. 11d. and the interest £22,661 4s. 2d.

The properties sold or disposed of during the year totalled 364 on which the principal sum amounted to £124,216 11s. 3d. This information is furnished from schedules certified to by the clerk in charge of property sales, and the Deputy Managing Trustee. It has not been checked by me.

I have here pointed out that there is no general ledger account of these figures. It is essential that the operations relating to these properties should be treated separately in the accounts.

17. It has been pointed out before that there are only certain properties where the interest on the overdue instalments is due. No action, and do not include properties that may be doubtful, where action has not been determined, or the cases where losses are not ascertained or apportioned.

In a number of cases farms are abandoned by the settlers and the Bank is not aware of the fact, and of the condition of the holdings and the chattels, for a considerable time afterwards.

18. Sections 38 and 39 of the principal Act provide for the keeping of all fences, buildings and other improvements in good repair and condition; whereas these provisions are adhered to or not, and in the condition of the holdings generally, I am not in a position to express an opinion.

19. Added to the outstanding balances of advances in the ordinary department of the Bank quoted above at £2,783,715 12s., the item for advances for other rural industries, that is to say, butter and bacon factories, is shown at £19,850, bringing the total outstanding balances in this section due by settlers and the butter and bacon factories to £2,803,560 13s. As against this, the Bank's liability to the Treasury is £3,560,961 10s. 10d. for money borrowed, a difference of £877,391 17s. 10d. which has disappeared in the payment in to the Treasury on loan moneys which had been advanced, sinking fund contributions and in administration expenses; also in losses written off.

Section 4 of the Agricultural Bank Amendment Act, No. 54 of 1913, gives authority to the Managing Trustee to make advances for the purpose of assisting settlers, administration charges, and sinking fund and in losses written off.

The outstanding interest due by settlers at the same date is £211,513 16s. 2d. and this was collected in full there would still be a shortage of £33,730 5s. on the account referred to. It has to be remembered also that as the loans are repaid, the interest earnings decrease.

21. The Treasury contributed £47,534 8s. 7d. out of moneys allowed them by the Commonwealth Government on account of losses, and also £23 5s. 6d. from a Department of Agriculture Vote, for the loss of interest on the butter and bacon factories, making a total of £47,762 14s. 9d. Setting this subsidy from the Commonwealth and State funds against the £33,730 5s. above referred to, there is a difference on the other side of £14,152 9s. 9d. The contribution from the Commonwealth is only for five years from the time the advance is made, and is therefore of only a temporary nature.
23. The sinking fund contribution to the Treasury with interest added, amounts to £210,145 11s. 9d. on ordinary departmental capital only, which has also to be taken into account, but they have passed out of the control of the Bank. These sinking fund contributions are added to the Treasury from the Loan funds, on which from 4 per cent. to 6 per cent. interest is being paid; the sinking fund is only earning 4 per cent. which is allowed by the Treasury to the Bank. The amount of £6,180 was overpaid for sinking fund instruments of 30th June last, which will be adjusted in the current year.

24. The statement heretofore will illustrate the interest position:

| Amount of Interest outstanding at 30th June, 1921 | £ | 1,845,265 11s. 9d. |
| Add: Amount of accrued interest for half year ending 21st December, 1921 | £ | 74,184 7 7 |
| Add: Amount of accrued interest for half year ended 30th June, 1922 | £ | 73,167 0 0 |
| Total debt | £ | 2,692,616 8 6 |

Less: Amount written off as bad during 1922 year | £ | 9,090 7 9 |
Less: Cash Receipts, etc., 1922 | £ | 280,204 1 11 |
Less: Deduct amount of interest only charged up on the last day of the year, viz., 30th June, 1922, as above | £ | 70,167 0 0 |
| Deduct amount of interest only charged up on the last day of the year, viz., 30th June, 1922, as above | £ | 1,075,207 0 0 |

This amount of £1,075,207 0 0, 7d., was therefore practically all over for six months, and much longer periods, at the close of the accounts on 30th June last. This amount is £24,996 Is. 7d. more than the total interest charged to the settlers in the ordinary Department for the year ended 30th June last.

25. Of the interest receipts for the year, some are represented simply by transfer to the debit of the Soldier Settlements Advances accounts, and by payments advanced by the Industries Assistance Board. Of the total credits in the ordinary Department, viz., £1,344,209 11s. 9d., the sum of £35,450 10s. 9d. was advanced to the Bank by the Industries Assistance Board on behalf of their clients for interest. Whether the Industries Assistance Board recover from the settlers the sums as advanced to the Bank for interest and other charges depends, of course, upon the result of the cropping and other matters. It is desirable that information disclosing the facts should be furnished.

26. It is apparent from the figures given that the interest due by settlers is not paid in a great number of cases.

27. Sinking Fund Investments, £67,145 11s. 9d. The sinking fund contributions from the Loan funds, on which from 4 per cent. to 6 per cent. interest is being paid, are added to the Treasury from the Loan funds, on which from 4 per cent. to 6 per cent. interest is being paid; the sinking fund is only earning 4 per cent. which is allowed by the Treasury to the Bank. The amount of £6,180 was overpaid for sinking fund instruments of 30th June last, which will be adjusted in the current year.

28. In addition to the above amount of £210,145 11s. 9d., contributed to the Treasury, there is the amount of £47,534 8s. 7d. contributed by the Treasury, who obtained the funds from the Commonwealth Bank. This amount, being the difference between the reduced rates charged to Soldier Settlers and the Bank’s current rate, the Bank have to be repaid under the provisions of Section 15 of the Discharged Soldiers Settlement Act, No. 9 of 1919. Under this section, however, it is provided that these receipts should be paid to the Bank out of moneys subscribed to the Treasury for that purpose.

29. Other Expenditures of the Commonwealth Government include:

- Avon Butler and Bacon Cooperative Company... £5,000
- Geraldton Butler and Bacon Cooperative Company... £10,000
- Albany Butler and Bacon Cooperative Company... £1,500
- Government Butler and Bacon Cooperative Company... £1,500
- Narrogin Butler and Bacon Cooperative Company... £1,500

In addition to the advance to the Avon factory, there are guarantees by the Hon. the Colonial Treasurer under Part III of the Industries Assistance Board Act of £5,000 to the Commonwealth Bank, and further guarantees for one or more advance to the Bank for surplus securities that may be held and during the past year £1,000 in April and February, and £1,000 in May last. The amount of $7,500 to the Union Bank and a total liability of the Government in connection with the Avon company is £17,500. The Government has also obtained a guarantee to the extent of £500 from the Hon. the Colonial Treasurer to the Western Australian Bank given since 30th June last.

30. The Crown Law Department advises that the Bank that the securities have now been completed, with the exception of that of Narrogin, which, it is stated, is now being dealt with by them.

31. The Colonial Treasurer, £47,534 8s. 7d. This amount was subsequently paid by the Treasury. It is made up of £47,534 8s. 7d. referred to in paragraph 28, and £23,828 3s. 2d. difference between the Bank’s current rate of interest and what charged to the butter and bacon factories. The difference being debited to a Department of Agriculture Volt, under the authority of the Executive Council.
34. The accounts cannot be passed.—I am of opinion, for the reasons given in this report, that no provision is made for losses of advances (which will be apparently very heavy and of which a great amount is known), the unsatisfactory state of the redemption instruments generally, and that interest in connection with abandoned and forfeited properties is taken into account in full as earnings, and that there is no provision for losses in respect to the advances, either with the very unsatisfactory condition of the interest payments over- 
due, that the accounts under review do not show the true position of the Bank’s affairs as 30th June last, and therefore that they cannot be passed.

PROFIT AND LOSS ACCOUNT.

35. Administration Expenses, £29,659 3s. 6d.—There is an increase of £3,579 3s. 10d. under this heading, from ‘Salaries’ being £3,574 7s. 6d. more, and ‘Insi-
dentals’ £340 17s. 1d. more. An amount of £26,920 6d. was made to administration costs, without ‘Salaries’ in April, 1922, which was credited to salaries. This amount should have been treated as revenue.

36. Interest on Capital—Ordinary Department, £147,509 11s. 2d.—This shows an increase of £4,549 1s. 9d.

37. Interest on Capital—Discharged Soldier Settlement, £213,142 17s. 10d.—The increase in this section is £7,576 8s. 4d. There is an error of £5 16s. 9d., an overpayment, which has since been adjusted.

38. The total interest on all capital, both ordinary de-
partment and soldier settlement, amount to £261,095 8s., and agreeing with the above-mentioned interest charges on ad-

dances to settler to £371,798 6s. 7d. only, or £10,728 11s. 2d., which is little more than one-third of the money expended on administration.

39. If we add to all other items of receipts, viz., application fees, £3,092 4s. 6d., and office fees, £205 1s. 6d., sundry receipts, £571 6s., and surplus exchange, £31 11s. 7d., or a total of £5,867 3s. 1d., to the £10,728 11s. 2d. above referred to, the total, viz., £17,616 14s. 6d., falls short by £12,334 7s. 10d. of the amount required for admin-
istration charges to carry on the business of the Bank for the year under review, without taking into account anything for ascertained losses which have to be written off or any sum for estimated losses, which, taking the amount represented by foreclosed and abandoned farms only at £291,504 1s. 10d., must be heavy.

40. It seems to me that the position must get worse each year, as undoubtedly administration costs will increase very particularly at the district offices and as the loans are repaid the interest earned on advances will be reduced.

41. The average rates of interest charged by the Bank in the year were 4% per annum, for the half year ended 31st December, 1921, and 5% 6d. for half year ended 30th June, 1922.

42. Losses on Realisation, £14,074 18s. 9d.—The greater part of these losses arise from amounts written off when properties have been transferred to settlers under the Soldier Settlement Scheme. Of the total, £7,073 18s. 6d. is principal and £7,001 is interest. The amount has no relation to those loans to the Bank which have not been actually determined.

The above are losses dealt with in the ordinary de-

partment. The approval of Executive Council has not been obtained for writing off these losses.

43. There were in addition, losses in the soldier settle-
ment section: Principal £1,561 3s. 6d., interest £383 0s. 5d., total £2,943 4s. 2d. These losses are made good by the Treasury out of the Commonwealth rebate of interest on total Loan moneys advanced by them.

44. Interest waived on Advances to Unenrolled Settlers, £1,035 7s. 6d.—This loss has to be added to the amount written off, as per the last paragraph. It arises from the decision of the Executive Council to waive interest charges in this district for three years, the particular of which have been referred to in previous reports.

45. Loss on Stock Supplied to Denmark Settlers, £12 12s.—This arose over a dispute with the Dep-
artment of Agriculture as to the delivery of a cow. The settlement arrived at, and the amount of £3,000 was agreed to, applying for the cow, which was charged with. It
the Bank in error. The accrued interest is therefore overstated to the extent of £28 10s. 6d. for the 1921-22 year and £3 10s. 6d. for the previous year.

52. The loss of the indorsements of the commencing date of the interest charges has been commented on previously. It is noticed that in the case of the Narracan company, interest has been calculated prior to 30th June, 1921, which the mortgage fees as the commencing date of which the advance is to bear interest.

51. I suggest that the balance sheets and trial ledgers of these companies should be submitted promptly and periodically to either the Agricultural Bank or the Treasury, and their position closely investigated, in view of the very large commitments of the State and failure of the concerns to meet their interest payments.

53. Discharged Soldier Settlement Interest, £20,158 1ns. 6d.—This shows an increase in the amount debited up over previous year of £20,564 3s. 4d.

54. Calculation of Interest.—In a special report dated 8th August, I drew attention to the lack of uniformity in the practice of computing interest, also the number of errors that had been discovered in a small test for the half year ended 31st December, 1921, in connection with a number of the ledgers now at several district offices. On 31st September last, I also reported that the interest test resulted very unsatisfactorily at Northam district office. In another test for the half year ended 30th June, 1922, on Perth district ledgers only, the test was satisfactory with the exception of account No. 519, J. Murray, half year 31st December, 1921, and half year 30th June, 1922, which showed an overcharge of £1 5s. in each case to be adjusted.

A test of the interest debits on soldiers' settlement accounts for Perth district also resulted satisfactorily, with the exception of Account No. 637, No. 2 Account, Sanderson and Corbett, 10s. undercharge. A practice has been introduced to rebate interest on all credits received at the highest rate per centum chargeable in the period.

55. Interest Journals.—These were not kept for the half year ended 30th June, 1922, except for the soldier settlement section. The practice now is to take the interest debits direct from the ledgers to the take-outs; no particulars of account numbers, principal outstanding, or any connecting links with the accounts are shown. Head office accepts these take-outs for the postings to the controlling accounts in the general ledger.

56. Interest Lost on Payment in the Field.—Attention has been previously drawn to the loss of interest arising from payments in the field, as the settlers' accounts are only charged from the date cash orders are presented for payment by the banks, and not from the date the advances are actually made, that is, the date the cash orders are drawn and paid away. In the meantime, the settler has had the use of the money without interest. This is contrary to the provisions of Section 33 of the Agricultural Bank Act No. 15 of 1906, which reads—

1. "For the period of five years next following the date on which an advance is made, there shall be paid to the Bank by the borrower interest on the advance at the rate of Five pounds per centum per annum."

2. "Such interest shall be payable on the first day of January, and the first day of July in each year."

3. "If any advance is made by instalments, interest shall be calculated on the actual amount of the several instalments of such advance, from the date when such instalments are advanced."

4. "After the expiration of the said period of five years, the advances, with interest at the rate of 4 per centum, shall be repaid by the borrower to the Bank within a term of twenty-five years by payment on the first day of January and the first day of July in each year of half of the amount then outstanding until the whole advance with interest has been repaid."

57. Payments made at head office on settlers' accounts are charged in error from the date the cash orders are drawn, and are therefore penalised in their interest charged, as against the payments made in the field. This differentiation cannot be justified even if the procedure with regard to payments in the field were not contrary to the law.

58. Application Fees, £2,909 4s. 4d.—These show an increase of £924 14s. 6d. from the previous year. As previously pointed out it is the practice to appropriate all these application fees, which also error inspection, as earnings for the year in which they are collected, irrespective of when the service is completed.

59. Office Fees, £365 1s. 2d.—These show a falling off of £20 17s. 6d. from the year 1921.

60. Receipts, £671 9s. 6d.—There is an increase under this heading of £327 13s. 6d. due principally to monies belonging to various persons, held and unclaimed, for six years, arising from surpluses in connection with the sales of abandoned and other properties.

61. Securitites.—The very unsatisfactory position with regard to the custody of securities has been drawn attention to for years past. I again quote what I have said in former reports—

"The securities registered in the Bank's register of discharge are not always properly posted.

"The securities held have not been checked, but only a test of same for the new loans made during the year has been made as instructed. This test revealed the fact that a number of the mortgages have not been obtained, and filed in the strong room, and in other cases there was no record on the card register of those received."

"Great delay is apparent in getting the securities completed and filed in order. It is stated that a large number of the securities are at the Titles Office, and that some are on files. It has only been possible to locate some after the expense of much time; others could not be situated."

"The matter of the strict custody and filing of all securities requires urgent attention, as the position is very loose and unsatisfactory. There is no satisfactory departmental check. The common seal of the Bank, although now locked up in the Deputy Managing Trustee's safe, is allowed to be used by other officers."

"In view of this most loose and unsatisfactory state of affairs, it must be made perfectly clear that the audit can take no responsibility whatever with regard to the completeness of, or the check on, the securities of the Bank."

62. A test of the securities for new loans for the year under review, as laid down, it was found, as in the past, that in a number of cases all the securities were not filed, for one reason or another, or for other reasons. A number of grants are still at the Titles Office which have not been taken up.

63. Owing to most of the settlers' ledgers being now kept at the district offices, and the particulars of advances made being discontinued in the loan registers as part of the new system recently introduced, there are no means now of ascertaining at head office, other than a reliance on what may appear on the unaged files, that the securities taken cover the amounts actually advanced. The difficulty is a serious one and requires prompt attention.

In attempting to check the new loans with files for Trustees' approval, in the majority of cases files belonging to accounts at district offices could not be produced as they were held there.

64. Discharge Register.—With regard to the discharge register, this is in a most unsatisfactory state, from an audit point of view, no responsibility can be taken for the following reasons:—

(a) There are numerous entries in the register against which no particulars appear. I understand that some entries may be lost or destroyed.

It is stated that a number of these entries have been cleared by drawing cash orders at head office and forwarding them direct to account. Some of the entries may still be found on the file, and have been drawn the files have not been sent on to the officer keeping the register for notation.
There are a number of entries where mortgages were discharged and the ledgers of the Managing Trustee or Deputy Managing Trustee were inserted without the receiver of moneys first initializing the register that the monies had been received.

Several ledger accounts where discharges had been effected and the amounts shown in the register still had debit or credit balances.

The total amount due to the Bank, the Industries Assistance Board, and the old Seed Wheat Board should, I suggest, be included in the discharge register in separate items. It would be advisable to have a new register printed to make this provision, so that all the liabilities of a settler on these different accounts are marshalled.

Only final action as to discharges should be entered in the register. At present there are many entries made, and no final action results. This causes a waste of time in checking and referring back.

With regard to the checking of entries affecting the district offices, with the exception of Northam and Narrogin (the others, viz., Bruce Rock and Katanning, open at 30th June, 1922), have not been verified by me, but the entry up to the 10th September have been listed for checking by the audit officer, who is to inspect the offices named.

The cash items as received at head office have been checked.

In a special report dated 14th August last, I recommended a surcharge for £150 as 4d. on account of moneys being paid out to one J. Gallaher on the discharge of his mortgage, when a large sum had been overlooked as being due to the Bank.

Bills of Sale and Renewals of.—With regard to the renewal of bills of sale, this is effected, it is stated, on the information registered at the Supreme Court, which is searched monthly by an officer of the Bank. There is not any satisfactory record at the Bank showing bills of sale that should be on hand, and those that are due for renewal. When renewals are made it is not known if the chattels are still on the properties, no inquiries in this direction being instituted.

Insurance.—As previously reported, insurance have not been effected in the majority of cases where advances have been made for erection of buildings, etc.; consequently the Bank's securities are not protected by this means. It is understood that the view of the Bank officials is that the land itself is sufficient security for all advances made.

It is not known if all advances for buildings under the soldier settlement section are covered by insurance or not. There is no efficient departmental check to determine that all insurances are effected. Many premiums are not paid because there are no balances on the loans to meet these charges. Owing to the discontinuance of keeping the particulars and purposes of advances in the loan registers brought about at the introduction of the new system, it is now not known at head office what balances, if any, are available.

Instances have come under notice where both the soldier settler and the Bank have paid the premiums, thus having two policies running on the same risk, which points to a lack of system.

With regard to the letter and hand factories, policies and renewal advice notices have been sighted for Avon, Narrogin, Albury and Geraldton factories, but that for Gwoongarup has not been produced for inspection.

In the case of the Avon company, it is stated on the file that there is an insurance policy for £1,000 covering livestock held by the company. This should be endorsed in favour of the Bank as mortgagees, and held by them.

The question of increasing the amount of insurance so that stocks, in addition to buildings, plant, etc., may be fully covered, requires consideration.

Sales of Abandoned and Foreclosed Properties.—I have previously reported that it is not the practice to get the approval of the Trustees in all cases for the terms of sale entered into by the officer in charge of property sales. The Deputy Managing Trustee only has proved in some cases. It is, of course, impracticable for the audit to exercise any satisfactory check on the selling prices. In my opinion it is essential that a close departmental check should be exercised on all transactions in connection with the sale of abandoned and foreclosed properties, and the following up of the authorities for all sales, the amounts fixed, and the accounting for all chattels, premises, proceeds, etc., in connection with each property. The appropriation of proceeds as between the Industries Assistance Board, the Bank and the purchasers, also requires special attention.

Wheat certificates relating to abandoned and foreclosed farms require to be closely followed up. An instance has come under notice where Certificate No. 9045, season 1921-22, 303 bags, value £158 £10, was sent to Katanning district office on 4th May, 1922, and has not been acknowledged.

Register of Horses, Sheep, and Other Live Stock, Inventory of Machinery, Implements, and Other Moveable Plant, etc.—The unsatisfactory position reported previously as to the absence of proper and complete registers still exists.

Machinery, Implements, Live Stock, etc., on Abandoned Farm stock.-Items unsatisfactory state of affairs to which attention has been called before, still exists. An inspection of some of the files discloses the fact that sales of stock and other chattels have been made and transfer entries have not been effected in the books. In other cases sales have apparently been made for which proceeds cannot be traced as having been brought to account.

There is not proper permanent record of sales in connection with these properties.

The matter is one requiring the urgent attention of the management.

It has come under notice that moneys are re­

covered by the officer dealing with these transactions, and also by the officer in charge of property sales. All moneys should be paid by the public direct to the re­

ceiver of public moneys personally.

Receipts not seen.—Format queries raised in 1919 for outstanding receipts have not been satisfied. I attach a schedule which is similar to that of last year for completeness also required for 1921 year. Appar­

ently no effort has been made to clear same.

Subsidiary Ledgers showing Settlers' Accounts.—New ledgers were prepared at the opening of the dis­

trict offices, but these were sent out incomplete in that they contain numerous pencil notations with regard to sales, transfers, capitalisation of interest, etc., relating to entries that have to be made. The matter is a very serious one, and is again brought under notice.

Instances have been seen where balances appear in the ledgers after the mortgages have been discharged.

I have already specially reported, in reports dated 14th July, 1922, 23rd August, 1922, 12th September, 1922, and 22nd September, 1922, on the unsatis­
factiveness of the new ledger sheets and subsidiary sheets, and the grave defects from an accountancy and audit standpoint in the methods adopted, the absence of control, and the defective work of the ledger posting machines and the system of accounts generally. The main grounds of criticism are as follow:-

Unsuitability of new ledger sheets.

Lack of plausibility and simplicity so that settlers can understand their accounts.

Unsatisfactory postings by ledger machines.

Existence of many errors.

Numerous alterations of machine figures by the pen.

Numerous alterations and corrections of entries both by machine and pen.

Ill-defined machine figures.

Obiterated figures by machine.

Numerous postings by the pen.

Penal entries and notations to explain the "key."

of
Completeness of the "key" as far as settlers are concerned.

Faulty reference numbers.

Ledger sheets being removed from binders and used loose all over the office.

Ledger sheets in use not always numbered.

No control on custody of unused sheets.

Unpaid liabilities, although incurred, are not shown.

Entries in arrear.

Delays in finalising accounts.

Credit authorities and particulars thereof not shown in ledger sheets.

Years not shown at top of each page.

Daily balances not shown of principal and interest.

Both sides of ledger sheets being used, making it difficult for them to be read.

Numerous alterations of errors in the machine postings of the subsidiary sheets used for the classification of cash and journal entries, etc.

 obliterations and indistinct figures on same.

Alteration of machine figures by pen.

Entries by pen, after balance figures have been put in by machine.

Both sides of sheets being used, making them unreadable in parts.

Unnumbered sheets.

Absence of "take out" figures so that adjustment account can be checked.

No summary of daily or monthly totals.

Looseness of the control of cash, and issuing receipts for district office Trust moneys.

Outstanding cash liabilities not shown daily, as the amount of each order drawn is not brought to account at once.

Indistinct carbons of receipts.

Absence of controlling accounts for all money.

Receivings officer acting as paying officer.

Reconnaissances of subsidiary sheets with adjustment account had been destroyed.

Generally a loose, dangerous, and inefficient system of accounting and control of the books and records.

For full particulars the special reports can be referred to.

At head office the check adjustments accounts up to the 30th June contained a great number of entries in black lead pencil only.

77. Bad and Doubtful and Unsettled accounts.—These are not kept in separate sections in Porth and at the Northam district office (the only outside office I have inspected) they are intermingled with the ordinary accounts, and under these circumstances a scrutiny of them cannot be specially made, as there is little to indicate their classification.

78. General Ledger.—The general ledger, it is pleasing to be able to state, is kept well up to date.

79. Matters on Files not cleared.—A number of instances have come under notice where important matters on files have not been dealt with until brought under notice by myself or my assistants.

80. Register of Receipt Books, other Monetary Forms, etc.—As reported before, the register is not complete. Acknowledgements from outstandings have not been received in every case. The receipt books supplied to outstandings before the district offices were opened have not been called in. A large number of obsolete books on hand require destruction. It is noticed that some forms have been removed.

81. Authorities for Loans Overdue.—Credit Authorities Overdue.—The matter of overdrawing the Trustees' authority for loans and credit authorities has been previously drawn attention to. A number of cases requires the Trustees' approval.

In a special report dated 22nd August, 1922, I drew attention to the absence of check on the credit authorities and the defects and dangers of the system generally. The matter is one requiring prompt attention.

82. Postage Stamp Account.—There was a surplus of 11s. when the advance was inspected on 2nd May last. This advance is not regularly checked by a senior officer.

83. Cash Order Register.—The unsatisfactory manner in which this book has been kept has been reported before. A number of orders stated to be cancelled are not produced for inspection, and I attach a list of those not seen. Apparently no effort has been made to follow them up. Some entries are unsupported by details.

84. Missing Outstanding Cash Sheets.—Cash sheets 06701 and 06713, Bridgetown, cash sheet No. 2324, Bushell, have not been produced. At the latter place there are three books being used.

85. Custody of Accounts Books and Vouchers.—I am informed that at the district offices, other than at Northam, there is not adequate protection against fire for all records. At head office the key of the strong room is kept in an unlocked drawer to which anyone may have access. This key, or keys, should be held by a responsible officer.

86. Expenditure Vouchers.—These have been checked by the Audit Expenditure Branch for the period under review. There are, I understand, a large number of queries on many matters outstanding.

87. The condition of the accounts generally, now that the district offices have been established with such a loose and unsatisfactory system of accounting and lack of control, has arrived at a stage full of danger to the Bank, the Government, and the settlers concerned, and I would urge that prompt steps be taken to put the whole system on an efficient and businesslike basis, with a very stringent supervision and check kept well up to date.

88. Certificates as to Ledger Balances and Interest, Calculations.—I attach certificates signed by the accountant and sub-accountant as to the balancing of the subsidiary ledgers with the general ledger accounts, and the calculations and checking of interest.

I have, etc.,

(Sgd.) CHAS. E. NEWSHAM,
Senior Inspector.

21st December, 1922.
APPENDIX No. 10A.

SUBJECT: AGRICULTURAL BANK.

Examination of Accounts for the Year ended 30th June, 1930.

The Auditor General.

Sir,—The accounts of the Agricultural Bank have been examined for the year ended 30th June, 1930, with the records available at head office, and the following report is submitted on the attached statements of the Bank's operations. A number of queries relative to the checks on expenditure vouchers have yet to be cleared. Otherwise the examination was satisfactory.

PROFIT AND LOSS ACCOUNT.

2. Administration Expenses, £14,816 5s.—As pointed out in previous reports, the practice of allocating the costs of this amount equally between the Bank and the Board cannot be considered equitable. Group settlement accounts for assessed holdings and other debts taken over from the Lands Department during the year totalled £820,327 1s. 4d. at the 30th June, 1930, but no portion of the Bank's administration expenses was recouped from the group settlement suspense account. There is no provision for such recoupment made in these statements.

Audit fees charged for the Bank audit only were again included in the administration expenses divided evenly between the Bank and the Board. The above shown (£31) was for premises at Allowburnie only, although the buildings occupied at Bruce Roes and Kurnoppie are the only ones built with Bank funds.

3. Interest on Capital, £228,067 2s. 5d.—As in the previous year, interest at 6 per cent. was charged by the Treasury for loan moneys drawn during the year for working capital, and on discharged soldier settlement advances at 5½ per cent. As stated previously, it would appear that the provision in the amending Act of 1917 governs the rates fixed by the Treasury.

Interest actually paid to the Treasury amounted to £228,012 18s. 2d., the difference, £645 14s. 9d., consisting of interest allowed by the Treasury for delay in meeting claims for D.S.S. losses, and treated as reductions of capital. Consequently on the adjustment of the Bank's capital indebtedness by the amount of sinking fund contributions accumulated with interest to the 30th June, 1927 (£247,189 12s. 2d.), an amount of £18,766 10s. 9d. representing simple interest at 4½ per cent. on this amount for the three years ended 30th June, 1930, was deducted by the Treasury before arriving at the amount of £254,913 18s. 2d. The net profit for the year is thus overstated by £12,511 6s. 9d., being allowance made by the Treasury for the two years ended 30th June, 1929. Interest accrued at 4½ per cent. and previously credited in the Bank's statement to the profit and loss account for the two years (£14,594 18s. 6d.) has been adjusted to the appropriation account.

4. Loans on Realisation, £2,328 7s. 5d.—In addition to the account, losses written off soldier settlers' ordinary Bank accounts, £1,112 14s. 6d., and D.S.S. accounts, £84,827 1s. 1d., were recovered from the Treasury in the form of reduction of capital.

The property of A. E. Harris was sold in 1925 by Harris to T. A. King at an agreed price based on the amount of liability subsumed by the Bank. It was subsequently discovered that a loan had been overdrafted, having been posted against another account of the same name, A. E. Harris, and in view of the Solicitor General's opinion that the amount was not recoverable from either Harris or King, the Trustees approved of the account—Principal £118 2s. 10d., interest to 31st December, 1926, £5 11s. 5d., being written off.

5. Losses on Cancellation of Debts, £207 6s. 4d.—In addition to the cancelled indebtedness of soldier settlers recovered from the Treasury by reductions of capital was—Bank ordinary accounts £2,553 8s. 7d., D.S.S. accounts £10,309 18s. 1d.

6. Allocations, £20 1s. 7d.—This includes an amount of £10 11s. 7d., written off an account due to an error in giving to the purchaser of a property incorrect figures relating to the debt due to the Bank, the management being satisfied that no claim could be upheld against the purchaser or the vendor.

7. Accrued Interest.—Includes the following:

   —£2,520 11s. 7d.—Interest payable by Treasury between concession rates charged to soldier settlers and the prescribed rates.

£383 19s. 6d.—Interest concession payable by Treasury on advances to butter factories.

8. Application Fees, £8,188 5s. 2d.—No provision has been made for fees due but not collected. As pointed out in the report on the Perth district office accounts, there are a number of fees still outstanding on applications approved prior to 30th June, 1930.

9. Sundry Expenses.—Expenditure incurred was charged to a suspense account and from thence transferred at a flat rate per ton against settlers' accounts. With interest, £73 4s. 1d., the total charges to settlers were £7,356 14s. 6d., which resulted in the small profit shown.

10. Appropriation Account—Sinking Fund Redemption, £38,362 15s.—Represents contributions paid to the Treasury for the three years ended 30th June, 1930.

BALANCE SHEET.

11. Reserves—Sinking Fund—Contribution by Commonwealth, £23,969 19s. 8d.—Represents an amount calculated and certified by the Treasury. Sundry small errors in the calculations were noted and referred to the Treasury for adjustment.

12. Sundry Borrowings.—The amount of principal outstanding includes unremitted cash orders. Departmental figures show instalments of principal due and unpaid at 30th June, 1930, of: Ordinary section £48,802 19s. 2d., and D.S.S. £26,222 10s. 1d.

Interest collected in the year was insufficient by £114,005 9s. 11d. to meet the interest payments on capital to the Treasury.

The return prepared by the property sales section shows that at 30th June, 1930, there were in the possession of the Bank the following properties:

Ordinary Section.

<table>
<thead>
<tr>
<th>£</th>
<th>s</th>
<th>d</th>
</tr>
</thead>
<tbody>
<tr>
<td>321</td>
<td>with indebtedness of principal</td>
<td>134,658</td>
</tr>
<tr>
<td>Interest</td>
<td></td>
<td></td>
</tr>
<tr>
<td>£188,602</td>
<td>7</td>
<td>6</td>
</tr>
</tbody>
</table>

D.S.S.

<table>
<thead>
<tr>
<th>£</th>
<th>s</th>
<th>d</th>
</tr>
</thead>
<tbody>
<tr>
<td>162</td>
<td>with indebtedness of principal</td>
<td>178,674</td>
</tr>
<tr>
<td>Interest</td>
<td></td>
<td></td>
</tr>
<tr>
<td>£223,490</td>
<td>8</td>
<td>7</td>
</tr>
</tbody>
</table>

Considerable losses are inevitable on these properties, but no provision has been made in the profit and loss account for such losses in the ordinary Bank section.
Outstandings included for butter and bacon factories total £2,250 8s. 7d. principal and £11,358 3s. 7d. Interest. With the exception of the S.W. Co-op. Co. (£5,000) and the Great Southern (£1,000 15s. 7d.), these properties are all in the possession of the Bank, and the major portion of the outstandings will never be recovered.

SPECIAL UNDERTAKINGS.

13. **Advances on Imperial Grant.**—The amount of £3,000 was made available in April, 1920, to the Trustees to assist ex-Imperial soldier settlers in necessitous circumstances. The Trustees decided that advances would be limited to £50 for seed, super, etc., and repayable over a short term with interest at 5 per cent; advances made are repayable ex crop proceeds.

APPENDIX No. 11A.

1922-23. Attention is invited to my memo. of 15/4/1924 (page 110 of file Audit 22/67). As no reply was received to this memorandum and no alteration was made in the statements of accounts submitted for examination, also the fact that reports of district offices were being regularly sent to the Under Treasurer, I decided to discontinue forwarding the inspector’s reports on the head office, reserving any comments I considered necessary for my reports to Parliament.

In regard to Questions 773 and 776, inclusive, relating to reports on institutions allied with the Bank, steps are being taken to comply with the requests of the Commission.

In accordance with a verbal notification from the Secretary to the Commission the district office reports will be forwarded when required.

Yours faithfully,

(Sgd.) C. B. TOPPIN,
Auditor General for Western Australia.

APPENDIX No. 11B.

(Audit 22/67.)

SUBJECT: AGRICULTURAL BANK—EXAMINATION OF ACCOUNTS.

The Under Treasurer—

I enclose a report by Mr. Inspector Nicholas on the accounts of the Agricultural Bank for the year ended 30th June, 1923.

2. The accounts cannot be taken to show the proper position, and in this they do not differ from previous accounts.

3. The expenditure vouchers which support the Treasury cash book are dealt with by another section of the audit, and the outstanding queries have been gone through by Mr. Inspector Nicholas and references made to them in his report. The information requested and not yet supplied on these vouchers extends throughout the whole year. These queries are sent out month by month as the vouchers are dealt with, and until they are answered the work of the year cannot be completed. I have not thought it advisable to hold back the accounts on this account. The 1922 accounts were held back with the idea of getting all these matters cleared up, but even now the whole of the queries have not been answered. I am enclosing this report also, although the inspector in his report for the year ended 30th June, 1923, covers the matters in the previous report.

4. As regards the district offices of the Bank, including Perth, it will be remembered it was reported after the inspection of Northam and Narrogin, the accounts were not ready for audit. The position at the present time is, with the exception of Bunbury, Katanning, Narrogin and Geraldton, the districts have been examined and reported upon up to a recent date. The inspection at Katanning has just been completed, and I expect the report from the inspector in a few days. Geraldton is being done at the present time. An officer will be sent to Bunbury as soon as one is available—I expect in about three weeks’ time—and the officer on the Great Southern tour is expected to be at Narrogin in a few days.

5. It is my practice to do as much of the inspection as possible at the head office in Perth, from documents received from the branches, and this work is carried on regularly from month to month. I would suggest the Treasury Inspector, the Accountant of the Agricultural Bank, and my Inspector, Mr. Nicholas, confer and put up a recommendation as regards the action necessary on the various matters raised, with the object of producing true accounts and facilitating the work of the Bank and the audit.

(Sgd.) C. B. TOPPIN,
Auditor General.

15th April, 1924.
Appendix No. 12.

Correspondence — Accountant, Agricultural Bank, regarding transactions through the Agricultural Bank Trust Fund from 1st July, 1914 to 30th June, 1933.

The Secretary, Royal Commission on the Agricultural Bank, Lands Department, Perth.

As requested by the chairman, I now attach hereto a statement showing shortages on interest collections, etc., year by year, also principal receipts, capital raised and advances made.

As the Act states that payment for administration, etc., may be made out of principal receipts, I have shown principal receipts separately, so that comparison can be made.

I would also draw your attention to the fact that in connection with soldier settlement, Justice Pike, who reported to the Commonwealth Government, assessed on account losses soldier settlement in Western Australia at £2,659,368; half of this loss to be borne by the Commonwealth and the other half borne by the State. The Commonwealth paid more than half, viz., £1,477,688. This amount has been exceeded by the losses made to date, leaving the difference between this amount and the £2,659,368 to be borne by the State, provided the Commonwealth do not demand payment of the excess amount paid. As it was well known that losses would be incurred on soldier settlement, and the Agricultural Bank has already carried approximately £45,000 against its profit and loss account, a claim has been sent forward to the Treasury for either a refund of the amount or a reduction of the principal, and I consider the State Treasurer should recoup future losses.

From 1914 to 1917 the Treasury financed any shortage on interest by means of overdraft, and when you examine the return you will notice that in 1917 there was a credit at the Treasury of £28,890. In 1918, 1919, 1920 and 1921 there were sufficient principal receipts to meet the shortage; in 1922 the principal receipts were insufficient, but you will notice that at the end of 1921 there was a credit of £217,142. The year 1922 closed with no balance at the Treasury. This means that all principal receipts, capital, etc., had been expended.

From 1923 to 1929 there were sufficient principal receipts to meet the shortages, but in 1930 principal receipts were insufficient, and a similar result appears in 1931.

In 1932 principal receipts were sufficient, but this would be brought about by the fact that advances were made for super, the previous year, which would be repaid the following year.

In 1933, the principal receipts were also insufficient to meet the shortages.

I would draw your attention to the fact that losses on soldier capital and adjustment of sinking funds in 1929 were made by the Treasury by reducing the Bank capital. The statement attached shows a loss of £1,803,436 reduced by this amount brings the loss down to £1,410,936. In preparing this return, I have worked through what is known as the Treasury account, which is equivalent to the ordinary Bank account, and have shown in the return the position of the Treasury account at the close of the financial year.

R. G. Courtenay,
Chief Accountant.

J.B.—The principal advances made in connection with soldiers were raised from a special fund and principal repayments were credited to a special fund in the Treasury and, therefore, the entries would not go through the Treasury special account mentioned in the return.

Appendix Table: Statement showing Transactions through the Agricultural Bank Trust Fund from 1st July, 1914, to 30th June, 1933.

<table>
<thead>
<tr>
<th>Year</th>
<th>Overdraft at Treasury at end of each year</th>
<th>Credit at Treasury</th>
<th>Expenditure, including Interest and Buildings</th>
<th>Sunday Receipts, including Interest</th>
<th>Shortage</th>
<th>Principal Receipts</th>
<th>Capital Raised</th>
<th>Advances</th>
</tr>
</thead>
<tbody>
<tr>
<td>1913</td>
<td>21,688</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1914</td>
<td>30,039</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1915</td>
<td>26,161</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>1916</td>
<td>15,044</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>1917</td>
<td>15,830</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1918</td>
<td>38,788</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1919</td>
<td>17,206</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1920</td>
<td>168,003</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1921</td>
<td>217,142</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1922</td>
<td>409,617</td>
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<td></td>
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<td>1923</td>
<td>445,013</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1924</td>
<td>1,119</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>1925</td>
<td>500,896</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1926</td>
<td>458,935</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1927</td>
<td>108</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1928</td>
<td>198</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1929</td>
<td>190</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1930</td>
<td>168</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1931</td>
<td>170</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1932</td>
<td>192</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1933</td>
<td>101,807</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Dr. Balance Cr. Balance
30.6.13 30.6.33 24,088 94,877 7,822,969 5,870,433 1,983,436 *2,708,232 5,823,357 6,518,678

* See attached.
### RECONCILIATION OF BALANCES OF PRINCIPAL OUTSTANDING, 1913 TO 1933.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at 30th June, 1913</td>
<td>£1,883,087</td>
</tr>
<tr>
<td>Add Net Advances to 30th June, 1933</td>
<td>£6,518,678</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>£8,402,665</strong></td>
</tr>
<tr>
<td>Less Principal receipts to 30th June, 1933</td>
<td><strong>£2,798,232</strong></td>
</tr>
<tr>
<td><strong>Balance at 30th June, 1933</strong></td>
<td><strong>£5,604,433</strong></td>
</tr>
<tr>
<td><strong>Bad Debts charged to Bank</strong></td>
<td>£153,613</td>
</tr>
<tr>
<td><strong>Less applicable to S.S.S.</strong></td>
<td>15,760</td>
</tr>
<tr>
<td><strong>Net Total</strong></td>
<td><strong>£137,913</strong></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>£5,608,490</strong></td>
</tr>
<tr>
<td><strong>Add Amount of advances by Lands Department on account of Group Settlement</strong></td>
<td>£76,641</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>£6,375,131</strong></td>
</tr>
<tr>
<td><strong>Add Outstanding as per Balance Sheet</strong></td>
<td>£1,483</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>£5,444,614</strong></td>
</tr>
</tbody>
</table>

**SUMMARY.**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan Capital</td>
<td>£5,823,207</td>
</tr>
<tr>
<td>Principal Receipts</td>
<td>£2,798,232</td>
</tr>
<tr>
<td>Sundry Receipts</td>
<td>£5,608,490</td>
</tr>
<tr>
<td>Overdraft, 30th June, 1913</td>
<td>£24,688</td>
</tr>
<tr>
<td>Expenditure</td>
<td>£7,862,861</td>
</tr>
<tr>
<td>Advances</td>
<td>£6,319,678</td>
</tr>
<tr>
<td>Cash in Treasury</td>
<td>£94,097</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>£14,600,922</strong></td>
</tr>
<tr>
<td><strong>Less Principal receipts to 30th June, 1933</strong></td>
<td>£2,798,232</td>
</tr>
<tr>
<td><strong>Balance at 30th June, 1933</strong></td>
<td><strong>£11,802,690</strong></td>
</tr>
</tbody>
</table>

The Treasury recouped the Bank capital for losses on Soldier Settlement and adjustment of Sinking Funds by £504,000, which reduced the loss shown on attached sheet from £1,983,436 to £1,479,436 as under:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss as attached</td>
<td>£1,983,436</td>
</tr>
<tr>
<td>Less Cancelled Capital</td>
<td>£245,797</td>
</tr>
<tr>
<td>1929</td>
<td>£97,392</td>
</tr>
<tr>
<td>1930</td>
<td>£147,188</td>
</tr>
<tr>
<td>1931</td>
<td>£38,681</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>£504,000</strong></td>
</tr>
<tr>
<td><strong>Balance at 30th June, 1933</strong></td>
<td><strong>£1,479,436</strong></td>
</tr>
</tbody>
</table>

---

**APPENDIX No. 13.**

**APPENDIX No. 13.—LIST OF ADVANCES AT 30th JUNE, 1933 (INCLUDING PARTICULARS OF SECURITY CROP AND WOOL RETURNS, VALUATIONS, Etc.).**

<table>
<thead>
<tr>
<th>No.</th>
<th>Name and Address of Client</th>
<th>Agricultural Bank</th>
<th>Soldier Settlement Scheme</th>
<th>Industries Assistance Board</th>
<th>Advances and Interest at 30/6/33</th>
<th>Amount of Interest (12 months) included in such advances</th>
<th>Average Area cropped</th>
<th>Wheat, bush.</th>
<th>Oats, bush.</th>
<th>Average Wool Returns</th>
<th>Average of security</th>
<th>Bank's Valuation of Security</th>
<th>Comments*</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Drought Forward</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Carded Forward</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Sectures abandoned marked *. Securities repossessed marked †.
APPENDIX No. 14.

AGRICULTURAL BANK ROYAL COMMISSION,

PARTICULARS REQUIRED.

**FARMER:**
- Age: ............ Married or Single: ............
- Number and Ages of Children: ............
- Number and Ages of Children Employed on Farm: ............
- Previous experience: ............
- Amount of Capital to start with: ............

**PROPERTY:**
- Acreage: ............ How Subdivided: ............
- Classification: ............ Distance from Siding: ............
- Are you or your wife interested in any way in any other farming property in Western Australia? ............
- If so, give full particulars: ............

**FENCING** (Mileage and Description): Boundary: ............ Subdivisional Fences: ............

**WATER SUPPLY:**
- Dams (cubic contents): ............ Soaks: ............ Wells: ............
- State if on Water Scheme: ............

**CLENCH:**
- 1st Class: ............ acres, 2nd Class: ............ acres, 3rd Class: ............ acres

**BUILDINGS** (Particulars and Material, and for what purpose used): ............

**CARRYING CAPACITY FOR SHEEP:** ............

**PLANT AND MACHINERY** (Particulars giving Dates of Purchase): ............

**HORSES** (Number, Sex, and Ages):
- No. Draught: ............
- No. Medium: ............
- No. Light: ............

**COWS:**
- No: ............
- Ages: ............

**Pigs:**
- No: ............

**POULTRY:**
- ............

**SHEEP:**
- No: ............ Ages: ............ Sexes: ............
- Last Lambing: ............

**RAMS:**
- No: ............ Of what class: ............

**Yearly Expenditure:**
- INTEREST, RATES, TAXES, ETC.—This Statement to include:
  - Principal: ............ Interest: ............
  - Crown Rents: ............ Road Board Rates: ............
  - Vermin Board Rates: ............ Water or other Rates: ............
  - State and Federal Land Tax (if any): ............

**YEARLY INSURANCE PREMIUMS:**
- Buildings: ............ Crop: ............
- Stock: ............ Life: ............
- Workers’ Compensation: ............ Other: ............

**SPARE PARTS** (Average or Yearly Estimate): ............

**MAINTENANCE**—Average Yearly Expenditure for (includes Buildings and Fences): ............

**SUSPENCE** (including Clothes, Machine, etc.): ............

**VERMIN DESTRUCTION**—Cost of: ............

**Cropping Requisites:**

**SEEDING AND HARVESTING** (Super., Bags, Twine, etc.): ............

**Income:**
- INCOME FROM ALL SOURCES (Giving Details and Specifying Wool Returns): ............

**Cropping Averages and Costs:**

**CROPPING AVERAGE**—(1927-28 to 1931-32 inclusive):
- Five years’ average of Acreage Cropped: ............
- Five years’ average Fallowed Land: ............
- Five years’ average Wheat Yield: ............
- Five years’ average Oat Yield: ............
- Five years’ average Area Cut for Hay—Wheat: ............
- Five years’ average Area Cut for Hay—Oats: ............
- Five years’ average retained for Seed and Feed—Wheat: ............
- Five years’ average retained for Seed and Feed—Oats: ............

**COST PER ACRE** (to include bags, twine, carting, etc.):
- Putting in Crop: ............ Taking off Crop: ............

Date: ............

Signature of Farmer: ............
## APPENDIX No. 15.

### AVERAGE CROP YIELDS.

**Farmers Nominated by Agricultural Bank.**

<table>
<thead>
<tr>
<th>Name of Farmer</th>
<th>Average Yield per acre for Farm</th>
<th>Locality of Farm</th>
</tr>
</thead>
<tbody>
<tr>
<td>C. Branson</td>
<td>428</td>
<td>Babakin District.</td>
</tr>
<tr>
<td>J. H. Carroll</td>
<td>520</td>
<td>Narembeen District.</td>
</tr>
<tr>
<td>J. Crow</td>
<td>500</td>
<td>Narembeen District.</td>
</tr>
<tr>
<td>S. Gardiner</td>
<td>425</td>
<td>Narembeen District.</td>
</tr>
<tr>
<td>C. W. Landquix</td>
<td>500</td>
<td>Bruce Rock District.</td>
</tr>
<tr>
<td>F. F. Riley</td>
<td>340</td>
<td>Babakin District.</td>
</tr>
</tbody>
</table>

### Gerogton Agricultural Bank District.

<table>
<thead>
<tr>
<th>Name of Farmer</th>
<th>Average Yield per acre for Farm</th>
<th>Locality of Farm</th>
</tr>
</thead>
<tbody>
<tr>
<td>J. &amp; J. Allen</td>
<td>640</td>
<td>Tardun District.</td>
</tr>
<tr>
<td>P. A. Butler</td>
<td>800</td>
<td>Pitharaucks District.</td>
</tr>
<tr>
<td>J. &amp; J. B. Baxter</td>
<td>460</td>
<td>Paringa Rock District.</td>
</tr>
<tr>
<td>A. J. Horan</td>
<td>1,130</td>
<td>Ogilvie District.</td>
</tr>
</tbody>
</table>

### Katanning Agricultural Bank District.

<table>
<thead>
<tr>
<th>Name of Farmer</th>
<th>Average Yield per acre for Farm</th>
<th>Locality of Farm</th>
</tr>
</thead>
<tbody>
<tr>
<td>G. O. Tranter</td>
<td>360</td>
<td>Pingrup District.</td>
</tr>
<tr>
<td>G. E. Hicks</td>
<td>150</td>
<td>Pingrup District.</td>
</tr>
</tbody>
</table>

### Kellerberrin Agricultural Bank District.

<table>
<thead>
<tr>
<th>Name of Farmer</th>
<th>Average Yield per acre for Farm</th>
<th>Locality of Farm</th>
</tr>
</thead>
<tbody>
<tr>
<td>L. T. C. Barnett</td>
<td>520</td>
<td>Walgoolin District.</td>
</tr>
<tr>
<td>W. Copley</td>
<td>250</td>
<td>Bullfinch District.</td>
</tr>
<tr>
<td>H. D. Grey</td>
<td>320</td>
<td>Boddalin District.</td>
</tr>
<tr>
<td>H. P. Harn</td>
<td>356</td>
<td>Southern Cross District.</td>
</tr>
<tr>
<td>J. B. Lambert</td>
<td>340</td>
<td>Boreacoppin District.</td>
</tr>
<tr>
<td>R. J. Sexton</td>
<td>440</td>
<td>Moortie Rock District.</td>
</tr>
<tr>
<td>L. R. Nottage</td>
<td>230</td>
<td>Tanami District.</td>
</tr>
<tr>
<td>E. A. Nunn</td>
<td>220</td>
<td>Kellerberrin District.</td>
</tr>
<tr>
<td>H. E. Sherlock</td>
<td>520</td>
<td>Boddalin District.</td>
</tr>
<tr>
<td>Thyne Bros.</td>
<td>637</td>
<td>Karbel District.</td>
</tr>
</tbody>
</table>

### Kununoppin Agricultural Bank District.

<table>
<thead>
<tr>
<th>Name of Farmer</th>
<th>Average Yield per acre for Farm</th>
<th>Locality of Farm</th>
</tr>
</thead>
<tbody>
<tr>
<td>W. Bagshaw</td>
<td>500</td>
<td>Wabunghin District.</td>
</tr>
<tr>
<td>J. Barlow</td>
<td>650</td>
<td>Kununoppin District.</td>
</tr>
<tr>
<td>Cragh Bros.</td>
<td>1,021</td>
<td>Nungarin District.</td>
</tr>
<tr>
<td>L. Dunsby</td>
<td>550</td>
<td>Goomarin District.</td>
</tr>
<tr>
<td>R. G. W. Hopwood</td>
<td>1,090</td>
<td>Benambin District.</td>
</tr>
<tr>
<td>G. P. Herbert</td>
<td>500</td>
<td>Nungarin District.</td>
</tr>
<tr>
<td>H. C. Lindart</td>
<td>420</td>
<td>Kununoppin District.</td>
</tr>
<tr>
<td>M. A. Thompson</td>
<td>500</td>
<td>Boodharin District.</td>
</tr>
<tr>
<td>T. C. L. Whitehorn</td>
<td>746</td>
<td>Kununoppin District.</td>
</tr>
</tbody>
</table>

### Narrogin Agricultural Bank District.

<table>
<thead>
<tr>
<th>Name of Farmer</th>
<th>Average Yield per acre for Farm</th>
<th>Locality of Farm</th>
</tr>
</thead>
<tbody>
<tr>
<td>J. L. Bolton</td>
<td>300</td>
<td>Lake Carmody District.</td>
</tr>
<tr>
<td>D. L. Elliott</td>
<td>350</td>
<td>Dumbleyung District.</td>
</tr>
<tr>
<td>G. H. Miller</td>
<td>225</td>
<td>Toolbin District.</td>
</tr>
<tr>
<td>J. McNamara</td>
<td>350</td>
<td>Kalina District.</td>
</tr>
<tr>
<td>A. G. R. Oliver</td>
<td>238</td>
<td>Wickepin District.</td>
</tr>
<tr>
<td>R. G. E. Orr</td>
<td>830</td>
<td>Newdegate District.</td>
</tr>
<tr>
<td>J. G. Day</td>
<td>448</td>
<td>Kalgarnar District.</td>
</tr>
<tr>
<td>A. W. Thompson</td>
<td>100</td>
<td>Dumbleyung District.</td>
</tr>
<tr>
<td>A. W. Trotter</td>
<td>500</td>
<td>Guarabung District.</td>
</tr>
<tr>
<td>F. E. Warburton</td>
<td>180</td>
<td>Nooguling District.</td>
</tr>
<tr>
<td>T. G. Williams</td>
<td>250</td>
<td>Kalerin District.</td>
</tr>
</tbody>
</table>

### Northam Agricultural Bank District.

<table>
<thead>
<tr>
<th>Name of Farmer</th>
<th>Average Yield per acre for Farm</th>
<th>Locality of Farm</th>
</tr>
</thead>
<tbody>
<tr>
<td>L. A. Brumerton</td>
<td>361</td>
<td>Goomalling District.</td>
</tr>
<tr>
<td>G. S. Bradley</td>
<td>306</td>
<td>Dowerin District.</td>
</tr>
<tr>
<td>W. P. Cullinan</td>
<td>420</td>
<td>Mesclering District.</td>
</tr>
<tr>
<td>G. E. Everett</td>
<td>930</td>
<td>Korrelockting District.</td>
</tr>
</tbody>
</table>

### Salmon Gum Agricultural Bank District.

<table>
<thead>
<tr>
<th>Name of Farmer</th>
<th>Average Yield per acre for Farm</th>
<th>Locality of Farm</th>
</tr>
</thead>
<tbody>
<tr>
<td>H. G. Lowdon</td>
<td>108</td>
<td>Scadden District.</td>
</tr>
<tr>
<td>E. J. McCarthy</td>
<td>150</td>
<td>Scadden District.</td>
</tr>
<tr>
<td>S. D. McWhirter</td>
<td>250</td>
<td>Circle Valley District.</td>
</tr>
</tbody>
</table>

### Bruce Rock Agricultural Bank District.

<table>
<thead>
<tr>
<th>Name of Farmer</th>
<th>Average Yield per acre for Farm</th>
<th>Locality of Farm</th>
</tr>
</thead>
<tbody>
<tr>
<td>C. Branson</td>
<td>428</td>
<td>Babakin District.</td>
</tr>
<tr>
<td>J. H. Carroll</td>
<td>520</td>
<td>Narembeen District.</td>
</tr>
<tr>
<td>J. Crow</td>
<td>500</td>
<td>Narembeen District.</td>
</tr>
<tr>
<td>S. Gardiner</td>
<td>425</td>
<td>Narembeen District.</td>
</tr>
<tr>
<td>C. W. Landquix</td>
<td>500</td>
<td>Bruce Rock District.</td>
</tr>
<tr>
<td>F. F. Riley</td>
<td>340</td>
<td>Babakin District.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Locality of Farm</th>
<th>Name of Farmer</th>
<th>Average Yield per acre for Farm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Babakin District.</td>
<td>G. Branson</td>
<td>428</td>
</tr>
<tr>
<td>Narembeen District.</td>
<td>J. H. Carroll</td>
<td>520</td>
</tr>
<tr>
<td>Narembeen District.</td>
<td>J. Crow</td>
<td>500</td>
</tr>
<tr>
<td>Narembeen District.</td>
<td>S. Gardiner</td>
<td>425</td>
</tr>
<tr>
<td>Bruce Rock District.</td>
<td>C. W. Landquix</td>
<td>500</td>
</tr>
<tr>
<td>Babakin District.</td>
<td>F. F. Riley</td>
<td>340</td>
</tr>
</tbody>
</table>
APPENDIX No. 16.

FIELD INSPECTOR SUGDEN'S REPORT—TOXIC PARALYSIS AND THE EFFECTS OF RED-LEGGED EARTH MITE ON THE PASTURES IN THE YORK AND NORTHAM AREAS.

TOXIC PARALYSIS.

To successfully cope with the trouble of toxic paralysis, which is causing greater losses to sheep and cattle in the agricultural areas of W.A. than all other diseases combined, the following problems will have to be dealt with:

1. Rabbits.

2. Red-legged earth mite.

3. Pasture improvement.


5. Supplementary summer feeding, emphasising succulence, i.e., ensilage, green patches, etc.

(1) Rabbits.—Without rabbits the ravages of the disease would to-day probably be insignificant—(a) because there would not be much carrion; (b) because pastures would be stronger, rabbits and red-legged mites take out the best portions. I consider that if wheat and sheep farming is to continue the rabbit menace will have to be overcome, and that in broken country the only effective method is by netting, and that farms left un-netted in this class of country will become an increasing burden to the occupier and an increasing liability to the mortgagee.

(2) Red-legged Earth Mite.—These mites attack the clovers and other most nutritious portions of the pasture and no means have yet been found of eradicate the pest on pastures on a payable basis. In the absence of rabbits, cultivation, top-dressing, the use of immune feeders and general pasture management, and by taking precautions that experience has proved partly effective, this trouble could be reduced somewhat.

(3) Pasture Improvement.—Pastures in the worst affected areas now consist mostly of barley grass and spear grass, and these in the dry state have practically no value as fodder. Experiments are now being conducted by the Agricultural Department at Morwell Agricultural College in connection with crop and pasture improvement, and I understand that interesting details will be available in March.

(4) Provision of Mineral Licks.—Owing to the general shortage of mineral contents of summer pastures, the agricultural districts of W.A. settlers should be induced to supply lick in sufficient quantities which the Agricultural Department has found suitable, and same should be made available before the green feed has dried off.

Supplementary Summer Feeding, emphasising Succulence—i.e., Ensilage, Green Patches, etc.—There is abundant evidence that feeding that lick alone or green fodder is insufficient to overcome the trouble of toxic paralysis. Oats, chaff, lupins, linseed, etc., are recommended as a supplementary ration, and in many cases it will probably be found that a certain amount of ensilage or green fodder will be necessary, as these contain the vitamin "D" necessary to enable to animal to absorb the phosphates supplied in lick form.

(5) Independent Reports on Toxic Paralysis, Red-legged Earth Mite, and Braxy-like Diseases are attacked.

Toxic Paralysis or Botulism.—Toxic paralysis or botulism, attacks sheep and cattle to some extent horses, in the agricultural areas of Western Australia in the summer months. Death is caused by stock bleeding decomposing animal or vegetable matter in which the germ (Bacillus Botulinus) has multiplied and formed a strong poison.

The oriug: of the disease appears to be due to the altered partial paturage of the agricultural areas of Western Australia at its best deficient in nutrient and the red-legged earth mite, incense loci and rabbits picking out the best of this, leave a diet which is the cause of the doleful appetite for carrion, etc.

Toxic paralysis was first recorded in Western Australia in 1902, and this is the only State which has suffered severely, although it is believed that some losses occurred in New South Wales.

The germ is distributed worldwide and is identical with that which causes the poison in canned meat, vegetables, etc., dangerous to humans.

Mortality—Mortality from this cause to sheep and cattle in this State is greater than that from all other diseases combined, and probably run into tens of thousands last summer within a 50-mile radius of Meckering.

The period of losses coincides with the dry season and ceases with the first appearance of green. This is directly contrary to the case in Braxy-like disease, which commences with the green feed and ceases as the pastures dry up.

Symptoms.—(See Leaflet No. 230, Department of Agriculture.)

The sheep mostly affected are young sheep in good condition but all breeds and classes are also attacked. In some cases the first symptoms are wriggling of the tail as though flyblown. Later they develop a stiff gait and die quietly without a struggle. Stock generally die within one or two days after the symptoms are first noticed, but I have heard of cases lingering much longer. This is evidently governed by the amount of poison taken.

Cure.—The only possible treatment is by anti-serum, which would only be successful if administered in the early stages and the cost would be prohibitive. A preventive vaccine prepared on similar lines to the Braxy-like disease vaccine offers some prospect of success and this is being investigated.

Steps Being Taken.—The Agricultural Department, many settlers, and others interested in farming and grazing are now fully alive to the seriousness of this disease and steps are being taken to combat the menace.

The Agricultural Department are conducting experiments on Mr. Robert Blood's farm at Meckering, where there were heavy losses from this disease last summer, with a view to determining the effect of various feeds supplements as a means of preventing toxic paralysis and promoting growth and health, and the possibility of immunisation by inoculation. Samples of blood, bones, carcass, pastures and fodder are being collected from various centres for laboratory investigation. Other experiments are being conducted on the Avondale State Farm.

Committees of farmers and others have been formed at Northam, Meckering, Goonsalling, Kellerberrin and Delwailin, to co-operate with the department's officers in collecting data, etc. An officer of the department has been detailed to visit farms affected and to advise. A very useful leaflet, No. 290, has been issued by the Agricultural Department and this should be more widely distributed.

Remarks.—There are many properties where ordinary pastures have been built up by top-dressing and the establishment of clovers, and the provision of licks where these clovers mostly are and these are taking the precaution of rabbit-netting their pastures and it is generally agreed that all steps will be unsatisfactory until the rabbit problem is dealt with and in certain classes of country this will have to be undertaken, and in my opinion the properties left un-netted in broken country or adjacent to unoccupied areas will become an increasing burden to the occupiers and an increasing liability to their mortgagees.

Red-Legged Earth Mite.—These mites were first noticed here about seven years ago and as far as pastures are concerned do most damage to subterranean clover. They also do a great deal of damage to other clovers, grass weed and all legumes.
It is becoming evident that by the elimination by these mites of nitrogen-fixing plants the feeding value of the pastures will continue to deteriorate and this is going to be an important factor in the increase of toxoc paralysis. From many inquiries I estimate the reduction in carrying capacity already caused by this pest to be approximately 15 per cent. No reasonable suggestion has yet been put forward for dealing with the trouble on a payable basis for pastures. In the cases of cultivated land means have been found of considerably reducing the damage caused to peas, etc., which is always in the early stages of growth. In the cases of gardens and small areas they can be practically eliminated by spraying, girdling, etc., but I do not think that the question is receiving the attention which its seriousness warrants.

Origin.—Its origin is obscure but believed to be European. It came here from South Africa, and was first noticed at Bunbury in 1917. They have now spread over the whole of the southern district and east to Southern Cross.

The mites are present in many countries but only in Australia and South Africa have they appeared in pest form.

BRAN-Y-LIKE DISEASE OF SHEEP (INFECTIONOUS ENTERO-TOXAMIA).

History.—This disease is mainly known in Western Australia, but outbreaks of a disease reported from New Zealand and South Australia are probably identical with it. It first appeared in the Beverley-York district about 1915, and soon spread over a wide area. No investigations were made until 1918 and it has now been discovered that the disease is caused by the rapid multiplication of the bacillus in the small intestine giving off a strong poison which is absorbed into the blood and causes death.

Incidence.—The disease only occurs in rich cultivated or top-dressed pastures and the bacillus must be present in the earth.

The sheep affected must be—
1. In fat sluggish condition, feeding on nauseous green pasture, rich in moisture and poor in fibre content.
2. Sheep feeding close to the ground swallowing large quantities of heavily contaminated soil. Sheep may be affected in this way.
3. Sheep or fat lambs feeding on shed peas in summer time.

With the exception of cases (3) the disease only occurs from April to October. Losses have been reported up to 25 per cent. of the flocks.

SYMPTOMS. (Two types.)
1. Quiet. Sheep at first appear restless and excited, move with nose to the ground chewing dirt, sticks, etc. Gait becomes staggering and sheep soon lies down, usually on its side with head turned to left flank. Rapidly becomes unconscious, breathing hurried and irregular. Death is quiet, usually within 3 or 4 hours of the first signs of illness. In rare cases may be delayed for about 24 hours.
2. Convulsive Type. Animal apparently only slightly dull, is suddenly seized with convulsions, it lies stretched out on one side and with head turned back continuously exhibits more or less violent galloping movements, associated with twitching of muscles, etc. Death usually takes place within 2 to 4 hours.

The research of Dr. Bennett on the Avondale State Institute, where research laboratory has been erected for that purpose, has resulted in the discovery of the bacillus which is the cause of the disease and experiments in inoculation have proved that it is now possible to reduce mortality by about 85 per cent. It has been noticed that the disease follows cultivation and pasture improvement and is thus invading the newer areas. It is also suspected that flocks remaining on the older properties are retaining a certain amount of constitutional immunity and there now seems every hope of keeping the disease in reasonable check and of its ultimate elimination. The cost of inoculation is 15s. 6d. per hundred.

APPENDIX No. 17.

TOXIC PARALYSIS OR BOTULISM—TWENTY-ONE POINTS FOR ATTENTION.

1. Toxoc paralysis is a disease which is prevalent in the agricultural areas during the summer months.
2. Horses are rarely affected, cattle and sheep to an enormous extent in some areas in Western Australia.
3. As no cure is known, toxic paralysis must be prevented.
4. The direct cause of this disease is a germ toxin or poison which is swallowed by stock and which is found in decaying animal matter, bones, rabbit and other carrion, and in decaying vegetable matter like mouldy or damp hay.
5. Stock can therefore become affected if they develop an unnatural or deprived appetite and lick or eat contaminated bones or rabbit or other carrion (affecting generally sheep or cattle), or if they eat contaminated hay, etc. (affecting generally horses).
6. A deprived appetite is caused by a deficiency of one or more food constituents in the daily food supply.
7. The dry summer pastures in Western Australia contains insufficient nutritive value to meet the maintenance requirements of wethers and store stock.
8. For milking cows, wet ewes and growing animals, the deficiency in the summer grazing is much greater.
9. The natural difficulties in this connection have been intensified by the depredations of the rabbit pest.
10. Cereal stubbles, exclusive of sheald grains, are entirely inadequate for the needs of stock in the summer.
11. A sheep cannot cut sufficient stubble to supply more than three-quarters of the energy or heat producing material, one-third of the proteins, or one-sixth of the phosphates required by a fully-grown ewe.
12. Half a pound of oats or 1 lb. of good hay daily to supplement the stubble would still supply insufficient protein and phosphate.
13. Sheep grazing solely on stubbles or dry natural feed are, therefore, most likely to develop a depraved appetite, followed by toxic paralysis, when contaminated material like rabbit carrion or bones are available.
14. The deficiencies in the summer grazing should be made good in order to prevent the deprived appetite and toxic paralysis.
15. Toxic paralysis has been prevented in many cases by feeding a phosphatic lick of satisfactory strength in sufficient amounts.
16. In other cases the trouble is due to insufficient nutritive generally. It is then necessary to supplement the natural feed with a ration of oats or lupins 1 lb. to 1 lb., or hay 1 to 2 lbs. daily.
17. The standard dicaleic phosphate lick recommended consists of—

<table>
<thead>
<tr>
<th>Ingredient</th>
<th>Quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dicaleic phosphate</td>
<td>45 parts</td>
</tr>
<tr>
<td>Salt</td>
<td>40 parts</td>
</tr>
<tr>
<td>Molasses</td>
<td>5 parts</td>
</tr>
<tr>
<td>Water to condition</td>
<td>10 parts</td>
</tr>
<tr>
<td>Dicaleic concentrate</td>
<td>50 parts</td>
</tr>
</tbody>
</table>

This lick contains 18 per cent. phosphoric acid (P₂O₅).
18. Dry cows on summer pasture require 3 ozs. dicaleic lick per day; milking cows require, in addition, 2 ozs. dicaleic lick for each gallon of milk produced.
19. Sheep on dry summer grazing require at least fourteen (14) pounds of this lick per hundred per week.
20. If much more than this is consumed an appetite for salt is indicated. In this case a lick consisting of—

<table>
<thead>
<tr>
<th>Ingredient</th>
<th>Quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dicaleic concentrate</td>
<td>50 parts</td>
</tr>
<tr>
<td>Salt</td>
<td>100 parts</td>
</tr>
</tbody>
</table>

is recommended. This lick contains 10 per cent phosphoric acid (P₂O₅).
21. Further information may be obtained from the Department of Agriculture, Perth.
The Chairman and Members of the Royal Commission appointed to inquire into the affairs of the Agricultural Bank of Western Australia,

Gentlemen,—I submit for your consideration proposals which I feel should assist in any reconstruction of the affairs of the Agricultural Bank and its allied concerns, that may be recommended under your Commission.

After many years' experience as an executive officer of the Bank, I am firmly convinced that the difficulties with which it is confronted are principally due to departure from the sound principles which characterised its earlier operations.

It is, of course, difficult to judge national policies by commercial standards, as objectives differ. Nevertheless, commercial principles which are based upon proven practice must be recognised to a great extent if those losses, which are usually inseparable from policies of national development, are to be kept within reasonable limits.

The continual introduction of considerations of comparative momentary importance appears to have developed more or less a policy of expediency which it is now difficult to terminate except by drastic measures.

This policy of expediency has been allowed to operate to such an extent as to obscure the real aims and objects of the Bank, which I have interpreted to be the establishment of initial settlement in the creation of such security values as would encourage the banking and commercial communities to take up the running, so to speak, and function in their respective spheres.

It is not the function of Government or agencies thereof to lend public moneys upon seasonal credit. That function should be reserved for the banking and mercantile sections of the community. It is largely owing to the failure to observe this important principle that the Agricultural Bank has become so inextricably involved in the credit arrangements of the community.

In making these remarks I do not suggest that the officials of the Bank are to blame. They have to a great extent followed the course set for them by higher authority. Practically every Government in Australia has perpetrated the same error with similar results.

The matters submitted here for your consideration concern—:

1. Involved condition of accounts.
2. Reconstruction of debts.
4. Basis for future advances.
5. Appointment of trust members.
6. Control of staff.
7. Reorganisation.

I.—INVOLVED CONDITION OF ACCOUNTS.

The liabilities of settlers to the State covering different forms of advances have, over the period of years, either from one cause or another, become so involved as to completely break down the statutory limits and conditions allowed. The result is a tangled mass of debt with involved forms of security, quite beyond the ability of the average settler to appreciate. In fact in many cases he has lost his grip on his Government accounts and has ceased to care about them as long as he can obtain sufficient money with which to meet current cash requirements. This is a most unhealthy condition of affairs and one which demands immediate steps for rectification.

That you may gain a due appreciation of the position, it is necessary to review the order in which various Acts and administrative policies have taken effect and illustrate how the present position has been evolved. These are as follows—:

Agricultural Bank Act.

This consolidated measure provided advances for permanent improvements on a definite security margin basis. By successive amendments margins were reduced, maximum advances increased, and purposes for which advances might be made extended. Finally in 1918 the maximum was increased from £750 to £2,000, and since then observance of margins has been practically abandoned and advances made on full value basis.

In 1922 the Agricultural Bank Act was amended to permit the maximum advances being increased to £3,500 to facilitate soldier land settlement. This was doubtless necessary owing to the fact that since soldiers were settled mostly on improved farms under rising market values, the limit of £2,000 was found to be insufficient.

Of recent years the Treasurer, as a matter of Government policy guaranteed payment for fertilisers supplied to settlers, and considerable claims have been made thereunder. By Treasury direction payment of such claims has been debited to the Bank accounts of settlers to be recovered from the next ensuing year's crop proceeds. In the case of Esperance farmers advances were made for outright purchase of super, but lately resorted had been had to guarantees methods.

By a view to relieving distress, advances were made against fallow, also payable in many instances out of crop proceeds.

Any deficiencies in collection of super and fallow advances have been accumulated against successive crops.

Under an amendment of 1929 the Bank was given powers to extend the time for payment of instalments and interest, also to refund interest payments. Although in terms of the amendment the Bank remained secured under its registered mortgages, it obtained an application from the settler for an advance under the Finance and Development Board Act to cover such refunds by which it claimed a charge against the crops of the settlers thereby inducing a similar condition of security as that held by the Industries Assistance Board (see Section 32 of the Finance and Development Board Act).

The amendment of 1930 gave the Bank a charge on the crops in respect of one year's interest, crop insurance premiums paid, also for fertiliser and cornseeds supplied.

Owing to the extent of its interests in the crops a considerable amount of crop insurance premiums was paid, further, the vendors of cornseeds refused supply unless the Bank agreed to a priority claim in their favour out of crop proceeds, which meant that since fertiliser already held priority so far as the guarantees were concerned the cornseeds as well became guaranteed where the crop resulted in a deficiency.

In certain zones the maximum amount of advances was limited, but force of circumstances compelled the Trustees to extend and further extend the limits, until in certain zones they finally reached the full £2,000.

The maximum advances for stock and machinery is £1,000, but in the case of miners' settlers at Southern Cross this amount did not enable the borrowers to purchase the full complement of machinery required, the Bank guaranteed payment of successive instalments out of crop proceeds. Payment of fuel supplies was also guaranteed. Both these guarantees eventually had to be made good by payment, which was charged against the next ensuing year's crop proceeds. The position in regard to Southern Cross became so involved and the
Bank's crop charges so heavy that credits ceased except under guarantees. Finally, the settlers were brought under the Industries Assistance Act.

**Industries Assistance Act.**

The history of the operations under this law is well known. It came into force in 1915 and undoubtedly saved the industries from collapse.

Except in isolated cases these settlers all have accounts with the Agricultural Bank as well as under other headings of assistance.

After the war soldier settlers were assisted by the Board on full schedule for cropping operations and approximately 732 are still on the books.

In a final endeavour to close down the Board's operations many accounts were funded under instalment mortgages with redemption period up to 30 years, in other cases assistance stopped. However, as the Board either held Bill of Sale over the crops or continued to exercise its statutory liens, a policy of guarantees of payment by the Bank for required supplies or refunding proceeds has been found necessary — according to the progress made in the funding of the particular account.

Note — The cardinal mistake, in my opinion, was in collecting the whole of the crop proceeds annually instead of spreading the debt over a lengthy term of years for repayment. It is not possible to win out on such a policy, particularly under State control where difficulty is experienced in administering the checks usually exercised by proprietary concerns. The futility of the system was recognised when in 1917 the Act was amended to enable the Board to capitalise settlers' accounts and make them repayable over five years. This period of repayment proved too brief and as the Board continued to exercise its charge of the crops, the position, for all practical purposes, remained unaltered. I might here also express the opinion that if a borrower finds difficulty in meeting instalments due under a thirty years' Agricultural Bank loan for advances covering useful permanent improvements he cannot be reasonably expected to repay over a shorter term advances which are not represented by assets. Such advances in the main represent a pure loss and can only be liquidated over a lengthy period, possibly not at all if he is otherwise over-capitalised. The Board's original capital miscalculation totalled £203,006, which more than financed the first crop. Notwithstanding the full repayment by 1970 out of approximately 3,900 settlers, and the long period of favourable wheat prices, the capital has increased almost yearly from the 1915 valuation of £175,406 after applying sinking fund contributions, clearly proving the weakness of the policy of crop control. From a reading of the 1932 balance sheet and making a liberal estimate of repayment under present circumstances, I consider the Board will have cost the taxpayers of the State somewhat in the region of two and a quarter millions, of which £161,115 has been recovered from the Commonwealth in respect of soldier settlement loans.

The Board made no charge to settlers for the cost of administering the assistance. The average cost per settler has varied so greatly and various factors intrude to such an extent that it is difficult to accurately state the position in this regard, but the following figures extracted from the annual reports since 1924 will give some indication in this connection.

<table>
<thead>
<tr>
<th>Year</th>
<th>Total as per Revenue Account</th>
<th>Total Settlers assisted and Accounts active</th>
</tr>
</thead>
<tbody>
<tr>
<td>1924</td>
<td>35,806</td>
<td>2,912, 1,796</td>
</tr>
<tr>
<td>1925</td>
<td>39,015</td>
<td>2,674, 1,651</td>
</tr>
<tr>
<td>1926</td>
<td>41,565</td>
<td>2,350, 1,545</td>
</tr>
<tr>
<td>1927</td>
<td>43,569</td>
<td>2,031, 1,673</td>
</tr>
<tr>
<td>1928</td>
<td>39,291</td>
<td>1,735, 547</td>
</tr>
<tr>
<td>1929</td>
<td>41,178</td>
<td>1,606, 494</td>
</tr>
<tr>
<td>1930</td>
<td>41,261</td>
<td>1,478, 208</td>
</tr>
<tr>
<td>1931</td>
<td>43,732</td>
<td>1,339, 1 (1)</td>
</tr>
<tr>
<td>1932</td>
<td>39,174</td>
<td>1,300, 1 (1)</td>
</tr>
</tbody>
</table>

(15 months)

(1) Not ascertainable from reports.

The total cost of administration paid by the Board since its commencement to the 30th June, 1932, is £229,787 or an average of £20,216 per annum.

**Soldier Settlement Act.**

Advances were made under these Acts to returned soldiers, the greater portion of such advances being used in the purchase of more or less developed properties. As already mentioned the maximum advance was increased to £2,500. Concession in rates of interest and other incidental charges were allowed. Many of the borrowers are under_B.B_S to the Industries Assistance Board and Agricultural Bank (Cropping Advances).

The same conditions have obtained as regards statutory liens, guarantees and refunds as ordinary Bank clients.

**Other Advances.**

It might also be mentioned that there are settlers carrying liabilities under the following additional headings:

- Seed Wheat Board.
- Expenditure Settlement.
- Civil Service Settlement.
- Taumal Settlement.
- Ex Imperial Soldiers.
- Relief Advances—Charities Department.
- Additional Farm Labour Advances.
- Denmark Potato Advances.

**Cancelled Debts.**

Cancelling of debts under previous headings has taken place from time to time. This operation has varied the principal instalments due and accruing under the mortgages. It has applied more particularly to soldier settlement and Industries Assistance Board accounts. In the case of the latter as a prelude to funding arrangements.

**Annual Crop Charges.**

As a means of notifying its claims on the settlers' crops the Bank has found it necessary to issue an annual publication for circulation among merchants and their agents. In assessing the amount of claim, does under all the foregoing headings as well as rents and water rates have been taken into consideration, but the total was not to exceed £1 per acre of area under crop. This policy may have, of course, since varied.

When the monies were received they were placed in a special suspense account and then distributed under the various headings according to circumstances. The regulations issued to district managers provided for the issue of a statement of the proceeds collected and distributed, but subsequent adjustments and refunds have frequently been found necessary.

The foregoing resume will, I trust, illustrate to what extent the crops of settlers have been charged and how far the original scheme of Bank advances and mortgage has been departed from in the intensive development of land settlement policy.

2. **— RECONSTRUCTION OF DEBITS.**

I submit for your consideration that the time is opportune for the Legislature to consolidate the franchise under which various schemes of State aided finance have operated during the past quarter of a century and thereby reconstruct the obligations of borrowers on a simplified basis. It has been the endeavour of the Trustees to conserve the Bank's position as senior mortgagee in the administration of the many forms of assistance rendered.

In view of the stage at which State rural finance has arrived, the distinctions should now be disregarded and accounts remodelled on a valuation basis.

I, therefore, recommend:

(1) That all current securities be valued as follows:

(a) Land at Taxation Department's valuation, less unpaid Crown rents.

(b) Improvements at present day standard rates, less wire netting advances by the Loans Department.

(c) Machinery and stocks, the subject of existing securities, and for which advances have been actually made at valuation.

(d) Growing crops equal to actual advances that may have been made in the production thereof.
(2) Settlers' aggregate debt under all headings—Crown rents and Government netting advances excepted—should be consolidated and split into three sections, as follows:

(a) Mortgage debt at 5 per cent. (and 4½ per cent. soldiers) with bill of sale over stock and 1, less the valuation placed on stock and machinery.
(b) Mortgage debts at 5 per cent. (and 4½ per cent. soldiers) with bill of sale over stock and machinery as collateral equal to valuation placed therein in terms of clause 1 (crop valuation excluded).
(c) Mortgage debt free of interest.

(3) Mortgage debt (a) to have a renewed currency of twenty-five years, the first three free of redemption instalments.

Mortgage debt (b) to have a renewed currency of eight years, the first three to be free of redemption instalments.

Mortgage debt (c) to have a currency up to thirty-five years at the option of the mortgagor, the first three years to be free of redemption instalments.

At the end of three years a re-assessment to take place and account (c) finally adjusted according to the then valuation—the balance being written off.

(4) Account (a) and (b) to carry a statutory charge on all farm revenue to the extent of one year's interest receivable on demand.

Account (c) after the first three years and subject to (a) and (b) to carry a statutory charge of 5 per cent. of all farm revenue receivable on demand, to be applied in reduction of debt. Any surplus over the proportionate amount due according to mortgage to be refunded to settler.

In cases where there are junior private mortgages, interest shall be payable on account (c), unless such mortgages agree to forego the interest reserved in his mortgage. If interest is thus payable it shall likewise be secured by statutory charge receivable on demand.

Any writing down of (c) at the end of three years shall be contingent upon all other creditors agreeing to have their accounts dealt with similarly.

(5) For the purposes of the reconstruction, the Finance and Development Act should be repealed and a "Rural Advances Trust" created, with power to take over all securities and funds of the Agricultural Bank, Industrial Assistance Board, etc., a corresponding liability being transferred to the Treasury books. Thus a definite break will be made with existing concerns which will create a beneficial psychology amongst settlers.

(7) No further advances should be made by the existing agencies after transfer. I would suggest an immediate amendment to the Agricultural Bank Act, limiting its life to twelve months. This can be renewed from year to year until the transfer is complete. In the meantime the provisions of the various Acts relating to writing down debts should be repealed.

3.—PRINCIPLE OF WRITING DOWN DEBTS.

(a) No writing down of debts should be attempted, except consequent upon special legislation which would apply to all creditors, to which end I would recommend account (c) abate pro rata with other secured and unsecured creditors (hires purchase excepted).

(b) As already suggested, the provisions in existing legislation relating to writing down of debts should be immediately repealed. The principle of writing down debts of borrowers is unsound and constitutes bad precedent. It is doubtful whether Parliament ever intended that such a pronoun should remain permanent.

In my opinion, the pronoun was intended only for the purposes of a satisfactory funding of Industrial Assistance Board accounts and giving effect to a final adjustment of soldier settlers' accounts following upon the generous grants received from the Commonwealth.

4.—FUTURE ADVANCES.

The trust should be empowered to make advances at its discretion for permanent improvements only up to 75 per cent. of security values, and the aggregate debt should not exceed £2,000, or such lesser limits as may be determined, according to district. Regard should be had to the ability of the borrower to profitably employ the improvements when effected. The loans should have a currency of thirty years, the first five of which should be free of redemption. When the money cannot be made available at a maximum of 5 per cent. applications should be discouraged.

No advances should be secured against farm revenue except as to one year's interest by way of statutory charge.

If interest and instalments again mount up, realisation of security according to the merits of the case should be the true remedy.

Where through national calamity, such as a 1914 drought or other catastrophe, assistance has to be rendered State wide, so much of the assistance only as will increase the aggregate debt up to 75 per cent. value of the security should be interest-bearing, and then spread over thirty years as in ordinary improvement loans, the remainder being capitalised and given a redemption period of thirty-five years, at the option of the mortgagor, free of interest; otherwise no advances should be made on seasonal credit. The State should keep tight out of the cropping business either by way of advances or guarantees once the accounts are adjusted.

Where the case warrants, no difficulty should be experienced in obtaining credit through banking or trade channels.

5.—APPOINTMENT OF TRUST MEMBERS.

The trust should consist of—

Chairman of Directors, tenure of seven years.

Directors (3)—Full-time appointments, with allotment to the following districts:

(a) Wheat Belt—Northern, Central, and Eastern.
(b) Sheep and wheat and pastoral.
(c) Dairying, agriculture, etc.

They should also have a tenure of seven years.

Directors (3)—Part time, i.e., attendance at board meetings; tenure of three to five years, and retire in rotation. They should be representative of:

(a) Treasury.
(b) Trading Banks.
(c) Chamber of Commerce.

The chairman and other full-time directors should be appointed by both Houses of Parliament and others by the Governor in Council. Directors other than the chairman shall retire by rotation, but be eligible for reappointment. All directors should have business qualifications, which would give assurance that the financial and administrative sides would receive close attention.

The present practice of the Trustees in deliberating upon every individual application regardless of the amount involved should not be adopted. Authority within defined limits should be delegated to the general manager and his executive officers, and submitted to the Board by way of summary for confirmation.

There should also be a general manager, who would attend all meetings of the Board ex officio. He would be responsible to the Board for the proper organisation and administration of the Trust. I would also attach to his office the particular duty of studying the Board's accounts, in detail, and giving him a complete report of the Board's activities and results, quarter by quarter, for presentation to the public authorities.

The Trust should make records of and give official returns of all advances and disbursements made under this act.

6.—APPOINTMENT AND CONTROL OF STAFF.

The staff should be appointed by the Board under such terms and conditions as it might determine, free from the provisions of the Public Service Act. The directors could enter into agreements with the Public Service Commission regarding the accrued rights of such officers whose services they may wish to retain.
At present, owing to all appointments having to be made under the provisions of the Public Service Act, the scope for selection of officers is greatly restricted. This must result in a weakening of responsibility on the part of the Trustees for staff appointments and control. As the Trustees are responsible for policy and management it is unfair to tie their hands in this manner. To any management not anxious to undertake the responsibility for its staff control the present arrangement is certainly ideal, but there is too much at stake to permit of such a possibility happening.

As the staff is at present recruited from other branches of the Public Service, it naturally follows that the ambition of officers lies in the direction of the service and not necessarily the Bank. Consequently, the Bank has been and is being used as a service stopping stone.

Under existing conditions there is also the danger of having officers forced upon it whom the Bank may feel it does not require.

Such defects must break down the Trustees’ responsibility for staffing, and thus vitally affect the efficiency of their operations.

7.-RE-ORGANISATION.

If the accounts are reconstructed and future policy modeled on the lines suggested, a considerable saving in administration expenses can be achieved.

At present full accounting staff is employed in each of the twelve district offices. Excepting in the case of Group Settlement this would become unnecessary and could not be reasonably justified. The field payment system should be retained, but all accounts could conveniently be operated in Perth. There would then be ample volume of ledger work to justify installing posting machines.

There would generally be the following staff left in district offices:—

- District Inspector
- Correspondence clerk
- Junior clerk to assist in collections and returns
- Stock and plant inventory clerk and general assistant
- Typist

At busy seasons possibly extra typing assistance would be required.

The officers then available for transfer would be:—

- Accountant
- Paying and receiving officer
- Ledger keepers
- General accounts
- Typist

At present district offices prepare half-yearly schedules for field inspectors to assist in collections. Under the proposal, copies of machine statements would be sent to each district office for distribution amongst inspectors and follow up collection, the same system of advising inspectors of receipts to be followed out—head office preparing the necessary advice.

If this system operated, more district offices could be opened with the costs thus saved.

On the other hand, if accounts are not reconstructed on a simplified basis and the Trust continues the present policy of cropping advances and control, it would be very unwise to attempt modifying the decentralisation currently operating. The accounts would then have to be kept at the district office for daily reference, otherwise I am convinced that under the conditions Bank staff would not cope with the detail.

The administration of the present policy is very costly. In the annual Reports the expense rate is quoted at approximately £1s. per £100 average outstanding advances; that means on a settler’s account of, say, £5,000, the cost is £25. As there are thousands of accounts costing the Bank very little, if anything at all, to administer, it might be safe to say that the account above quoted would cost nearer £20 than £1s.

Whichever system is adopted the following organisation should be firmly established in head office.

In order to indicate the lines of communication and relative responsibilities the organisation is set out in "tree" form. (As per Appendix.)

Generally, the lines of report would be as follows:—

District Inspectors to:—

Chief Inspector.

Reports on securities in respect of new loans, rearrangement of liabilities, maintenance of securities, backward accounts, defaults, field staff activities and appointments thereto, as well as suggestions concerning policy.

Property Sales.

Reports on properties in possession, arrangements for letting and caretaking thereof.

Security Clerks.

Reports for preparation of mortgages, bills of sale, leases and insurances.

Accountant.

Daily, monthly, and annual returns of receipts, payments, book-keeping adjustments, balances and statistics relating thereto.

Secretary.

Staff reports (excepting field staff), salaries and general statistics.

Chief Inspector to:—

Board direct (in secretary).

Reports in all matters concerning District Inspectors’ recommendations of loans, variation of security, defaults, etc.

General Manager on the general working of his division, and policy.

Other Divisional Heads to:—

General Manager on all matters relating to their respective branches. There would, of course, be the usual references between divisions direct.

Staff matters (other than Field Staff) would be the subject of report to the secretary direct by heads of divisions.

The secretary would attend all Board meetings and be the medium of communicating the decisions arrived at to the various divisions—otherwise he would work under the authority of the general manager.

General Manager.

To be responsible to the Board for the efficient organisation and administration of the Trust. He should attend all Board meetings ex officio. All recommendations regarding the disposal of securities in possession should be made by him direct to the Board (in secretary).

District Office Examiner.

This officer would come under the accountant’s division, in view of the work being mainly one of accountancy. He should report to the accountant on the accounting side, to the chief inspector in matters of backward accounts and defaults where he considers they have not received proper attention, and to the secretary in matters relating to correspondence and records. He would not necessarily be concerned in field work, as that would come directly under the chief inspector.

In the event of accounts being transferred to head office, the duties of this position would be considerably curtailed. It would still be necessary for this officer to examine into the district office efforts at collections and general office efficiency and report in the manner already set out.

Field Staff.

These officers should be rotated within the district at intervals of about two years and then transferred into adjoining districts. District Inspectors should also have a handy in districts but at more lengthy intervals, say five years. All transfers should be approved by the chief inspector.
It is not fair either to the Bank or to the inspectors that they should be left indefinitely in the one sub-district.

It is inevitable under such conditions that lengthy associations with clients tend to create friendships that make an impartial attitude difficult to maintain. Errors in field work are more difficult to discover, and the officer's efficiency does not receive the same spurring up that would come about through more frequent transfers.

APPENDIX No. 19.

PLAN REGARDING FARMERS' DEBTS SUBMITTED BY MR. W. A. WHITE, DIRECTOR OF FARMERS' DEBTS. ADJUSTMENT ACT

Whilst farmers' liabilities have increased to such an extent, the shrinkage in the value of assets is also alarming. Land values may be said to be non-existent and the replacement of worn-out machinery is likely to become a serious problem of its own. The future of thousands of wheatgrowers is entirely without hope as there is an early prospect of wheat paying the current cost of production, and therefore the continuation of credit is becoming more and more impracticable.

If the farmer had only one creditor, the question of an adjustment of his indebtedness would possibly resolve itself. With a multiplicity of creditors, it is probable that a uniform scheme of adjustment may become imperative. A prime essential of such a scheme would be to adjust a farmer's liability to his capacity to pay. The latest legislation for relief to producers is the 'Farmers' Relief Act' in New South Wales, which contains a provision for the 'conditioning' of the farmer's liability to the present value of his assets, so that he is not burdened with excess liabilities during the currency of the Stay Order under the Act. The measure has been enacted to cover a period of three years, and the adjustment mentioned will be applied to the liabilities of any farmer whose affairs are administered under the Act.

The following presupposes a board of central authorities to estimate the farmer's capacity to pay. It may be said that, as at 31/3/31, the liabilities of wheat growers had largely been incurred during the period in which the average price of wheat was 5s. 3d. a bushel. In this State, it could be assumed that on a State average of £35 per acre, 3s. 6d. a bushel, C.o.b., could be a satisfactory price basis for the production of wheat, also a suitable 'key' figure for the conditioning of liabilities. Any debt in excess of a farmer's capacity to pay on that basis, to be "frozen," in Canada a committee of experts has recommended 60 per cent. should be the 'key' for debt adjustment purposes.

Then a sliding scale could be operated thus:—If the price of wheat in any year proved to be less than 3s. 6d. per bushel, or the average production less than 12 bushels, then the payment of interest or other debts admitted on the basis of 12 bushels at 3s. 6d. per bushel would be proportionately reduced. Thus the yearly production and ruling price would be the governing factors in estimating the farmer's capacity to pay, after first taking into consideration his essential cash requirements, including sustenance, for the following season.

To illustrate further, let it be supposed that on the basis of 12 bushels at 3s. 6d. per bushel a farmer's commitments for interest, etc. (excluding principal repayments) amounted to £250 per annum, and that his wheat produced 2s. 4d. per bushel. He would in that year pay £126 13s. 4d., if that amount were available after providing for sustenance, etc., and so on, according to the incidence of the sliding scale during the period of the scheme, say five years.

Any current season credit supplies would necessarily be a preferential charge on crop proceeds.

If, after a period of short payments as shown, the C.o.b. price of wheat were 4s. a bushel, the creditors entitled to a payment of £250 on a 3s. 6d. per bushel basis should be paid £285 13s. 4d., and so on in any succeeding year, providing that the total payment did not exceed the amount payable on the basis of 3s. 6d. per bushel. Such additional payments, if the price of wheat rose higher than 3s. 6d. per bushel, would be equitable to the creditors whose claims had been conditioned on that basis, especially as the 'frozen' debts would have been increased by any annual short payments.

Under such a scheme all principal repayments due under any mortgage on land should be suspended, and if after providing for the farmer's essential cash requirements for the current season, and for the annual commitments above-mentioned, there proved to be a surplus, such surplus should be constituted a reserve fund for the settler's future finance under the scheme in the event of a poor season.

In formulating this scheme it would be necessary to decide whether all the farmers in the State should be included, or whether exceptional areas should be dealt with separately.

The following tables will serve to illustrate the foregoing for a scheme covering a period of five years:

No. 1.

<table>
<thead>
<tr>
<th></th>
<th>Debits</th>
<th>Valuation</th>
<th>Conditioned Debts</th>
<th>Annual Payments</th>
<th>Frozen Debts</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£</td>
<td>£</td>
<td>£</td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td>Mortgage—Land</td>
<td>3,000</td>
<td>2,000</td>
<td>2,000</td>
<td>5% Interest</td>
<td>100</td>
</tr>
<tr>
<td>Stock</td>
<td>300</td>
<td>200</td>
<td>200</td>
<td>1/2-5% Interest</td>
<td>50</td>
</tr>
<tr>
<td>Machinery</td>
<td>450</td>
<td>300</td>
<td>300</td>
<td>1/2-5% Interest</td>
<td>75</td>
</tr>
<tr>
<td>Free Stock</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td>Free Machinery</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td>Unsecured</td>
<td>450</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td></td>
<td>£4,200</td>
<td>£3,500</td>
<td>£2,500</td>
<td>£225</td>
<td>£1,700</td>
</tr>
</tbody>
</table>

* Amount of annual interest payments would be reduced as the principal sum is reduced.

In No. 1 it will be seen that there are no surplus values against which any portion of unsecured debts can be charged.
No. 2.

<table>
<thead>
<tr>
<th></th>
<th>Debts</th>
<th>Valuation</th>
<th>Conditioned Debts</th>
<th>Annual Payments</th>
<th>Frozen Debts</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£</td>
<td>£</td>
<td>£</td>
<td>£ s. d. £</td>
<td>£ s. d. £</td>
</tr>
<tr>
<td>Mortgage—Land</td>
<td>3,000</td>
<td>3,000</td>
<td>2,500</td>
<td>5% Interest</td>
<td>125 0 0 500</td>
</tr>
<tr>
<td>Stock</td>
<td>300</td>
<td>250</td>
<td>250</td>
<td>1/5—5% Interest</td>
<td>102 10 0 50</td>
</tr>
<tr>
<td>Machinery</td>
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<td>360</td>
<td>360</td>
<td>1/5—5% Interest</td>
<td>90 0 0 90</td>
</tr>
<tr>
<td>Free Stock</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Free Machinery</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unsecured</td>
<td>450</td>
<td></td>
<td>320</td>
<td>1/6 (no Interest)</td>
<td>60 0 0 150</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>£4,200</strong></td>
<td><strong>£3,410</strong></td>
<td><strong>£3,410</strong></td>
<td><strong>£337 10 0 £790</strong></td>
<td><strong>£790</strong></td>
</tr>
</tbody>
</table>

In No. 2, the free stock and plant permit of £300 of unsecured debts, pro rata, being recognised in the conditioned debts.

No. 3.

<table>
<thead>
<tr>
<th></th>
<th>Debts</th>
<th>Valuation</th>
<th>Conditioned Debts</th>
<th>Annual Payments</th>
<th>Frozen Debts</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£</td>
<td>£</td>
<td>£</td>
<td>£ s. d. £</td>
<td>£ s. d. £</td>
</tr>
<tr>
<td>Mortgage—Land</td>
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<td>3,000</td>
<td>3,000</td>
<td>5% Interest</td>
<td>150 0 0 500</td>
</tr>
<tr>
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<td>300</td>
<td>300</td>
<td>1/5—5% Interest</td>
<td>75 0 0 50</td>
</tr>
<tr>
<td>Machinery</td>
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<td>360</td>
<td>360</td>
<td>1/5—5% Interest</td>
<td>112 10 0 50</td>
</tr>
<tr>
<td>Free Stock</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Free Machinery</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unsecured</td>
<td>450</td>
<td></td>
<td>320</td>
<td>1/6 (no Interest)</td>
<td>60 0 0 150</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>£4,200</strong></td>
<td><strong>£3,750</strong></td>
<td><strong>£3,750</strong></td>
<td><strong>£337 10 0 £450</strong></td>
<td><strong>£450</strong></td>
</tr>
</tbody>
</table>

In No. 3, the average production allows recognition of all debts except unsecured debts.

In the event of a shortage in any year, i.e., if wheat realized less than 3s. 6d. a bushel, the annual payments would be made pro rata, and the balance unpaid added to the "frozen." 1

The board of control should have the right to say what area each rear would be seeded and fallowed, and also to suspend the annual payments if, in the opinion of the board, the temporary cessation of seeding in favour of fallowing would be advantageous.

If thought desirable, the scheme could be extended to include pastoral holdings.

The question of seasonal and other finance has been dealt with in the questionnaire.

APPENDIX No. 20.

STATEMENT SHOWING PRINCIPAL AND INTEREST BALANCES AND NUMBER OF SETTLERS, UNDER AGRICULTURAL BANK, SOLDIER SETTLEMENT, INDUSTRIES ASSISTANCE BOARD AND GROUP SETTLEMENT FOR ALL DISTRICTS, AS AT 30TH JUNE, 1933.

<table>
<thead>
<tr>
<th>Area</th>
<th>No. of Settlers</th>
<th>District</th>
<th>Agricultural Bank</th>
<th>Soldier Settlement</th>
<th>Industries Assistance Board</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Area</th>
<th>No. of Settlers</th>
<th>District</th>
<th>Group Settlement Scheme</th>
<th>Aggregate Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Section 5. £ s. d.</td>
<td>Section 6. £ s. d.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note.—Number of settlers includes holdings in possession.
**APPENDIX No. 21.**

**PARTICULARS OF GENERAL RESERVE.**

<table>
<thead>
<tr>
<th>Year</th>
<th>Premises 1913 £ s. d.</th>
<th>1914 £ s. d.</th>
<th>1915 £ s. d.</th>
<th>1916 £ s. d.</th>
<th>1917 £ s. d.</th>
<th>1918 £ s. d.</th>
<th>1919 £ s. d.</th>
<th>1920 £ s. d.</th>
<th>1921 £ s. d.</th>
<th>1922 £ s. d.</th>
<th>1923 £ s. d.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1907</td>
<td>£7,314 18 8</td>
<td>£7,314 18 8</td>
<td>£7,314 18 8</td>
<td>£7,314 18 8</td>
<td>£7,314 18 8</td>
<td>£7,314 18 8</td>
<td>£7,314 18 8</td>
<td>£7,314 18 8</td>
<td>£7,314 18 8</td>
<td>£7,314 18 8</td>
<td>£7,314 18 8</td>
</tr>
</tbody>
</table>

**AGRICULTURAL BANK.**

**Statement of Sinking Funds—With the Treasury**

<table>
<thead>
<tr>
<th>Year</th>
<th>£ s. d.</th>
<th>Total £ s. d.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1914</td>
<td>248 1 11</td>
<td>248 1 11</td>
</tr>
<tr>
<td>1915</td>
<td>248 1 11</td>
<td>248 1 11</td>
</tr>
<tr>
<td>1916</td>
<td>248 1 11</td>
<td>248 1 11</td>
</tr>
<tr>
<td>1917</td>
<td>248 1 11</td>
<td>248 1 11</td>
</tr>
<tr>
<td>1918</td>
<td>248 1 11</td>
<td>248 1 11</td>
</tr>
<tr>
<td>1919</td>
<td>248 1 11</td>
<td>248 1 11</td>
</tr>
<tr>
<td>1920</td>
<td>248 1 11</td>
<td>248 1 11</td>
</tr>
<tr>
<td>1921</td>
<td>248 1 11</td>
<td>248 1 11</td>
</tr>
<tr>
<td>1922</td>
<td>248 1 11</td>
<td>248 1 11</td>
</tr>
<tr>
<td>1923</td>
<td>248 1 11</td>
<td>248 1 11</td>
</tr>
</tbody>
</table>

**State Commonwealth Contribution £ s. d.**

<table>
<thead>
<tr>
<th>Year</th>
<th>£ s. d.</th>
<th>£ s. d.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1920</td>
<td>248 1 11</td>
<td>248 1 11</td>
</tr>
<tr>
<td>1921</td>
<td>248 1 11</td>
<td>248 1 11</td>
</tr>
<tr>
<td>1922</td>
<td>248 1 11</td>
<td>248 1 11</td>
</tr>
<tr>
<td>1923</td>
<td>248 1 11</td>
<td>248 1 11</td>
</tr>
</tbody>
</table>

**Adjustment £ s. d.**

<table>
<thead>
<tr>
<th>Year</th>
<th>£ s. d.</th>
<th>£ s. d.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1930</td>
<td>248 1 11</td>
<td>248 1 11</td>
</tr>
<tr>
<td>1931</td>
<td>248 1 11</td>
<td>248 1 11</td>
</tr>
<tr>
<td>1932</td>
<td>248 1 11</td>
<td>248 1 11</td>
</tr>
<tr>
<td>1933</td>
<td>248 1 11</td>
<td>248 1 11</td>
</tr>
</tbody>
</table>

**Balance £ s. d.**

<table>
<thead>
<tr>
<th>Year</th>
<th>£ s. d.</th>
<th>£ s. d.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1934</td>
<td>248 1 11</td>
<td>248 1 11</td>
</tr>
<tr>
<td>1935</td>
<td>248 1 11</td>
<td>248 1 11</td>
</tr>
<tr>
<td>1936</td>
<td>248 1 11</td>
<td>248 1 11</td>
</tr>
<tr>
<td>1937</td>
<td>248 1 11</td>
<td>248 1 11</td>
</tr>
</tbody>
</table>

**APPENDIX No. 22.**

**INTEREST PAID TO TREASURY AND COMMONWEALTH BANK FOR PERIODS 1907-1912 AND YEARS 1913-1935.**

<table>
<thead>
<tr>
<th>Year</th>
<th>£</th>
<th>£</th>
</tr>
</thead>
<tbody>
<tr>
<td>1907-1908</td>
<td>38,733</td>
<td>38,733</td>
</tr>
<tr>
<td>1908-1909</td>
<td>38,733</td>
<td>38,733</td>
</tr>
<tr>
<td>1909-1910</td>
<td>38,733</td>
<td>38,733</td>
</tr>
<tr>
<td>1910-1911</td>
<td>38,733</td>
<td>38,733</td>
</tr>
<tr>
<td>1911-1912</td>
<td>38,733</td>
<td>38,733</td>
</tr>
<tr>
<td>1912-1913</td>
<td>38,733</td>
<td>38,733</td>
</tr>
<tr>
<td>1913-1914</td>
<td>38,733</td>
<td>38,733</td>
</tr>
<tr>
<td>1914-1915</td>
<td>38,733</td>
<td>38,733</td>
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<tr>
<td>1915-1916</td>
<td>38,733</td>
<td>38,733</td>
</tr>
<tr>
<td>1916-1917</td>
<td>38,733</td>
<td>38,733</td>
</tr>
<tr>
<td>1917-1918</td>
<td>38,733</td>
<td>38,733</td>
</tr>
<tr>
<td>1918-1919</td>
<td>38,733</td>
<td>38,733</td>
</tr>
<tr>
<td>1919-1920</td>
<td>38,733</td>
<td>38,733</td>
</tr>
<tr>
<td>1920-1921</td>
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</tr>
<tr>
<td>1921-1922</td>
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<tr>
<td>1922-1923</td>
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<tr>
<td>1923-1924</td>
<td>38,733</td>
<td>38,733</td>
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<tr>
<td>1924-1925</td>
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<td>38,733</td>
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<tr>
<td>1925-1926</td>
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<tr>
<td>1926-1927</td>
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<tr>
<td>1927-1928</td>
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<td>38,733</td>
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<tr>
<td>1928-1929</td>
<td>38,733</td>
<td>38,733</td>
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<tr>
<td>1929-1930</td>
<td>38,733</td>
<td>38,733</td>
</tr>
<tr>
<td>1930-1931</td>
<td>38,733</td>
<td>38,733</td>
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<tr>
<td>1931-1932</td>
<td>38,733</td>
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</tr>
<tr>
<td>1932-1933</td>
<td>38,733</td>
<td>38,733</td>
</tr>
<tr>
<td>1933-1934</td>
<td>38,733</td>
<td>38,733</td>
</tr>
<tr>
<td>1934-1935</td>
<td>38,733</td>
<td>38,733</td>
</tr>
<tr>
<td>1935-1936</td>
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</table>

**INTEREST PAID COMMONWEALTH BANK.**

<table>
<thead>
<tr>
<th>Year</th>
<th>£</th>
<th>£</th>
</tr>
</thead>
<tbody>
<tr>
<td>1913</td>
<td>38,733</td>
<td>38,733</td>
</tr>
<tr>
<td>1914</td>
<td>38,733</td>
<td>38,733</td>
</tr>
<tr>
<td>1915</td>
<td>38,733</td>
<td>38,733</td>
</tr>
<tr>
<td>1916</td>
<td>38,733</td>
<td>38,733</td>
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<tr>
<td>1917</td>
<td>38,733</td>
<td>38,733</td>
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<tr>
<td>1918</td>
<td>38,733</td>
<td>38,733</td>
</tr>
<tr>
<td>1919</td>
<td>38,733</td>
<td>38,733</td>
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<tr>
<td>1920</td>
<td>38,733</td>
<td>38,733</td>
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<tr>
<td>1921</td>
<td>38,733</td>
<td>38,733</td>
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<tr>
<td>1922</td>
<td>38,733</td>
<td>38,733</td>
</tr>
<tr>
<td>1923</td>
<td>38,733</td>
<td>38,733</td>
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<td>1924</td>
<td>38,733</td>
<td>38,733</td>
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<tr>
<td>1925</td>
<td>38,733</td>
<td>38,733</td>
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<tr>
<td>1926</td>
<td>38,733</td>
<td>38,733</td>
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<tr>
<td>1927</td>
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<tr>
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<td>38,733</td>
<td>38,733</td>
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<tr>
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<td>38,733</td>
<td>38,733</td>
</tr>
<tr>
<td>1930</td>
<td>38,733</td>
<td>38,733</td>
</tr>
<tr>
<td>1931</td>
<td>38,733</td>
<td>38,733</td>
</tr>
<tr>
<td>1932</td>
<td>38,733</td>
<td>38,733</td>
</tr>
<tr>
<td>1933</td>
<td>38,733</td>
<td>38,733</td>
</tr>
<tr>
<td>1934</td>
<td>38,733</td>
<td>38,733</td>
</tr>
<tr>
<td>1935</td>
<td>38,733</td>
<td>38,733</td>
</tr>
<tr>
<td>1936</td>
<td>38,733</td>
<td>38,733</td>
</tr>
</tbody>
</table>
APPENDIX No. 23.

STATEMENT OF LOSSES BY DISTRICT OFFICE, AND REVALUATIONS.

Agricultural Bank Losses (including G.S.S., Sec. 8)—

<table>
<thead>
<tr>
<th>Year</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1918</td>
<td>150</td>
<td>94</td>
<td>244</td>
</tr>
<tr>
<td>1919</td>
<td>514</td>
<td>397</td>
<td>911</td>
</tr>
<tr>
<td>1920</td>
<td>1,721</td>
<td>342</td>
<td>2,063</td>
</tr>
<tr>
<td>1921</td>
<td>80</td>
<td>50</td>
<td>130</td>
</tr>
<tr>
<td>1922</td>
<td>446</td>
<td>631</td>
<td>1,077</td>
</tr>
<tr>
<td>1923</td>
<td>1,208</td>
<td>1,789</td>
<td>3,037</td>
</tr>
<tr>
<td>1924</td>
<td>2,913</td>
<td>1,820</td>
<td>4,733</td>
</tr>
<tr>
<td>1925</td>
<td>1,307</td>
<td>1,422</td>
<td>2,729</td>
</tr>
<tr>
<td>1926</td>
<td>12,901</td>
<td>11,305</td>
<td>25,906</td>
</tr>
<tr>
<td>1927</td>
<td>7,074</td>
<td>7,001</td>
<td>14,075</td>
</tr>
<tr>
<td>1928</td>
<td>8,246</td>
<td>8,947</td>
<td>17,192</td>
</tr>
<tr>
<td>1929</td>
<td>16,287</td>
<td>14,358</td>
<td>30,645</td>
</tr>
<tr>
<td>1930</td>
<td>25,755</td>
<td>21,222</td>
<td>46,977</td>
</tr>
<tr>
<td>1931</td>
<td>14,702</td>
<td>10,825</td>
<td>25,527</td>
</tr>
<tr>
<td>1932</td>
<td>6,992</td>
<td>9,215</td>
<td>16,207</td>
</tr>
<tr>
<td>1933</td>
<td>7,420</td>
<td>6,690</td>
<td>14,110</td>
</tr>
<tr>
<td></td>
<td>3,319</td>
<td>6,116</td>
<td>14,258</td>
</tr>
<tr>
<td>1934</td>
<td>6,309</td>
<td>6,116</td>
<td>14,258</td>
</tr>
<tr>
<td>1935</td>
<td>6,806</td>
<td>6,481</td>
<td>13,387</td>
</tr>
<tr>
<td>1936</td>
<td>6,604*</td>
<td>6,426</td>
<td>11,280</td>
</tr>
<tr>
<td>1937</td>
<td>6,907*</td>
<td>9,156</td>
<td>16,063</td>
</tr>
</tbody>
</table>

Totals £135,830 £141,809 £277,639

* The above figures include Losses on Section 8 of Group Settlement, viz. £238 Principal, £262 Interest, Total of £492.

Soldier Settlement Losses—

<table>
<thead>
<tr>
<th>Year</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1918</td>
<td>2,726</td>
<td>6,769</td>
<td>9,495</td>
</tr>
</tbody>
</table>

As per Schedule attached.

Industries Assistance Board Losses—

<table>
<thead>
<tr>
<th>Year</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1919</td>
<td>748,472</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Losses written off of Soldiers' I.A.B. Accounts and recovered from the Commonwealth £132,974

As per Schedule attached.

Group Settlement Losses—

<table>
<thead>
<tr>
<th>Year</th>
<th>Section 5</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1925</td>
<td>2,726</td>
<td>6,769</td>
<td>9,495</td>
<td></td>
</tr>
</tbody>
</table>

As per Schedule attached.

I.A.B. LOSSES ON REALISATION AND REVALUATIONS.

<table>
<thead>
<tr>
<th>Year</th>
<th>Realisations</th>
<th>Revaluations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1918</td>
<td>304</td>
<td>304</td>
<td></td>
</tr>
<tr>
<td>1919</td>
<td>2,926</td>
<td>2,926</td>
<td></td>
</tr>
<tr>
<td>1920</td>
<td>2,616</td>
<td>2,616</td>
<td></td>
</tr>
<tr>
<td>1921</td>
<td>33,034</td>
<td>33,034</td>
<td></td>
</tr>
<tr>
<td>1922</td>
<td>16,587</td>
<td>16,587</td>
<td></td>
</tr>
<tr>
<td>1923</td>
<td>74,388</td>
<td>74,388</td>
<td></td>
</tr>
<tr>
<td>1924</td>
<td>84,477</td>
<td>10,213</td>
<td>94,690</td>
</tr>
<tr>
<td>1925</td>
<td>20,924</td>
<td>22,744</td>
<td>43,668</td>
</tr>
<tr>
<td>1926</td>
<td>64,255</td>
<td>57,587</td>
<td>121,842</td>
</tr>
<tr>
<td>1927</td>
<td>18,649</td>
<td>20,763</td>
<td>49,412</td>
</tr>
<tr>
<td>1928</td>
<td>49,989</td>
<td>8,306</td>
<td>58,295</td>
</tr>
<tr>
<td>1929</td>
<td>42,524</td>
<td>4,883</td>
<td>47,407</td>
</tr>
<tr>
<td>1930</td>
<td>8,203</td>
<td>3,074</td>
<td>11,277</td>
</tr>
<tr>
<td>1931</td>
<td>23,024</td>
<td>4,163</td>
<td>27,187</td>
</tr>
</tbody>
</table>

The above figures do not include the losses of £2,726 written off of Section 8 of Group Settlement.

GROUP SETTLEMENT LOSSES SINCE TAKEN OVER BY THE AGRICULTURAL BANK.

<table>
<thead>
<tr>
<th>Year</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1932</td>
<td>1,483</td>
<td>3,287</td>
<td>4,770</td>
</tr>
<tr>
<td>1933</td>
<td>1,203</td>
<td>3,482</td>
<td>4,685</td>
</tr>
</tbody>
</table>

As per Schedule attached.

The Auditor General's report for the year ending 30/6/33 states that before transfer to the Bank, the following amounts were written off advances and expenses incurred which were not recoverable—

<table>
<thead>
<tr>
<th>Year</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1932</td>
<td>18</td>
<td>11</td>
<td>29</td>
</tr>
<tr>
<td>1933</td>
<td>270</td>
<td>191</td>
<td>461</td>
</tr>
</tbody>
</table>

Totals £288 £202 £490

The following amounts were also charged to Bank funds on account soldier settlement losses—due to the fact that all moneys allowed by the Commonwealth Government to meet soldiers' losses were exhausted—

<table>
<thead>
<tr>
<th>Year</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1932</td>
<td>6,516</td>
<td>10,077</td>
<td>16,593</td>
</tr>
<tr>
<td>1933</td>
<td>11,417</td>
<td>18,415</td>
<td>30,832</td>
</tr>
</tbody>
</table>

Totals £17,933 £30,392 £48,325

The Auditor General's report for the year ending 30/6/33 states that before transfer to the Bank, the following amounts were written off advances and expenses incurred which were not recoverable—

<table>
<thead>
<tr>
<th>Year</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1932</td>
<td>4,994,362</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1933</td>
<td>258,504</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

£5,303,871

Less Interest spread over holdings, etc., in excess of interest payments from Loan fund £607,418

Total £6,905,853
**APPENDIX No. 24.**

**AGRICULTURAL BANK ROYAL COMMISSION.**

Agricultural Bank, including Soldiers’ Settlement Scheme, Industries Assistance Board, and Group Settlement.

Classification of Gross Incidentsal Expenditure—Financial Year ending 30th June, 1933—Appor tioned against each District.

<table>
<thead>
<tr>
<th>District Office</th>
<th>Telephones</th>
<th>Travelling</th>
<th>Motor Car</th>
<th>Office Cleaners, Caretaker, and Gas and Electricity, Perth</th>
<th>Electric Light</th>
<th>Postage</th>
<th>Tea Money</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bruce Rock</td>
<td>£ s. d.</td>
<td>£ s. d.</td>
<td>£ s. d.</td>
<td>£ s. d.</td>
<td>£ s. d.</td>
<td>£ s. d.</td>
<td>£ s. d.</td>
</tr>
<tr>
<td>Bumby</td>
<td>21 4 7</td>
<td>100 10 5</td>
<td>68 3 6</td>
<td>...</td>
<td>12 0 0</td>
<td>94 0 0</td>
<td>...</td>
</tr>
<tr>
<td>Bunelton</td>
<td>55 6 7</td>
<td>144 14 4</td>
<td>202 2 8</td>
<td>...</td>
<td>12 0 0</td>
<td>94 0 0</td>
<td>...</td>
</tr>
<tr>
<td>Denmark</td>
<td>22 18 0</td>
<td>57 15 10</td>
<td>171 6 0</td>
<td>...</td>
<td>7 0 0</td>
<td>47 0 0</td>
<td>...</td>
</tr>
<tr>
<td>Geraldton</td>
<td>24 15 10</td>
<td>51 4 3</td>
<td>124 8 6</td>
<td>...</td>
<td>12 0 0</td>
<td>94 0 0</td>
<td>...</td>
</tr>
<tr>
<td>Kollarberia</td>
<td>75 1 2</td>
<td>114 8 8</td>
<td>75 1 2</td>
<td>...</td>
<td>15 0 0</td>
<td>106 0 0</td>
<td>...</td>
</tr>
<tr>
<td>Katanning</td>
<td>31 3 8</td>
<td>148 17 10</td>
<td>127 17 2</td>
<td>...</td>
<td>12 0 0</td>
<td>94 0 0</td>
<td>...</td>
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<tr>
<td>Kununopplin</td>
<td>41 14 9</td>
<td>64 10 6</td>
<td>105 7 6</td>
<td>...</td>
<td>12 0 0</td>
<td>94 0 0</td>
<td>...</td>
</tr>
<tr>
<td>Manjimup</td>
<td>23 15 10</td>
<td>83 4 8</td>
<td>108 4 1</td>
<td>...</td>
<td>12 0 0</td>
<td>94 0 0</td>
<td>...</td>
</tr>
<tr>
<td>Narragran</td>
<td>87 19 2</td>
<td>167 5 2</td>
<td>120 10 1</td>
<td>...</td>
<td>17 0 0</td>
<td>117 0 0</td>
<td>...</td>
</tr>
<tr>
<td>Northam</td>
<td>39 16 7</td>
<td>114 19 5</td>
<td>131 3 3</td>
<td>...</td>
<td>15 0 0</td>
<td>106 0 0</td>
<td>...</td>
</tr>
<tr>
<td>Perth</td>
<td>311 0 8</td>
<td>178 5 6</td>
<td>91 10 6</td>
<td>{ (b) 516 0 0 }</td>
<td>12 0 0</td>
<td>95 0 0</td>
<td>21 0 0</td>
</tr>
</tbody>
</table>

Salmon Gums 13 16 3 255 211 188 4 9 (b) 8 0 0 59 0 0

Hickey (c) 78 0 0 154 8 0

Pullin (d) ... ... 170 6 0 128 9 0

**Totals** 757 1 7 1,702 18 8 2,077 16 9 597 0 0 159 0 0 1,173 0 0 21 0 0

<table>
<thead>
<tr>
<th>District Office</th>
<th>Furniture</th>
<th>Office Cleaning</th>
<th>Fares and Freight</th>
<th>Printing and Stationery</th>
<th>Sandries</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bruce Rock</td>
<td>£ s. d.</td>
<td>£ s. d.</td>
<td>£ s. d.</td>
<td>£ s. d.</td>
<td>£ s. d.</td>
<td>£ s. d.</td>
</tr>
<tr>
<td>Bumby</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td>Bunelton</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td>Denmark</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td>Geraldton</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td>Kollarberia</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td>Katanning</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td>Kununopplin</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td>Manjimup</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td>Narragran</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td>Northam</td>
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<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td>Perth</td>
<td>9 3 0</td>
<td>22 0 0</td>
<td>35 0 0</td>
<td>66 0 0</td>
<td>74 0 0</td>
<td>690 9 1</td>
</tr>
<tr>
<td>Salmon Gums</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td>Hickey (c)</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td>Pullin (d)</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
</tr>
</tbody>
</table>

**Totals** 9 3 0 293 0 0 700 0 0 1,200 0 0 1,400 0 0 10,250 0 0

Sundries—Main Items: Government Actuary, £330 (for Workers’ Compensation); Audit Department, £331; Cottage Maintenance, £110.

(a) Gas and Electric Light.
(b) Night-watchmen and Cleaners.
(c) Special Inspector dealing with irregular wheat dealings.
(d) Special Inspector dealing mostly with Branches concerned in dairying.
## APPENDIX No. 24.—SUMMARY.

<table>
<thead>
<tr>
<th>District</th>
<th>No. of Staff</th>
<th>Number of Accounts</th>
<th>Office Salaries and Allowance</th>
<th>Field Salaries and Allowance</th>
<th>Incidents</th>
<th>Estimated Rents</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>A.B.</td>
<td>S.S.S.</td>
<td>J.S.S.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Head Office</td>
<td>83</td>
<td>320</td>
<td>788</td>
<td>497</td>
<td>1,105</td>
<td>19,874</td>
<td>£1,609</td>
</tr>
<tr>
<td>Bruce Rock</td>
<td>12</td>
<td>643</td>
<td>237</td>
<td>...</td>
<td>988</td>
<td>1,530</td>
<td>1,700</td>
</tr>
<tr>
<td>Bunbury</td>
<td>13</td>
<td>503</td>
<td>531</td>
<td>33</td>
<td>1,129</td>
<td>1,702</td>
<td>2,350</td>
</tr>
<tr>
<td>Busselton</td>
<td>18</td>
<td>420</td>
<td>63</td>
<td>71</td>
<td>894</td>
<td>1,600</td>
<td>3,353</td>
</tr>
<tr>
<td>Denmark</td>
<td>12</td>
<td>277</td>
<td>193</td>
<td>191</td>
<td>674</td>
<td>1,000</td>
<td>1,904</td>
</tr>
<tr>
<td>Geraldton</td>
<td>14</td>
<td>597</td>
<td>222</td>
<td>...</td>
<td>819</td>
<td>1,914</td>
<td>2,548</td>
</tr>
<tr>
<td>Katanning</td>
<td>12</td>
<td>897</td>
<td>273</td>
<td>...</td>
<td>1,770</td>
<td>1,501</td>
<td>1,700</td>
</tr>
<tr>
<td>Kellerberlin</td>
<td>18</td>
<td>1,019</td>
<td>154</td>
<td>...</td>
<td>1,104</td>
<td>2,271</td>
<td>3,306</td>
</tr>
<tr>
<td>Kununoppin</td>
<td>13</td>
<td>937</td>
<td>237</td>
<td>...</td>
<td>1,181</td>
<td>2,074</td>
<td>2,470</td>
</tr>
<tr>
<td>Manjimup</td>
<td>20</td>
<td>231</td>
<td>112</td>
<td>61</td>
<td>957</td>
<td>1,823</td>
<td>4,341</td>
</tr>
<tr>
<td>Narrogin</td>
<td>21</td>
<td>1,233</td>
<td>486</td>
<td>...</td>
<td>1,780</td>
<td>2,531</td>
<td>4,235</td>
</tr>
<tr>
<td>Northam</td>
<td>10</td>
<td>1,138</td>
<td>402</td>
<td>...</td>
<td>1,540</td>
<td>2,109</td>
<td>3,783</td>
</tr>
<tr>
<td>Salmon Gums</td>
<td>9</td>
<td>455</td>
<td>57</td>
<td>...</td>
<td>612</td>
<td>1,123</td>
<td>1,710</td>
</tr>
<tr>
<td>Special Inspectors (2)</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>266</strong></td>
<td><strong>8,243</strong></td>
<td><strong>3,505</strong></td>
<td><strong>13,984</strong></td>
<td><strong>£42,608</strong></td>
<td><strong>£37,921</strong></td>
</tr>
</tbody>
</table>

*Not including 2 Trustees.

**Note.**—The total salaries, allowances and incidentals as above are gross. Part of this, viz., £2,062, an estimated amount, is related by Lands Department for services of the Bank's Inspectors, inspecting and reporting on improvements and conditions under the Land Acts for that Department, and cannot be apportioned against District Offices.

## APPROXIMATE RENT OF BUILDINGS.

<table>
<thead>
<tr>
<th>District Office</th>
<th>If owned by Bank</th>
<th>If not owned by Bank</th>
<th>Estimated Rental per week</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bruce Rock</td>
<td>Yes</td>
<td>No</td>
<td>5 s. d.</td>
</tr>
<tr>
<td>Bunbury</td>
<td>...</td>
<td>No</td>
<td>2 0 0</td>
</tr>
<tr>
<td>Busselton</td>
<td>Yes</td>
<td>No</td>
<td>3 0 0</td>
</tr>
<tr>
<td>Denmark</td>
<td>...</td>
<td>No</td>
<td>1 0 0</td>
</tr>
<tr>
<td>Geraldton</td>
<td>...</td>
<td>No</td>
<td>2 0 0</td>
</tr>
<tr>
<td>Katanning</td>
<td>No</td>
<td>No</td>
<td>2 0 0</td>
</tr>
<tr>
<td>Kellerberlin</td>
<td>No</td>
<td>No</td>
<td>1 0 0</td>
</tr>
<tr>
<td>Kununoppin</td>
<td>Yes</td>
<td>No</td>
<td>3 0 0</td>
</tr>
<tr>
<td>Manjimup</td>
<td>No</td>
<td>No</td>
<td>1 10 0</td>
</tr>
<tr>
<td>Narrogin</td>
<td>No</td>
<td>No</td>
<td>2 0 0</td>
</tr>
<tr>
<td>Northam</td>
<td>No</td>
<td>No</td>
<td>2 0 0</td>
</tr>
<tr>
<td>Salmon Gums</td>
<td>Yes</td>
<td>No</td>
<td>1 10 0</td>
</tr>
<tr>
<td>Perth</td>
<td>No</td>
<td>No</td>
<td>10 0 0</td>
</tr>
</tbody>
</table>

**Note.**—The Bank does not pay rent for buildings marked "Not owned by Bank," but pays for repairs. The rental of the Perth building is open to argument, as not a very suitable building.
INDEX.

<table>
<thead>
<tr>
<th>Topic</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abandoned or Reverted Farms</td>
<td>26, 61</td>
</tr>
<tr>
<td>Aberscon Estate</td>
<td>59</td>
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<tr>
<td>Acceleration of Settlement</td>
<td>17</td>
</tr>
<tr>
<td>Accounts--Amalgamation of</td>
<td>41</td>
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<tr>
<td>Acknowledgment of Commission</td>
<td>82</td>
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<tr>
<td>Accrued Interest</td>
<td>40</td>
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<td>Accumulated Profits</td>
<td>40</td>
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<td>Adjustment or Conditioning of Debts--Part 10</td>
<td>66</td>
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<tr>
<td>Administration Expenses</td>
<td>80</td>
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<td>Recommendations</td>
<td>80</td>
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<tr>
<td>of Bank under Statutory Board</td>
<td>32</td>
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<td>Agricultural Bank Acts--Synopsis (Appendix No. 1)</td>
<td>90</td>
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<td>Amendment, 1906</td>
<td>4, 52</td>
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<td>1912</td>
<td>4</td>
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<td>1929</td>
<td>6</td>
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<td>Branch Costs (Appendix No. 24)</td>
<td>161</td>
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<tr>
<td>Balance Schedules and Profit and Loss Accounts</td>
<td>39, 41</td>
</tr>
<tr>
<td>Costs and Expenditure incurred</td>
<td>20</td>
</tr>
<tr>
<td>Financial Condition: Causes</td>
<td>23</td>
</tr>
<tr>
<td>Future Policy--Recommendations</td>
<td>81</td>
</tr>
<tr>
<td>Head Office Management</td>
<td>20</td>
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<tr>
<td>Losses</td>
<td>30, 46, 190</td>
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<td>Losses--Statement of (Appendix No. 23)</td>
<td>160</td>
</tr>
<tr>
<td>Nominated Farmers (Appendix No. 16)</td>
<td>160</td>
</tr>
<tr>
<td>Officials--Land Transactions</td>
<td>32</td>
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<td>Principal and Interest Balances, Appendix No. 10</td>
<td>158</td>
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<tr>
<td>Part 5--Financial Position</td>
<td>39</td>
</tr>
<tr>
<td>Principles adopted to Debts</td>
<td>50</td>
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<tr>
<td>Premises</td>
<td>51</td>
</tr>
<tr>
<td>Value of operations to State</td>
<td>57</td>
</tr>
<tr>
<td>Agricultural Bank Board--Powers of : Recommendations</td>
<td>82</td>
</tr>
<tr>
<td>Agricultural Department Pamphlet--Toxic Paralysis</td>
<td>162</td>
</tr>
<tr>
<td>Alkalinity in Soil</td>
<td>x.</td>
</tr>
<tr>
<td>Appendices</td>
<td>63</td>
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<tr>
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<td>89</td>
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<td>90</td>
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<td>138</td>
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<td>W. R. Nicholas' Report (Appendix No. 10a)</td>
<td>145</td>
</tr>
<tr>
<td>Auditor General--Letter to Commission (Appendix No. 11a)</td>
<td>146</td>
</tr>
<tr>
<td>Minute to Under Treasurer (Appendix No. 11b)</td>
<td>8, 53</td>
</tr>
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<td>Auditing Agricultural Bank Accounts</td>
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</tbody>
</table>

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Appendix No. 4--Narrogin District--Report

Appendix No. 5--Northam District--Report

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Appendix No. 7--Kooburra District--Report

Appendix No. 8--Gairdner District--Report

Appendix No. 9--Bruce Rock District--Report

Appendix No. 10--Audit Inspector Newsham's Audit Report, 1921-22

Appendix No. 10a--Audit Inspector Nicholas' Audit Report, 1929-30

Appendix No. 11a--Auditor General's Letter, 27th October, 1933

Appendix No. 11b--Auditor General's Minute to Under Treasurer, 15th April, 1934

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Appendix No. 14--Farmers Witnesses, Form

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Appendix No. 19--Mr. W. A. White--Plan submitted

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