

Hon. Sir James Mitchell: We cannot get through that agreement during the week end.

The PREMIER: It will perhaps facilitate discussion next week. In reply to the Leader of the Opposition, as to the opportunities that will be afforded to members for a full and fair discussion upon the Bill, I can say at once that there is no desire on the part of the Government to press the debate unduly, and that full and ample time and opportunity will be given to every member to make himself acquainted with the measure and to take part in the discussion. I move—

That the House do now adjourn.

Question put and passed.

House adjourned at 3.33 p.m.

Legislative Assembly.

Tuesday, 12th June, 1928.

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

QUESTION—MAIN ROADS BOARD, POWERS.

Hon. W. J. GEORGE asked the Premier: Is it his intention to lay upon the Table all papers dealing with the appointment of the members of the Main Roads Board and defining the respective powers of the Minister and the board?

The PREMIER replied: The respective powers of the Minister and the Board are defined by the Act. It is not intended to lay the papers upon the Table of the House.

QUESTIONS (3)—LAND.

Blocks for Selection.

Mr. E. B. JOHNSTON asked the Minister for Lands: 1, How soon does the Land Board expect to decide the result of the applications for the 200 blocks that were thrown open for selection on or about the 18th April last? 2, Is the Land Board aware that a large number of prospective settlers who are anxious to start improvements are kept idle in the meantime? 3, Can the decisions be expedited?

The MINISTER FOR LANDS replied: 1, The middle of July. 2, Yes. 3, Steps have already been taken to have Land Board matters expedited in future.

Properties acquired for Closer Settlement.

Mr. E. B. JOHNSTON asked the Minister for Lands: How many properties have been acquired by the Government under the provisions of the Closer Settlement Act, 1927?

The MINISTER FOR LANDS replied: No properties have so far been purchased under this Act.

Herdsman's Lake Blocks.

Hon. W. D. JOHNSON asked the Minister for Lands: When will blocks surveyed at Herdsman's Lake be made available for settlement?

The MINISTER FOR LANDS replied: Steps are now being taken to finalise the acquisition of the land necessary for residential purposes. So soon as this is completed the land will be made available for selection.

QUESTION—WHEAT, EXPORT.

Mr. SLEEMAN asked the Minister for Agriculture: 1, Is he aware that on the wharves at Fremantle there is enough wheat being wasted to feed the unemployed of the metropolitan area? 2, Is he further aware that a lot of bad condition wheat is being sent away on the boats already this season? 3, Is it his intention to take steps to prevent a recurrence of last year's trouble in regard to bad wheat being shipped from this State, thereby spoiling the good name of the State abroad?

The MINISTER FOR AGRICULTURE replied: 1, No. 2, No. Government control extends only to wheat shipped under Government certificate. Over 5,000,000 bushels have been passed this season by officers of the Department of Agriculture. All has been in good order and condition and quite up to standard. 3, Answered by No. 2.

QUESTION—UNEMPLOYED, DISTRESS.

Mr. SLEEMAN asked the Premier: 1, Is he aware that in the metropolitan area there are men and women starving owing to the fact that they cannot get work, and that being married men without children, or single men without dependants, the department refuses to give them any assistance? 2, Will he see that anyone who cannot obtain work is not left to starve? 3, If not, why not?

The PREMIER replied: 1, No. 2 and 3, Assistance is being given in deserving and necessitous cases.

SITTING DAYS AND HOURS.

On motion by the Premier, ordered: That the House, unless otherwise ordered, shall meet for the despatch of business on Tuesdays, Wednesdays and Thursdays at 4.30 p.m., and shall sit until 6.15 p.m., if necessary, and, if requisite, from 7.30 p.m. onwards.

GOVERNMENT BUSINESS, PRECEDENCE.

On motion by the Premier, ordered: That Government business shall take precedence on all sitting days.

BILL—FINANCIAL AGREEMENT.

As to Leave to Introduce.

THE PREMIER (Hon. P. Collier—Boulder) [4.43]: I move—

That leave be given to introduce a Bill for an Act to approve of an agreement between the Commonwealth of Australia and the States of New South Wales, Victoria, Queensland, South Australia, Western Australia, and Tasmania concerning the adjustment of the financial relations between the Commonwealth and the States, and for purposes incidental thereto.

HON. SIR JAMES MITCHELL (Northam) [4.44]: I must oppose this motion because it does not seem to me to be necessary that the Premiers should introduce a Bill covering two very different and im-

portant matters. The one question is the approval of the financial agreement which has been entered into between the State Government and the Commonwealth, and the other is the abolition of our sinking fund. These two questions should have been separated. One has no connection with the other. If the agreement is passed, we shall have to hand over our sinking fund to the Commonwealth. Beyond that, the one question has nothing to do with the other. If we wish, we can, of course, get rid of our responsibilities, under various Acts of Parliament, of contributing to the sinking fund, which is held by trustees in London, quite apart from the making of any agreement with the Federal Government. It would have expedited matters if the Premier had introduced two Bills, keeping these two subjects entirely distinct from one another. There may be some members in the House who think we should pass and approve of this Financial Agreement. I am not in accord with that view. There will not, however, be any who would agree that we should break faith with our London bondholders in the matter of the sinking fund. But if this Bill comes forward as proposed, both matters would have to be voted upon at the one time. Perhaps, as I object to the agreement, I should approve of that method. There will not be any members of this House who will be willing to abolish the sinking fund that is established with our bondholders in London. I cannot understand that being acceptable to any member. I object to these two matters, each very important and distinct from the other, being dealt with in the one Bill. There are other minor matters that will be affected by the Bill. It is very unusual to bring down legislation drafted in this fashion. I hope the House will not pass the motion.

MR. E. B. JOHNSTON (Williams-Narrogin) [4.47]: Mr. Speaker, I desire to make some remarks.

MR. SPEAKER: The Hon member cannot proceed. I would draw attention to Section 166, on page 133 of the House of Commons "Manual of Procedure," dealing with the introduction of a Bill. It is as follows:—

If the motion is opposed, the Speaker after permitting, if he thinks fit, a brief explanatory

statement from the member who moves and from a member who opposes the motion, may without any further debate put the question thereon, or the question that the debate be now adjourned.

One or other of these questions must be put. Only the mover and the opposer are allowed a brief explanatory statement. There can be no discussion at this stage.

THE PREMIER (Hon. P. Collier—Boulder—in reply) [4.50]: I hope the Leader of the Opposition will not persist in opposing the motion asking for leave to introduce this Bill. It is true that some of the provisions of the Bill could be dealt with in a separate measure. I think, however, it is wise we should deal with all of the subjects which are related to the agreement in the one Bill. This practice has been followed, I think, by nearly all the other States, with the exception perhaps of South Australia, where the Government brought down a separate Bill. It will be understood that the agreement affects existing State legislation, and so it will be necessary, I submit, to amend those Acts in order to bring us into conformity with the other States. The Bill deals with our sinking fund and other matters. All the States, with the exception of South Australia, have included the necessary amending provisions in a Bill of this nature. These Bills have dealt with the sinking fund. True, Victoria and some of the other States have not much in the way of a sinking fund.

Mr. E. B. Johnston: Their sinking funds are very small compared with ours.

The PREMIER: The principle is the same whether the amount be large or small. The principle of dealing with sinking funds in a Bill is not affected by the amount of a sinking fund in one State as compared with another. It is better we should deal with all the questions which are related to and interwoven with the agreement in one Bill.

Hon. Sir James Mitchell: So long as we defeat the whole Bill, it will be all right, but otherwise it will be all wrong.

The PREMIER: If the whole Bill is defeated, those provisions which amend our Acts go by the board, as well as the agreement. Everything goes by the board.

Hon. Sir James Mitchell: Let it go.

The PREMIER: I hope that the hon. member's wish will not be realised in that respect.

Question put and passed.

First Reading.

On motion by the Premier, Bill read a first time.

Standing Orders Suspension.

THE PREMIER (Hon. P. Collier—Boulder) [4.52]: I move—

That so much of the Standing Orders be suspended as to enable the second reading of the Financial Agreement Bill to be moved on this day.

Question put and passed.

Mr. SPEAKER: I am satisfied that the motion has been carried by an absolute majority.

Second Reading.

THE PREMIER (Hon. P. Collier—Boulder) [4.53] in moving the second reading said: This Bill seeks approval of an agreement entered into between the Governments of the Commonwealth and the six States, and marks a very definite stage in the history of the financial relations between the Commonwealth and the States. Unquestionably it is one of the most important Bills that this Parliament has been called upon to consider. I should like, therefore, as briefly as may be, to review the history of this very controversial subject. The question of finance was one which occupied a great deal of the attention of the members of the Federal Convention who framed the Constitution, and throughout all the debates that took place, extending over several years, it was recognised and agreed that the States should share in the revenue from customs and excise. In fact, the Constitution that was first submitted by referendum to the people of Australia in 1898 provided that three-fourths of the revenue from customs and excise should be returned to the States. That was actually agreed to by the people of Australia, but it failed to find a place in the Constitution, because the enabling Act of New South Wales provided for a minimum affirmative vote, and although the people of that State by a majority vote agreed to that provision, that majority vote did not reach the minimum affirmative vote required by the enabling Act. This would have left New South Wales out of the Fed-

eration. It was highly undesirable that that State should be left out, and so, at conferences which were held subsequent to the referendum, conferences between the representatives of the various States, it was agreed that the Constitution should provide that three-fourths of the customs and excise revenue should be returned to the States for a period of 10 years. Before that period expired in 1909, conferences were held between the representatives of the States and the Commonwealth, and eventually, at the expiration of that period, which was embodied in the Constitution, the Federal Parliament passed what is known as the Surplus Revenue Act. In that Act it was provided that a per capita payment should be made to the States of 25s. for a period of 10 years, and until the Commonwealth Parliament otherwise provided: that is to say, it should continue for 10 years and so on until the Parliament otherwise provided. Following the passage of the Surplus Revenue Act of 1910, a referendum of the people of Australia was taken as to whether that provision of 25s. per head should be embodied in the Constitution. It failed to secure the necessary majority as laid down in the Constitution for its own amendment. In all, three States voted against its being placed in the Constitution. New South Wales, Victoria and South Australia voted against it, and Western Australia, Tasmania and Queensland voted for it. Eventually it was rejected because it failed by 25,000 votes to secure a majority. That left the matter entirely in the hands of the Federal Parliament. In 1919, a year before the 10 years had expired for which the Surplus Revenue Act said the money should be paid, a conference of State Premiers and representatives of the Commonwealth was held. At that conference, Mr. Watt, who was then the Treasurer of the Commonwealth, submitted proposals for a progressive reduction in the per capita payment of 2s. 6d. per annum until the amount was down to 10s. That, of course, was not acceptable to the States, and so no alteration was made. A further conference was held in 1923, and was attended by the present Leader of the Opposition of this State. At that conference the Commonwealth proposed to abolish entirely the per capita payments and in return—by way of enabling the States to make up the loss of revenue occasioned by that abolition—to retire from income taxation altogether; but the States refused to

agree to that, and so nothing came of it. No agreement having been reached at that 1923 conference, a further conference was held in 1926, which I attended. The Commonwealth again proposed to the States that the per capita payments should be abolished and that, in return, the Commonwealth would evacuate certain fields of income taxation, such as income tax on individuals. At that 1926 conference the State Premiers refused to discuss the Commonwealth proposals at all. We regarded them as being so entirely inadequate that we refused to discuss them in conference with the Commonwealth. So again, no agreement resulted from the conference. Shortly afterwards, in the early part of 1927, the States having definitely declined to consider proposals for the abolition of the per capita payments with the Commonwealth withdrawing from certain fields of income tax, the Commonwealth repealed the provision of the Surplus Revenue Act which gave the States per capita payments. In other words, in 1927, the Commonwealth Government, supported by a majority in both Houses, definitely abolished the per capita payments. The Prime Minister at that time claimed—and evidently he was supported by a majority of the Commonwealth Parliament in this view—that the States had no legal, moral, or constitutional right to participate in the Customs revenue.

Hon. G. Taylor: He is quite wrong, I think.

The PREMIER: He is right as to the legal or constitutional aspect.

Hon. G. Taylor: He ought to have stopped at the legal aspect.

The PREMIER: On the legal and constitutional aspects there does not seem to be any doubt, but the State Premiers contended strongly that if the States had no such legal right, they most certainly had a moral right. The Prime Minister and the Commonwealth Parliament refused to take that view of the question. So that a definite dividing line was then arrived at between the Commonwealth and the States on the great principle of finance, which has been the subject of endless dispute and controversy since Federation. This was the position that we had reached at the 1927 conference: the per capita payments had been abolished definitely in March of 1927, and a conference had been called by the Prime Minister a few months afterwards. That

conference I also attended. The State Premiers were faced with the position, as I say, that the per capita payments had been abolished, and the Premiers had to decide whether they should constructively assist in framing an agreement in the interests of the States so far as they might be able to influence the Commonwealth Government in that direction, or whether they should take whatever the Commonwealth Government or Parliament might decide to give to the States, if anything at all.

Hon. G. Taylor: Presumably you were in a pretty happy position.

The PREMIER: We had to take part in the discussion. We did so, and the result is this agreement. It was altered and amended in many directions during the weeks of discussion that took place upon it, altered and amended to improve it from the point of view of the States. So we have the present agreement. Of course, when the per capita payments were abolished the States were left at the will of any Commonwealth Government of the day as to what they might contribute to the States in future, or whether they would contribute anything at all. The Bill which repealed the per capita payments, the State Grants Bill of last year, provided that the Commonwealth Treasurer should pay to the several States of the Commonwealth in proportion to the number of their people any surplus revenue in his hands at the close of the financial year commencing on the 1st day of July, 1927, and at the close of each financial year thereafter.

Hon. G. Taylor: He is not likely to have too much, though.

Hon. Sir James Mitchell: He is going to have a deficit this year.

The PREMIER: But inasmuch as a precisely similar provision has appeared in the Surplus Revenue Act ever since 1910, and the Commonwealth Government, although having large sums of surplus revenue over a number of years did not pay one shilling of any such surplus to the States—

Hon. Sir James Mitchell: The Commonwealth had ten millions at one stage.

The PREMIER: Yes. That Act, of course, was evaded by simply appropriating the surplus for each year to some other purpose, or holding it against future deficits, or for any other purpose to which the Commonwealth might decide to apply it.

Mr. Stubbs: Was no protest made at that time in regard to the surplus revenue?

The PREMIER: Yes, of course. All the State Governments protested, and the matter was taken to the High Court.

Mr. Griffiths: By New South Wales.

The PREMIER: The High Court held that the action of the Commonwealth Government in appropriating the surplus to purposes of their own, and not passing it over to the States, was not a contravention of the Surplus Revenue Act.

Hon. Sir James Mitchell: That is hardly so, I think. The New South Wales Government claimed a surplus for a month of £100,000.

The PREMIER: But failed to get it.

Hon. Sir James Mitchell: Yes.

The PREMIER: Although a similar clause appeared in the State Grants Bill, we can see that we need not in the future build on getting any of the surplus revenue of the Commonwealth from year to year. That is quite clear. In the future we are not going to get any money payments from the Commonwealth by way of surplus revenue. The only other provision for any contribution whatever to the States is in the section of last year's Act which provides that—

Subject to the terms of any agreement made between the Commonwealth and all the States and adopted by the Parliaments, the Treasurer shall during the financial year commencing on the 1st day of July, 1927, make payments to each State in equal monthly instalments to the amounts specified in the schedule opposite to the name of that State.

And the amounts specified in the schedule were based on the per capita payments of that year. But hon. members will see that last year's Act, which abolished the per capita payments, provided for a payment to the States for this one year only.

Mr. Griffiths: Still on a per capita basis.

The PREMIER: Yes, but for this year only. So that the Commonwealth is not bound by any Act of its own, or bound in any way, after the end of this month to contribute one shilling further to the States—not one shilling. It is not bound to do so. I am not saying that it would not do so, but it is not bound to contribute anything. Its own Act provides merely that the Commonwealth shall make us a contribution for this one year on the basis of the per capita payments, and for the one year only.

Mr. Mann: Of course it has not been bound for some years, not since the 10 years elapsed.

The PREMIER: It had been bound so long as the Surplus Revenue Act remained

unamended, because the Surplus Revenue Act provided that the Commonwealth should pay the 25s. per head for 10 years, and thereafter until—

Hon. G. Taylor: Until Parliament otherwise decided.

The PREMIER: Yes. But the Commonwealth decided only last year to withdraw the per capita payments. That is the position we are in at the present time. If this agreement be not accepted, we shall be entirely in the hands of the Commonwealth Parliament.

Hon. Sir James Mitchell: And if it is accepted, you are too.

The PREMIER: I do not think so. If it is not accepted, we shall be entirely in the hands of the Commonwealth Parliament as to what the Commonwealth shall contribute to us in the future, or whether the Commonwealth shall contribute anything at all.

Hon. Sir James Mitchell: The Parliament is in the hands of the people.

The PREMIER: I know that Parliament is in the hands of the people, but I am afraid that Parliament is often able to give effect to its own wishes, especially on financial matters, in which, unfortunately, a great number of electors of the Commonwealth take very little interest. Therefore the Commonwealth Parliament is in a position to give effect to its wishes, notwithstanding that the electors have the final say. Now that is the position; and I desire to say at once that this agreement is incomparably superior to anything that has ever been offered to us by Federal Governments or the Commonwealth Parliament previously.

Hon. Sir James Mitchell: This is?

The PREMIER: This is. I say it is better than anything that has ever been offered to us. It is altogether superior to anything that has ever been offered.

Hon. Sir James Mitchell: In what respect?

Mr. Mann: Since 1919.

The PREMIER: In what respect, the Leader of the Opposition asks. Will not the hon. gentleman admit, will not everyone admit, that this offer is infinitely better than the proposals the Commonwealth has been making during the past five years, proposals merely to withdraw from certain fields of taxation?

Hon. G. Taylor: It is better than Treasurer Watt's offer.

The PREMIER: Of what value were those proposals that the Commonwealth should withdraw from certain fields of taxation?

Hon. G. Taylor: Of no value at all.

The PREMIER: There was nothing whatever to prevent the Commonwealth Government, or any future Commonwealth Government or Parliament, from re-entering those fields of taxation. They did not guarantee that they would withdraw from those fields and would permanently remain out of them. They could not give any guarantee of that kind. There was nothing to prevent them from going back into those fields of taxation again. There was no security about such proposals, no security from year to year.

Hon. G. Taylor: Unless it was put in the Constitution.

The PREMIER: Well, they would not. They could not. They would not put it in the Commonwealth Constitution that they would in future refrain from imposing certain taxation. There was no security whatever from year to year, but this agreement does represent at least a permanent contribution to the revenue of the State. That is the distinction between the offers made in the past, and the distinction, too, between this agreement and the per capita payments. As everyone knows, the per capita payments were insecure. It was open to any Government at any time under the Surplus Revenue Act of 1910 to abolish those payments and to give the States nothing at all. This agreement definitely and permanently provides for contributions to be made to the States over a long period of years.

Hon. Sir James Mitchell: In return for a consideration?

The PREMIER: It cannot be altered by any other Parliament, that is, of course, if the agreement becomes law. It will be permanent for 58 years.

Hon. W. J. George: We thought that too when we entered into Federation.

The PREMIER: Whatever has occurred under Federation has been done within the four corners of the Constitution. It may be that Governments have done things under Federation which the people, at the time Federation took place, never contemplated for one moment would be done. That, however, is another question. They certainly

had to keep within the bounds of the Constitution as interpreted by the High Court. If the agreement is ratified by the people, then it becomes permanent for 58 years. Let us compare the uncertainty of per capita payments, which could have been abolished any year, the uncertainty of the proposals made by the Commonwealth in recent years that they should merely retire from certain fields of taxation—it was open to them to go back into those fields at any time—let us compare those matters, something that could have been withdrawn at any time, with an agreement which guarantees payment of a fixed sum for 58 years. Of course it will be argued that in order to get this we shall have to make sacrifices in every direction.

Hon. Sir James Mitchell: We are certain to get unification if we pass this Bill.

The PREMIER: In reply to that I would quote the opinion of Senator Pearce who definitely states that the agreement, for the period of 58 years, will be an absolute bar against unification.

Hon. W. J. George: You do not believe that, do you?

The PREMIER: That opinion is supported by the opinions of other eminent men. A similar view is held by the Premier of South Australia, Mr. Butler.

Hon. G. Taylor: I would not go too much on him.

The PREMIER: A similar view is also held by the Federal Treasurer, Dr. Page.

Hon. W. J. George: He is pretty shaky, too.

Mr. Mann: That view is not held by Mr. Hill of South Australia.

The PREMIER: After all, it resolves itself into a matter of opinion, and I am giving hon. members opposite the views of men prominent in Australia.

Mr. Davy: What is your opinion?

The PREMIER: My opinion is that it does not at all aid towards unification. It is rather significant, having regard to the Federal Labour Party platform, that if this agreement is a step towards unification, the Federal Labour Party should have opposed it.

Hon. Sir James Mitchell: They opposed it for political purposes only.

The PREMIER: How could they have opposed it for political purposes only? The Federal Labour Party, one of whose

planks deals with unification, definitely opposed the agreement.

Mr. Mann: Not from that point of view.

The PREMIER: If they thought it was making for unification, would not the Federal Labour Party, in conformity with their platform, have supported it? We have Dr. Page, the Premier of South Australia, Senator Pearce, and the Federal Labour Party holding the same view. Are we to say that they are all wrong in that opinion? Then I might add my own opinion to those I have mentioned. I do not for one moment say that the agreement will make for unification.

Mr. Angelo: You say it will be a bar to unification.

The PREMIER: I think it will. If I understand aright the argument with regard to unification, it is that if the State should become financially embarrassed, it would be compelled to hand over to the Commonwealth certain of its functions. This would become necessary because of the difficulty the State would experience in carrying on. I think generally that is the argument advanced that takes us towards unification—the financial embarrassment of the States, the insufficiency of revenue to carry on essential services. If that be so, and it is not disputed, the best thing to be done by the Federal Parliament or those who desire to bring about unification is to refrain from guaranteeing any financial contribution to the States for 58 years, and having withdrawn the per capita payments, to give nothing in return.

Mr. C. P. Wansbrough: The same old bogey!

The PREMIER: If the Commonwealth had desired unification they could have financially crippled the States by not entering into the agreement. Having abolished per capita payments, that would of course embarrass every State, and Western Australia to the extent of half a million a year for the present. Therefore I submit that the agreement is a bar to unification and not an aid to it. Without the agreement, the Commonwealth could say to-morrow, "There are to be no further contributions; the per capita payments having gone, we shall not give you anything more." Would that not be the way to financially embarrass the States and compel the Commonwealth to take over certain of our services?

Hon. W. J. George: It would be a nice advertisement for them.

The PREMIER: I agree with those who argue that the agreement really will retard rather than facilitate unification.

Hon. Sir James Mitchell: I wonder the Labour Party opposed it in the Federal House.

The PREMIER: The Labour Party opposed it because they felt it was a bar to unification. The leaders of the Labour Party said that the Commonwealth had no right to commit themselves to these contributions over a long number of years. They claimed that the money might be required for schemes for social amelioration and that therefore the Government had no right to guarantee the contributions for 58 years. That was the argument of the Federal Labour Party. They opposed the agreement because it was too liberal.

Mr. E. B. Johnston: They moved an amendment and accepted the Bill when they failed with the amendment.

The PREMIER: I know; they moved an amendment to shelve the Bill.

Mr. E. B. Johnston: To delay it.

The PREMIER: No, to shelve it. Their claim was that the Commonwealth had no right to tie themselves up with the payments for 58 years.

Mr. Mann: It was a non-party vote when the Bill went to a division.

The PREMIER: Yes, but what I have stated was the attitude of the Federal Labour Party, and I think that all the Labour members in the House of Representatives voted that way. They were supported by only three or four votes from the Government side of the House. The Commonwealth will take over the whole of the net public debts of the State, a total of £641,345,397, and will apply £7,584,912 from their revenue towards the payment of interest. Our share of that £7,584,912 will be £473,432. Therefore the Commonwealth by the agreement bind themselves to pay to Western Australia the sum of £473,432 for 58 years.

Mr. Stubbs: Without increasing taxation in any way?

The PREMIER: They could increase taxation even if they made no contribution at all. They are free to do what they like with regard to taxation, contributions or no contributions. But they do bind themselves to pay £473,432 to Western Aus-

tralia for 58 years. Compare that with the per capita payment with regard to which we had no security from year to year. Having regard to the fact that the per capita payments have been consistently attacked by all Governments and all parties in the Commonwealth Parliaments for many years past, it was inevitable that those payments had to go. No member will argue that the per capita payments were not doomed to be abolished.

Hon. Sir James Mitchell: I do not think anyone objects to the £473,432: we do object to the conditions that are attached to that payment.

The PREMIER: I am coming to the conditions; we have to balance the one against the other. We have to consider on the one hand what we are going to get in the way of payments and weigh that against the other, and in all the circumstances to consider whether it is not wise for us to give up what has been given up, in order to secure the permanent payments.

Mr. Thomson: In order to secure a certainty.

The PREMIER: Yes, with a guarantee that this substantial sum of money will be paid over a long period of years. This must weigh with members and with the people of the country.

Hon. Sir James Mitchell: They will not pay us a penny that they do not take from us.

The PREMIER: But they would take it just the same, even if they contributed nothing.

Hon. G. Taylor: They would not be allowed to do that for long.

The PREMIER: Who would stop them?

Hon. Sir James Mitchell: New South Wales and Victoria would stop them.

The PREMIER: How could they stop the Commonwealth?

Hon. Sir James Mitchell: They have the numbers of members in the Federal House.

The PREMIER: Even so, those States with their large numbers of members, did not stop the abolition of the per capita payments, despite the fact that those contributions in 10 or 20 years would have meant the payment of enormous sums to New South Wales and Victoria.

Hon. Sir James Mitchell: For the simple reason that the payments under the agreement are more favourable to those larger States than to the other States.

The PREMIER: It is certain that the agreement is more favourable to Western Australia than to any other State.

Hon. Sir James Mitchell: No fear!

The PREMIER: I am certain it is.

Hon. Sir James Mitchell: Why, New South Wales and Victoria get £5,000,000 out of the £7,000,000!

Mr. Panton: Why not listen to the speech and learn something about the agreement?

The PREMIER: The payment of this sum under the agreement will be on the same basis as under the per capita payment system. The population of Australia will be doubled in about 20 years' time. I think Victoria will double her population in 22 or 24 years.

Hon. Sir James Mitchell: Not at all.

The PREMIER: Yes, that is so.

Hon. Sir James Mitchell: I have the evidence that was given before the Royal Commission.

The PREMIER: The population of Victoria will be doubled in 24 years, I believe, and under the per capita payment system they would receive double the amount they had been receiving at the beginning of that period. Instead of getting £5,000,000, they would receive £10,000,000.

Hon. Sir James Mitchell: Victoria will not double her population in 40 years.

The PREMIER: I think the agreement is undoubtedly more favourable to this State than to any other.

Hon. Sir James Mitchell: Not at all!

The PREMIER: Before I have concluded my speech, I hope to show that it will be more favourable. To revert to the Commonwealth proposal, I would point out that there is provision for a contribution towards interest, amounting to £473,432. In respect of the public debt as it existed on the 30th June, 1927, it is proposed to establish a uniform sinking fund for all the public indebtedness of the Commonwealth, amounting to £641,345,397. That sinking fund will be at the rate of 7s. 6d. per cent., towards which the Commonwealth will contribute 2s. 6d. per cent., and the States 5s. per cent. This will mean a saving to Western Australia of £76,325 per annum. In respect of all future borrowings, there will be a 10s. per cent. sinking fund and that percentage will be contributed in equal proportions by the States and the Commonwealth. Each will contribute 5s. per cent. Of course,

our savings under that heading will increase year by year as our borrowings increase.

Mr. Mann: You were not always of your present opinion!

The PREMIER: In what way?

Mr. Mann: That this arrangement will be of greater benefit than the per capita payment system. I have a pamphlet issued by you some time ago, and in that pamphlet you did not express the opinions we have just heard.

The PREMIER: All my criticisms on this question during the past two years have been as regards the per capita payment system, compared with proposals submitted by the Commonwealth to us during that period. Their proposals amounted to a withdrawal from fields of taxation. To that I was strongly opposed, and I contended strongly in preference of the per capita payments, rather than in favour of the Commonwealth proposals. At that time we had to compare the per capita payments with the proposals of the Commonwealth to withdraw from fields of taxation. Those proposals were of no value to us whatever, and in consequence, I fought for the retention of the per capita payments. I have never argued at any time in favour of the per capita payments as against the agreement now before the House. Most decidedly I have never argued in that direction since the agreement was promulgated.

Mr. E. B. Johnston: You would prefer the per capita payments to the agreement, if you could get the former.

The PREMIER: I do not know that I would.

Hon. Sir James Mitchell: Yes, you would! You would not give up your right to borrow!

The PREMIER: I would prefer the per capita payments to the agreement, if those payments could be secured by the Constitution and thus be made permanent.

Member: Or even if they were secured for 58 years.

The PREMIER: Yes. On the other hand, I would infinitely prefer the Financial Agreement to the per capita payments, with the possibility and probability of those payments being abolished at any time. Would anyone prefer to receive something that could be taken away from him at the end of the year, or something that

he would have for 58 years? If in our private capacities, we were offered a sum of money by someone under conditions that would enable that individual to withdraw the money from us at any time, or under conditions that made it ours for 58 years, which would we prefer? There is no doubt what any one of us would choose; we would prefer to accept the more permanent contribution. The provision regarding transferred properties does not represent a big matter, but under the agreement the Commonwealth will contribute 5 per cent., instead of $3\frac{1}{2}$ per cent., on the capital cost of transferred properties, which amounts to £736,432. Under that heading the increased interest payment represents an additional £12,152 per annum to us. I

desire briefly to compare the per capita payment system with the proposals embodied in the agreement. Of course, it is somewhat futile to attempt to do so, because I shall be comparing under the agreement something that is definite and tangible, with something else that does not exist and has been abolished.

Hon. W. J. George: At any rate, you can let us know the position, so that we may realise what we have been robbed of!

The PREMIER: It will be of interest to the House to know how it will operate, when we bear in mind the contributions by the Commonwealth to the sinking fund and increased interest on transferred properties. The following table will indicate the financial result from direct contributions:—

COMMONWEALTH STATES FINANCIAL AGREEMENT.

Return showing Contributions to State by Commonwealth against Per Capita Payments.

(a.) Loan Expenditure of £5,000,000 per annum.

(b.) Population increase of 3 per cent. per annum.

Period.	Contribution to State by Commonwealth.						Amount of per capita payment allowing 3 per cent. increase per annum at 2s. per head.		Result to State.	
	Sinking Fund at 2s. 6d. per cent. on debt at 30-6-27.	Interest payment in lieu of per capita.	Increased interest on transferred property and savings Sinking Fund.	Sinking Fund on New Debt.			Population.	Amount payable.	Increased Return.	Decreased Return.
				Amount of Annual loan expenditure.	Contribution at 5s. per cent per annum.	Total.				
	£	£	£	£	£	£		£	£	£
1927/28	76,325	473,432	12,152*	4,500,000	11,250	573,150	393,480	491,825	81,344	...
1928/29	76,325	473,432	12,152	4,750,000	23,125	585,034	405,203	506,578	78,456	...
1929/30	76,325	473,432	12,152	4,750,000	35,000	598,000	417,420	521,776	75,134	...
1930/31	76,325	473,432	12,152	5,000,000	47,500	600,400	429,942	537,427	71,972	...
1931/32	76,325	473,432	12,152	5,000,000	60,000	621,000	442,840	553,556	68,369	...
1932/33	76,325	473,432	12,152	5,000,000	72,500	634,400	456,125	570,156	64,253	...
1933/34	76,325	473,432	12,152	5,000,000	85,000	646,000	469,808	587,260	50,649	...
1934/35	76,325	473,432	12,152	5,000,000	97,500	659,400	483,002	604,877	54,532	...
1935/36	76,325	473,432	12,152	5,000,000	110,000	671,000	498,410	623,024	48,885	...
1936/37	76,325	473,432	12,152	5,000,000	122,500	684,400	513,371	641,714	42,496	...
1937/38	76,325	473,432	12,152	5,000,000	135,000	696,000	528,772	660,965	35,944	...
1938/39	76,325	473,432	12,152	5,000,000	147,500	709,400	544,635	680,794	28,616	...
1939/40	76,325	473,432	12,152	5,000,000	160,000	721,000	560,974	701,217	20,892	...
1940/41	76,325	473,432	12,152	5,000,000	172,500	734,400	577,803	722,254	12,165	...
1941/42	76,325	473,432	12,152	5,000,000	185,000	746,000	595,137	743,921	2,988	...
1942/43	76,325	473,432	12,152	5,000,000	197,500	759,400	612,991	766,239	...	6,330

* Sinking Fund proportion is £1,918.

Good for 15 years—Total ... £745,683

Hon. Sir James Mitchell: You will get £80,000 more this year.

The PREMIER: Yes. When comparing the position that would arise under the per capita payment system, had it been continued, with that which will obtain under the agreement, I would point out that in 1942, or 15 years from the date of the agreement, we would reach the turning point.

Hon. Sir James Mitchell: But who fixed the increased population? You might just as well say in five years time!

The PREMIER: Of course, it is a matter of calculation, but the figures have been calculated on the basis of two factors. The first is the amount of money that the State borrows each year. It must be realised that the Commonwealth contributions to the sinking fund will go up or decline accordingly as we borrow more or less. The second factor is the probable increase of population. For the purpose of the table, from which I will quote, I have taken our present loan expenditure at £4,500,000. In

the next two years I have provided for that amount being increased to £4,750,000. I have also provided for continuing the increase for the following 12 years to the extent of £5,000,000 per year. At the same time, I have allowed for an increased population at the rate of 3 per cent. That is greater than the increase has been for some years. There is no State to-day that is increasing its population at the rate of 3 per cent. As a matter of fact, the Commonwealth Statistician, for all practical purposes, takes the increase of population at 2 per cent., and he states that no nation for a decade has increased its population at the rate of 3 per cent. As I have indicated, it works out at 2 per cent. The figures I have taken out over a period of years show that we have not increased at the rate of 3 per cent. If I take the period from 1900 to 1926, an interval of 26 years, the increase is 2.91 per cent. If I take the period from 1917 to 1926, the increase shown is 2.19 per cent. Of course, that period includes some of the war years. If we take the period from 1922, by which time it may be said fairly, that, from a population standpoint, we had recovered from the effects of the war, to 1927, a period of five years, we find the increase is 2.80 per cent.

Mr. E. B. Johnston: For the last-mentioned year, the increase was almost 3 per cent.

The PREMIER: You mean the present financial year?

Mr. E. B. Johnston: Yes.

The PREMIER: I admit that for the present year the percentage is somewhat higher.

Hon. Sir James Mitchell: At any rate, the increase is greater than in Victoria and New South Wales.

The PREMIER: Yes. The only other State showing such an increase in population is Queensland.

Hon. Sir James Mitchell: But we are a little better.

The PREMIER: That is so. In Victoria and New South Wales the increase is about 2 per cent., but, as I have already indicated, we have a slightly higher rate of increase than has Queensland.

Mr. Mann: During the course of the discussion at the conference, you said that Queensland was increasing at a greater rate than 2 per cent.

The PREMIER: Yes, I accepted those figures from the Queensland representatives, but later on, in Committee, it was shown that their figures were increasing by something approaching 3 per cent.

Hon. Sir James Mitchell: Yes, it was 2.88 per cent.

The PREMIER: That is so. At any rate, it shows that the calculation based on a rate of increase of 3 per cent., is a fair one. On that basis, it will be seen that the provisions of the agreement, compared with the per capita payment system, will represent an advantage to us in the annually reducing sum for the next 15 years. During those 15 years, on the figures I have taken out, we shall receive, under the provisions of the agreement, £745,000 more than we would have received under the per capita payment system. As I have said, that is subject to two factors—our annual borrowing and our increase in population. Naturally if the population increases at a rate of more than 3 per cent., the Commonwealth contributions will represent a larger amount to us.

Hon. Sir James Mitchell: Under the per capita payment system, but not under the agreement.

The PREMIER: I am talking about the per capita payments.

Hon. Sir James Mitchell: But for a period.

The PREMIER: Yes. For a period of 15 years an advantage would be shown and, so far as we can ascertain on figures, it would represent to us a sum of about £80,000 this year with a gradually reduced amount each year until 1942, when the balance would turn in favour of the Commonwealth.

Mr. Griffiths: Yes, for the next 43 years.

The PREMIER: But who would argue that we would be secure under the per capita payment system for 15 years? As a matter of fact, we cannot get the per capita payments back at all, because they have been abolished altogether.

Mr. Mann: After all, 15 years is a very short period.

The PREMIER: At any rate, the per capita payments have gone, and it is inconceivable that any future Federal Parliament will think of restoring them. All parties have been desirous of getting rid of the Commonwealth obligations under the per capita

system. Having got rid of those obligations, it is an absolute certainty that no future Federal Parliament will ever restore that system.

Mr. Griffiths: But what becomes of Clause 87 of the Constitution?

The PREMIER: It remains there. It is the same as it was in 1900.

Mr. Griffiths: It may be there, but effect is not being given to it.

The PREMIER: That is the position. We will get this year a contribution to the sinking fund of £76,325, a contribution to interest payments of £473,432, on transferred properties, and a contribution to the sinking fund for this year of £11,250, making a total contribution by the Commonwealth to this State this year of £573,159. That is over half a million pounds contribution by the Commonwealth to this State.

Hon. Sir James Mitchell: No one objects to their giving us that money. That is not the point. We would all take anything we could get from the Commonwealth.

Hon. W. J. George: We would get only justice if they gave us the lot.

The PREMIER: Now I come to another aspect of the position. The agreement permits the right to redeem the existing sinking fund. At present we are contributing both interest and sinking fund on our sinking fund. I hope members can follow me there.

Hon. Sir James Mitchell: That is the law.

The PREMIER: Quite so. The amount held in the sinking fund on the 30th June was £8,890,806, but there are certain sinking funds amounting to £883,000 that cannot be redeemed.

Hon. Sir James Mitchell: Redeemed is hardly the word. You mean cancelled.

The PREMIER: Well, cancelled if the hon. member prefers it. The balance that we can redeem or cancel is £8,025,730. Under the agreement we can redeem or cancel that sinking fund, and it will mean that the State then will be relieved of the payment of interest and sinking fund on that amount of £8,000,000 odd.

Hon. Sir James Mitchell: It would be repudiation. We have agreed to pay it.

The PREMIER: I know we have agreed to pay it.

Hon. G. Taylor: That is a bit steep.

The PREMIER: It is not.

Hon. Sir James Mitchell: I know how you feel about it.

The PREMIER: I feel perfectly happy about it. If there is no objection on the part of the sinking fund trustees—

Hon. Sir James Mitchell: No, it is the bond holders.

The PREMIER:—the sinking fund trustees who are representing the bond holders, why should this State contribute more to a sinking fund than any other State contributes?

Hon. Sir James Mitchell: Because it got that rate of interest by paying the sinking fund.

The PREMIER: But if this agreement becomes law, even if we continue to make a higher contribution to our sinking fund than any of the other States, it will not benefit us. The rates of interest and the terms of the loans will be the same to every State.

Hon. Sir James Mitchell: That is one of the rotten things about the agreement.

The PREMIER: No, it is the good part of the agreement. There would be no object or purpose to be gained by this State continuing to pay a higher sinking fund than any of the other States, and it would be extremely foolish of this State to do so when all the States were common borrowers and we could not be advantaged by the terms of the loans.

Hon. Sir James Mitchell: Not the new loans. We are not borrowing this money now.

The PREMIER: Well, take the old loans.

Hon. W. J. George: Surely we must carry out the terms of our contract.

The PREMIER: All the other States contribute to a sinking fund, perhaps not to the extent we are doing, because we have a much large sum in our sinking fund. However, the principle is the same and all the other States have adopted it. It may be asked, "What is the object of a sinking fund?" The object is to give some kind of security to the bond holders for the repayment of their investment. But will not the bond holders have a greater security under this agreement when they have the whole of the Commonwealth as security than if they had the security of only one State?

Hon. Sir James Mitchell: Of course not.

The PREMIER: Of course they will.

Hon. Sir James Mitchell: No.

The PREMIER: Will the hon. member argue that the security of this State alone—

Hon. Sir James Mitchell: For our own debts.

The PREMIER: Will the hon. member argue that the security of the whole Commonwealth, including this State, is not greater than that of the State only?

Mr. Mann: Was not your recent loan obtained on better terms than the Commonwealth loan?

The PREMIER: It was obtained on better terms and with the full knowledge of the investors that this proposal was before us. With the full knowledge that this financial agreement had been proposed, our loan was over-subscribed.

Mr. Davy: What, the cancellation?

The PREMIER: Yes. Every financial writer and every authority in England has agreed that the proposal for a 7s. 6d. sinking fund contribution for all past loans is satisfactory. There is not one authority in Great Britain who has adversely criticised or commented on this agreement. Public men and financial writers have stated definitely that the 7s. 6d. contribution on existing loans is quite adequate.

Mr. Mann: Then how do you account for the Commonwealth loan being raised on less advantageous terms than the State loan?

The PREMIER: There are many factors that affect the rates of, and subscriptions to, loans. Suppose we have borrowed on better terms than the Commonwealth obtained, will the hon. member argue that it was because the security of Western Australia was greater and better than that of the Commonwealth?

Mr. Mann: I suggest that the sinking fund is.

The PREMIER: It would be absurd to contend that the security of any one State was greater and better than that of the whole Commonwealth. Under the financial agreement investors will have the security of the State and the Commonwealth. Why should this State burden itself by paying a greater sinking fund than any other State is paying?

Hon. Sir James Mitchell: Because we have agreed to.

The PREMIER: As a matter of fact we have agreed to do it but have never done

it. To be quite honest with ourselves, we must admit that our contributions to the sinking fund in the last 15 years have been a farce. We have had deficits and have borrowed money in order to pay the sinking fund. We have actually built up a sinking fund with borrowed money and not revenue. That is not a true sinking fund contribution.

Hon Sir James Mitchell: Of course, it is.

The PREMIER: I contend it is not. In effect we have said to the lenders, "We will pay you a sinking fund if you lend us the money to enable us to do so."

Hon. Sir James Mitchell: Nothing of the sort.

The PREMIER: Of course we have.

Hon. Sir James Mitchell: Not at all.

The PREMIER: Then where did we find the money with which to pay sinking fund in the years when we had a long series of deficits? Of course we borrowed it, and we paid the sinking fund contributions with the borrowed money.

Hon. Sir James Mitchell: No.

The PREMIER: Well, where did we get it?

Hon. Sir James Mitchell: Not from the same people.

The PREMIER: Members smile. In reality it is not a sinking fund. A genuine sinking fund is one the people contribute out of revenue, while balancing their income and expenditure for the year. For a period of 16 years, from 1911 till last year, this State has been borrowing money to contribute to the sinking fund. A sound policy would have been not to contribute to sinking fund at all. It was absurd to borrow the money for the purpose.

Hon. Sir James Mitchell: You could argue that we paid sinking fund out of taxation and overdrew our account.

The PREMIER: We borrowed the money. We said to the investor, in effect, "We will pay into a sinking fund in order to give you greater security to redeem your loans if you lend us the money for a sinking fund." That has been our policy.

Mr. E. B. Johnston: The accumulated sinking fund exceeds the accumulated deficit by over £3,000.00.

The PREMIER: We have not said anything about having borrowed the money to

pay sinking fund; I do not think it would have been wise to do so. The fact remains it is not a sinking fund at all.

Hon. W. J. George: You are wrong.

The PREMIER: I say there is no possible objection to reducing our contributions to the sinking fund. Do members think that any bond holder would consider his investment less secure to him because we reduced our contribution to the sinking fund and gave him not alone the security of the State, which he had before, but that security reinforced by the security of the Commonwealth? Would a bond holder consider that his investment was less secure on that account?

Hon. Sir James Mitchell: Our State security is quite good enough.

The PREMIER: And the security of the Commonwealth is good enough for the bond holders with a 7s. 6d. contribution to the sinking fund. There has been no objection by bond holders to the proposal. It was known that if this agreement became law there would be a uniform contribution of 7s. 6d. to the sinking fund on all debt existing at the 30th June, 1927. It was known all over England, and I ask any member whether he can point to any writer or authority in the Old Country that has not endorsed the proposal?

Mr. Davy: How was it known? The agreement itself contemplates our paying a bigger amount than 7s. 6d.

The PREMIER: It does not.

Hon. Sir James Mitchell: It does.

The PREMIER: It was well known what action would be taken under the agreement.

Hon. Sir James Mitchell: The agreement does not say that.

The PREMIER: It was known what action would be taken under the agreement.

Hon. Sir James Mitchell: It was not known.

The PREMIER: If this agreement becomes law, I think this State would be extremely foolish to continue to pay higher sinking fund contributions than are paid by any of the other States.

Hon. Sir James Mitchell: We have always done it.

The PREMIER: Probably we have gained some advantage by doing it, but in future we shall not get any advantage.

Hon. Sir James Mitchell: Not if we sell ourselves to the Commonwealth.

The PREMIER: I say this State has burdened itself with sinking fund payments to the extent I have already stated, and it is ridiculous to say we did not borrow the money to maintain the sinking fund contributions. The proposed sinking fund of 7s. 6d. will be ample.

Mr. Mann: Did not the investors compel New South Wales to state a sinking fund?

The PREMIER: Yes. I am not arguing that there should be no sinking fund; I am arguing that the sinking fund proposed is adequate.

Mr. Mann: It is against your previous argument that we were maintaining our sinking fund out of borrowed money, if you admit that the investors compelled New South Wales to start a sinking fund.

The PREMIER: New South Wales last year had a surplus.

Hon. Sir James Mitchell: No, a two million deficit.

The Minister for Lands: This year.

The PREMIER: No, last year.

Hon. Sir James Mitchell: What about Mr. Lang?

The PREMIER: Mr. Lang produced a surplus.

Mr. Thomson: He is now looking for his receipts.

The PREMIER: It is quite a legitimate and proper thing to reduce our sinking fund payments, to cancel our sinking fund bond, and so save to the State the payment of interest on sinking fund.

Mr. Lindsay: How much per annum?

The PREMIER: Whilst it will not actually mean a saving to the State, because the effect of it will naturally be that the total contribution to the sinking fund will be spread over a longer period, it will make things easier for the State.

Hon. Sir James Mitchell: Posterity will have to face it.

The PREMIER: Posterity will be pretty lucky. The Treasurer who will be in office the year this agreement expires, because he will have all these total debts paid off, will be relieved of the payment of a matter of two million pounds in interest, some 58 years from now.

Mr. Mann: By that time we will have a lot of new debts.

The PREMIER: We also have a lot of new debts, and we have a lot of old ones as well. He will be relieved of interest payments on all the old debts amounting to 60 million pounds, and will be saved a matter of two million pounds interest payment in the 59th year.

Hon. Sir James Mitchell: If we go on with our sinking fund we shall be relieved in 30 years.

The PREMIER: That is the point. Will it be of any advantage to the State?

Hon. Sir James Mitchell: If it will not be an advantage in 30 years, it will not be an advantage in 58 years.

The PREMIER: Why redeem the loans in 30 years when it is quite adequate and sufficient to redeem them in 58 years? Under that proposal this State will be relieved of a huge sum of money in contributions to its sinking fund.

Hon. Sir James Mitchell: About £480,000 a year.

The PREMIER: More than that. That is inclusive of the figures I have already quoted with regard to the Commonwealth contributions, of an amount representing in round figures half a million pounds. In order to satisfy members that I am not influenced in this direction because of any advantage that may come to me as Treasurer this year and next year, I would point out that the saving, as it were, to the State would be spread over a long period of years.

Hon. Sir James Mitchell: Oh, no.

Mr. Kennelly: You will still be Treasurer then.

The PREMIER: Not, I think, when this advantage will cease to accrue to the State. Let me take the next seven years.

Hon. Sir James Mitchell: Take the next year and see what will happen.

The PREMIER: Let us take one year, representing half a million pounds.

Hon. Sir James Mitchell: The advantage will be £480,000. We will pay £125,000 and get out £610,000.

The PREMIER: The advantage would be round about £500,000.

Hon. Sir James Mitchell: That will be the advantage? That is what you will get?

The PREMIER: Yes. We will be relieved of interest under the cancelled debt on account of sinking fund.

Hon. Sir James Mitchell: So your creditors will be done out of £500,000 temporarily.

The PREMIER: No.

Hon. Sir James Mitchell: Yes.

The PREMIER: Our creditors will not worry.

Hon. Sir James Mitchell: I do not know about that.

The PREMIER: It goes to a sinking fund, of course.

Hon. Sir James Mitchell: It will be taken out of the sinking fund.

The PREMIER: It goes to a sinking fund towards the redemption of our debts.

Hon. Sir James Mitchell: Of course.

The PREMIER: All that will happen will be that the period will be longer, and spread over a longer term.

Hon. Sir James Mitchell: A little more than that.

The PREMIER: It will be a longer period.

Hon. G. Taylor: Almost double.

Hon. Sir James Mitchell: Yes.

The PREMIER: A good many years longer, but the State will be relieved of the payment of a considerable sum of money.

Hon. Sir James Mitchell: That we really have agreed to pay.

The PREMIER: Yes, but there is a reason why we should not reduce what we have agreed to pay.

Hon. Sir James Mitchell: There is every reason.

The PREMIER: No. There is no objection on the part of anyone concerned.

Hon. Sir James Mitchell: You have not consulted anyone.

The PREMIER: This agreement has been very much canvassed, discussed, and criticised in the Old Country. They know the what it is proposed to do under it. There has been no objection from anyone concerned.

Hon. W. D. Johnson: And have your own trustees agreed?

The PREMIER: They have agreed subject to confirmation by Parliament.

Hon. Sir James Mitchell: That is the Agent General.

The PREMIER: It is not the Agent General.

Hon. Sir James Mitchell: And the bank

The PREMIER: Our own trustees have agreed.

Hon. Sir James Mitchell: The Agent General is one of them.

The PREMIER: There are also others.

Mr. Kenneally: The public have contributed to our loans, as the member for Perth pointed out, in a better manner since they knew what would take place

The PREMIER: Yes. Our recent loan stands out as being the only loan for some considerable time that has been oversubscribed. The rate of interest was the same, because the Loan Council fix the terms of the loan. Of the last South Australian loan I think that only 47 per cent. was subscribed, but our loan was over subscribed by £200,000.

Hon. W. J. George: That is due to the character which has been built up by the sinking fund. It has greatly helped us.

Hon. Sir James Mitchell: The people of Perth are not agreed about this.

The PREMIER: Probably only a small percentage of the people of the State have taken the trouble to make themselves acquainted with financial matters of this kind. I am satisfied there will be no objection on the part of the people of the State. Why should there be any objection, when the people who are concerned, those in the Old Country, have, so far as we can learn, no objection at all?

Hon. Sir James Mitchell: You have not asked them.

The Minister for Railways: You do not have to ask them. You will get an objection quickly enough if they do not care about any particular proposal.

The PREMIER: Under this proposal there will be a saving to the State of a large sum of money, decreasing each year right down the years. Let me take the next seven years, so that the Leader of the Opposition may get some financial relief from this. Optimistic as I am, I do not expect to be here in seven years, although one never knows what may happen.

Hon. Sir James Mitchell: We will get rid of our debts more quickly by sticking to our agreement with the British people.

The PREMIER: There is no necessity to do it in that way. We can get rid of our debts more quickly if we increase the amount of our sinking fund. What is the reasonable

thing to do? We decided ourselves some years ago to reduce our contributions to sinking fund from £1 per cent. to 10s. per cent.

Hon. Sir James Mitchell: That is on new loans, not on old ones.

The PREMIER: Even on new loans, it was asserted that 10s. was quite sufficient.

Hon. Sir James Mitchell: Yes.

The PREMIER: Although up to that time we were paying one per cent.

Hon. Sir James Mitchell: And three per cent.

The PREMIER: Yes, three per cent. on the goldfields water scheme loan and varying amounts higher than that on smaller sums. The major portion of our indebtedness in 1910 carried a one per cent. sinking fund.

Hon. W. D. Johnson: And our credit was not injured by the reduction.

The PREMIER: There is a large sum of money, I think 19 million pounds, which, as a debt, does not carry any sinking fund. This Parliament decided that we would reduce the £1 per cent. to 10s. on all future loans. In 1909 or 1910 that amount was regarded as quite sufficient.

Hon. Sir James Mitchell: Yes, but that was on new loans. We did not repudiate any of our loans.

The PREMIER: If the securities held were in any way weakened, it would be wrong for Parliament to make any alteration in the amount contributed to the sinking fund. All that the bond holder is concerned about is the security for the repayment of the loan.

Hon. Sir James Mitchell: Oh, no. It has given us our interest at nearly one half per cent. better than the other States have secured it.

The PREMIER: Because they had no sinking fund, which is a different thing. Many of the States had made no provision for repayment. Will any bondholder consider his security in any way weakened by this agreement, when it is supplemented or reinforced by the securities of the Commonwealth?

Hon. Sir James Mitchell: The security would be the same whether we had a sinking fund or not, except so far as sinking fund repudiation went.

The PREMIER: There would be the security of the State.

Mr. Angelo: It is time we had a new loan rate throughout the Commonwealth.

The PREMIER: This will give a uniform rate of sinking fund, a uniform rate throughout as to past loans and future loans. On all past loans the rate will be 7s. 6d. and on future loans 10s.

Hon. Sir James Mitchell: We might say later that this rate of contribution will be decreased.

The PREMIER: We might say that we refuse to repay our loans, but we are not likely to do anything of that kind.

Hon. Sir James Mitchell: We might again reduce the sinking fund at any time.

The PREMIER: Suppose we leave a sinking fund which is sufficient to pay our debts, and which brings us into line with all the other States, thus creating a uniform sinking fund! Some of the other States have had a higher sinking fund too. They are all coming into line, so that we shall have a uniform sinking fund for all past and future loans. I do not think anyone who is concerned in our securities will question that. As I have said, no one has done so.

Hon. Sir James Mitchell: We have a sinking fund of ten million pounds for our loans and the other States have much smaller sinking funds for very much higher loans.

The PREMIER: Do you think any bondholder is considering the limited sinking fund that is in existence now to pay the indebtedness of all the States, and comparing it with our sinking fund to meet our own indebtedness? Do you think any bondholder is less likely to receive repayment from the other States than from Western Australia?

Hon. Sir James Mitchell: It may be so. I know our sinking fund has given us a better rate of interest than is the case in the other States.

The PREMIER: I do not know about that. The rates have varied. There are many factors which account for the different rates which the States have had to pay in the past on their borrowing.

Sitting suspended from 6.15 to 7.30 p.m.

The PREMIER: Continuing my remarks as to the effect of this agreement, I desire to quote some figures, but I shall only do so for this year. I have here a table prepared by the Treasury officials, covering the next 30 years, as to the effect of the agreement compared with the per capita payments and I propose to hand the table over to "Hansard" for printing, so that hon. members may study it if they so desire—

COMMONWEALTH-STATES FINANCIAL AGREEMENT.

Return showing Position of State, allowing for Benefits thereunder, based on:—

- 1.—Cancellation of Existing Sinking Fund.
- 2.—Loan Expenditure of £5,000,000 per annum.
- 3.—Population increase of 3 per cent. per annum.

Period.	Direct Saving by State.			Contribution to State by Commonwealth.						Amount of per capita payment allowing 3 per cent. increase per annum at 25/- per head.		Annual Increased Return to State.	
	Interest on Cancelled Debt.	Sinking Fund Saving.	Total.	Sinking Fund at 2 1/2 per cent. on debt at 30.6.27	Interest payment in lieu of per capita.	Increased Interest on Transferred property and saving Sinking Fund.	Sinking Fund on New Debt.		Total Benefit to State.	Population.	Amount Payable.		
	£	£	£	£	£	£	Amount of Annual Loan Expenditure.	Contribution at 5 per cent. per annum.	Total.			£	
1927-28	293,850	133,700	427,550	70,325	473,432	12,152*	4,500,000	11,250	573,150	1,000,709	393,400	491,825	508,884
1928-29	293,850	133,700	427,550	70,325	473,432	12,152	4,750,000	23,125	585,034	1,012,584	405,263	506,578	508,000
1929-30	293,850	133,700	427,550	70,325	473,432	12,152	4,750,000	35,000	590,900	1,024,459	417,420	521,775	502,684
1930-31	293,850	133,700	427,550	70,325	473,432	12,152	5,000,000	47,500	609,400	1,036,959	429,842	537,427	499,532
1931-32	293,850	133,700	427,550	70,325	473,432	12,152	5,000,000	60,000	621,900	1,049,459	442,840	553,550	495,909
1932-33	293,850	133,700	427,550	70,325	473,432	12,152	5,000,000	72,500	634,400	1,061,959	456,125	570,156	491,803
1933-34	293,850	133,700	427,550	70,325	473,432	12,152	5,000,000	85,000	646,900	1,074,459	469,808	587,260	487,199
1934-35	293,850	73,700	367,550	70,325	473,432	12,152	5,000,000	97,500	659,400	1,026,959	483,002	604,877	422,082
1935-36	293,850	73,700	367,550	70,325	473,432	12,152	5,000,000	110,000	671,900	1,039,459	498,419	623,024	416,435
1936-37	293,850	73,700	367,550	70,325	473,432	12,152	5,000,000	122,500	684,400	1,051,959	513,371	641,714	410,245
1937-38	293,850	73,700	367,550	70,325	473,432	12,152	5,000,000	135,000	696,900	1,064,459	528,772	660,965	403,404
1938-39	293,850	73,700	367,550	70,325	473,432	12,152	5,000,000	147,500	709,400	1,076,959	544,635	680,704	396,165
1939-40	293,850	73,300	367,150	70,325	473,432	12,152	5,000,000	160,000	721,900	1,089,459	560,974	701,217	387,842
1940-41	293,850	73,300	367,150	70,325	473,432	12,152	5,000,000	172,500	734,400	1,101,959	577,803	722,254	379,303
1941-42	293,850	73,300	367,150	70,325	473,432	12,152	5,000,000	185,000	746,900	1,114,459	595,137	743,821	370,138
1942-43	293,850	73,300	367,150	70,325	473,432	12,152	5,000,000	197,500	759,400	1,126,959	612,901	766,239	360,320
1943-44	293,850	73,300	367,150	70,325	473,432	12,152	5,000,000	210,000	771,900	1,139,459	631,380	789,225	349,834
1944-45	293,850	73,300	367,150	70,325	473,432	12,152	5,000,000	222,500	784,400	1,151,959	650,321	812,901	338,058
1945-46	293,850	73,300	367,150	70,325	473,432	12,152	5,000,000	235,000	796,900	1,164,459	669,830	837,287	326,772
1946-47	293,850	69,400	363,250	70,325	473,432	12,152	5,000,000	247,500	809,400	1,176,959	689,024	862,405	308,254
1947-48	293,850	69,400	363,250	70,325	473,432	12,152	5,000,000	260,000	821,900	1,189,459	710,621	888,276	294,833
1948-49	293,850	69,400	363,250	70,325	473,432	12,152	5,000,000	272,500	834,400	1,195,959	731,939	914,924	280,735
1949-50	293,850	69,400	363,250	70,325	473,432	12,152	5,000,000	285,000	846,900	1,208,459	753,897	942,371	265,788
1950-51	293,850	69,400	363,250	70,325	473,432	12,152	5,000,000	297,500	859,400	1,220,959	776,513	970,841	250,018
1951-52	293,850	69,400	363,250	70,325	473,432	12,152	5,000,000	310,000	871,900	1,233,459	799,868	1,000,709	233,309
1952-53	293,850	69,400	363,250	70,325	473,432	12,152	5,000,000	322,500	884,400	1,245,959	823,807	1,029,752	215,907
1953-54	293,850	69,400	363,250	70,325	473,432	12,152	5,000,000	335,000	896,900	1,258,459	848,516	1,060,645	197,514
1954-55	293,850	66,400	358,250	70,325	473,432	12,152	5,000,000	347,500	909,400	1,267,959	873,071	1,092,464	176,195
1955-56	293,850	66,400	358,250	70,325	473,432	12,152	5,000,000	360,000	921,900	1,280,459	900,190	1,125,237	154,922
1956-57	293,850	66,400	358,250	70,325	473,432	12,152	5,000,000	372,500	934,400	1,292,959	927,195	1,158,094	133,685
Total ...												£10,613,337	
Average												£852,781	

* Sinking Fund Projection is £1,918.

Taking this year, there will be a direct contribution amounts to £76,325. Interest saving by the State of interest on the cancelled debt to the extent of £293,850, would amount to £473,400, and interest on and of sinking fund to the extent of £133,700, making a total for those transferred properties to £12,152. Further, there is the contribution of 3s. per cent. on this year's loan expenditure of say, £12 million, amounting to £11,250. That contribution by the Commonwealth to the State of 2s. 6d. on the existing debt, which brings us to a total benefit to the State of

£1,000,709. Against that we would have drawn under the per capita arrangement £491,823, leaving an advantage, under this agreement as compared with the per capita, of £508,884 for this year. That advantage will be a reducing item each year. Next year the amount will be £506,000, the following year £502,000, then £499,000, then £495,000, and then £491,000. For the next seven years there would be a total benefit or advantage of £3,492,000 to the State as compared with the benefit under the per capita arrangement. The table, as I have said, covers a period of 30 years. In the next seven years, or say 14 years from now, the benefit would be £379,000. Still seven years later, or 21 years from now, the benefit to the State would be £294,000. Seven years later still, or 28 years from this year, the advantage to the State would be £176,000 for the year. The total over 30 years would amount to £10,613,537.

Mr. E. B. Johnston: What proportion of that is by way of reduced payments to the sinking fund?

The PREMIER: Almost all, except the other contributions which I have mentioned, interest on transferred properties and so forth. But the total benefit to State revenue down through those years will be in 30 years, as I have said, over ten millions sterling, or an average for each of the 30 years of £353,784.

Mr. Richardson: Is that based on to-day's population?

The PREMIER: No. It is based on a 3 per cent. increase in population, and on an annual borrowing programme of five millions.

Mr. Stubbs: Do not you think you could get more than that population increase in the next 30 years?

The PREMIER: I do not think so. I have dealt with the increase in population earlier in my remarks, and do not wish to go over that ground again. Judging by the past and by the rates of increase of the other Australian States and of other countries, I do not think a greater increase likely. As a matter of fact, 3 per cent. is a greater estimate of increase than would be agreed to by the Commonwealth Statistician. However, the advantage under the agreement represents an enormous sum of money as compared with what we would get under the per capita payments, and will be a tremendous advantage to the State during that period of years. It will be a huge advantage

to have revenue benefited to that extent, because of course the next 30 years will be years of great development and expansion, during which money will be required. Therefore I think that, no matter how one may look at the matter, it must be conceded that whilst we do all that any other State will be doing towards liquidating its public debt, whilst we shall be doing all that is considered necessary in the way of making adequate contributions to our sinking fund and keeping in line with the other States, we shall have an average annual advantage for 30 years over the per capita arrangement of £353,000, or a total of over 10½ millions. That will represent an enormous advantage during the development years that lie ahead of us. Now I come to the Loan Council. Hon. members are aware of the composition of that council. The agreement provides that the management of future borrowings for the Commonwealth and the States shall be vested in an Australian Loan Council. That body will control the flotation of loans and the allocation of loan moneys, as well as the flotation of interest.

Hon. W. D. Johnson: Between States? Not on actual expenditure within the States?

The PREMIER: I will deal with the method of allocation.

Hon. Sir James Mitchell: According to the agreement, the Loan Council will not have the sinking fund.

The PREMIER: No. The council will also make all arrangements relating to borrowings by the Commonwealth and the States. As hon. members are aware, it is composed of one member from each Government, including the Commonwealth Government. There will be one member from each of the seven Australian Governments. The Commonwealth and the States will submit their loan proposals to the council just as they have been doing during the years the voluntary Loan Council has been in existence.

Hon. Sir James Mitchell: Only Australian borrowings will be submitted?

The PREMIER: No. All our borrowings will be submitted.

Hon. Sir James Mitchell: But only since this agreement.

The PREMIER: They have been submitted since my time. The loan programmes of the Commonwealth and States will be considered by the council; that is to say, each State and the Commonwealth will go

there and submit its programme of requirements for the year.

Hon. W. J. George: Why should the Commonwealth have two votes on the council?

The PREMIER: If the hon. member will not anticipate, I shall come to that point. If the council considers that the total amount of the programmes can be borrowed at a reasonable and fair rate of interest and on reasonable terms, the programmes will of course go forward automatically. The council will first of all decide on what terms and at what rate of interest a first-class borrower like Australia ought to be able to obtain money; and if it considers that the full amount can be secured, all the proposals will, as I say, go forward automatically. Of course the council will be in touch with financial advisers oversea at all times, and if the year should be one of financial stringency and it is considered that the total amount put forward by the Commonwealth and the States cannot be secured upon reasonable terms or at fair rates of interest, the council will then decide what reduced amount can be borrowed. Of that amount the Commonwealth will be entitled to one-fifth, and the other four-fifths will be divided amongst the States. If the Loan Council can agree as to the allocation of the money between the States, that naturally is the end of the matter. If the council cannot agree, then the money that can be borrowed, the reduced amount as compared with what was asked for, will be allocated to the States in proportion to their respective loan expenditures during the next preceding five years. For the information of hon. members who have never been to the Loan Council I may say that what happens is this: each State goes to the Loan Council and puts forward its requirements. I may say, "I want $4\frac{1}{2}$ millions this year." Other States make similar declarations, and the total of the requirements may be 40 millions. If it is considered that the money market is such that 40 millions can be borrowed at fair rates and on fair terms, that is the end of the matter; but if the Loan Council comes to the conclusion that only 30 millions can be borrowed in the year at fair rates and on reasonable terms, then the question arises how the lesser amount is to be allocated amongst the States. In that way the Commonwealth take one-fifth, and the remaining four-fifths is allocated to the several States on the basis of the borrowings and expenditure for the preceding five years.

Mr. Angelo: Can the Loan Council object to any State borrowing an amount that may be considered excessive?

The PREMIER: No. The Commonwealth and the States are on the same basis. Neither the Commonwealth nor the States can be dictated to by the Loan Council in respect to borrowing. The Council could not say to me, for instance, that the loan of £4,500,000, that I might ask for, was too much, and that I should be satisfied with £3,500,000, which the council considered sufficient. The Loan Council cannot dictate to any State, nor can that body interfere with the amount a State may claim to require. The only way in which the Council can interfere, if that body considers that the total amount sought to be borrowed cannot be obtained that year, is by effecting a reduction and the reduced amount of the total borrowings will be allocated on the basis I have already indicated.

Hon. G. Taylor: But it will have the same effect.

The PREMIER: No, because the Loan Council does not discriminate between one State and another. The question I was asked was whether the Loan Council could interfere with the borrowings of any individual State, and instruct that State, for instance, to cut out some public works. The Loan Council cannot do that, and cannot interfere with any one State.

Mr. Corboy: If there is to be a reduction, it will apply to all.

The PREMIER: Yes.

Hon. Sir James Mitchell: It is a bit better than that. If one State submitted a large claim, and some States stood out against it, you would have the borrowings averaged over the previous five years. It is really a protecting clause.

The PREMIER: That is so. At any rate, there is no dictation about it at all. The Loan Council cannot determine the amount or nature of any borrowings by any State.

Mr. Kennelly: But if, in the event of a disagreement, the allocation is based on the previous five years loan expenditure, will that not be an incentive to a State to ask for some amount that is exorbitant?

Hon. Sir James Mitchell: But the averaging over a period of five years will protect the other States against that sort of thing!

The PREMIER: I think so, too. The only questions to be decided are the total

amount of the loan programme, the apportioning of any loans raised, and the right of any State to borrow outside Australia in its own name. That is to say, with the unanimous consent of the members of the Loan Council—this is a matter of importance to this State—Western Australia, or any other State, may borrow separately, as in the past.

Hon. G. Taylor: Outside Australia.

The PREMIER: Yes. The idea of the Loan Council is that the Commonwealth shall do the borrowing for all the States, and for the Commonwealth itself, but, with the consent of the Loan Council, the States will be able to borrow separately. I would instance the recent loan raised for Western Australia. The Loan Council agreed that Western Australia could float its own loan this year, as it has always done in the past. We were allowed to go on the market, and issue our own securities. That is what we did.

Mr. Mann: I think you attributed the success of the loan to that reason!

The PREMIER: Of course, every member of the Loan Council, the Commonwealth and the States alike, being vitally affected by these borrowings, it is quite natural that, in any given year, the Loan Council may decide that it is in the interests of itself and of the States that the Commonwealth shall borrow the required amount in the name of the Commonwealth alone, or the Council may decide that the States may borrow separately. As each member of the Loan Council has a common interest in securing money on the best terms possible, that body will decide what shall be done in their own interests for the time being. If it is considered that the circumstances are such that, in any given year, the Commonwealth can borrow to advantage, compared with any individual State, then the council will decide that the Commonwealth shall be the sole borrower for that particular year. On the other hand, should the Loan Council consider that better terms can be secured by the States going on the money market individually, as in the past that policy will be followed, because the States and the Commonwealth have a common interest in that respect. There is no doubt that if it is felt that the circumstances are favourable to the States borrowing separately, the Loan Council will agree to that being done. The council will decide the question of rates and the terms of the loan.

I should have remarked previously respecting the total amount that may be borrowed, the agreement does not embrace any money that the Commonwealth may borrow for defence purposes. In other words, the Commonwealth may borrow for defence purposes, apart from the Loan Council, which body will have no control over transactions of that description. The Commonwealth Government felt that they could not possibly agree to loans for defence purposes being subject to control by the Loan Council.

Hon. W. D. Johnson: Will loan moneys raised under special agreements with the British Government be included?

The PREMIER: Yes, but not moneys raised for defence purposes.

Hon. W. D. Johnson: We are negotiating now with the British Government for loans under special terms. How will those loans be affected by the agreement?

The PREMIER: They will be included.

Hon. W. D. Johnson: Then the special terms will go by the board?

The PREMIER: No.

Hon. W. D. Johnson: Then the State can still get that advantage.

The PREMIER: Yes. This will not affect the migration agreement and the cheap money that can be obtained. I presume that is what the hon. member is alluding to.

Hon. W. D. Johnson: That is so.

The PREMIER: Respecting the voting power of the members of the Loan Council, the position is that each State shall have one vote, and the Commonwealth two votes.

Hon. W. J. George: And a casting vote.

The PREMIER: Yes. The effect of that provision is that if six States were unanimous, that would be the end of a proposal. If five States were in accord, and one State sided with the Commonwealth, the five States would prevail. If there were two States with the Commonwealth, and four States against the Commonwealth, the two States and the Commonwealth would prevail, because the two votes exercised by the State and the Commonwealth's two votes, would make the voting equal and the Commonwealth would exercise the casting vote.

Mr. Stubbs: Do you not regard that as a bit one-sided?

The PREMIER: It must be remembered that the Commonwealth Government have assumed tremendous responsibilities under the agreement, in that they have taken over the

whole of the public indebtedness of Australia, and will be responsible for them.

Mr. Mann: But the States indemnify the Commonwealth!

The PREMIER: I can inform hon. members that the voting strength proposed, when the agreement was first submitted, was greater still in respect of the Commonwealth.

Hon. Sir James Mitchell: They wanted more, then!

The PREMIER: It was because of the discussions at conference that the Commonwealth voting power was reduced.

Hon. W. J. George: Under the agreement each State is equal.

The PREMIER: Yes, as each State has one vote.

Hon. Sir James Mitchell: Under the old Loan Council provisions, each member had the same power.

The PREMIER: Yes, but that was a voluntary Loan Council, and at that stage the Commonwealth had not been committed to such heavy liabilities and responsibilities. They have undertaken great responsibilities under the Financial Agreement. It may, and probably will, be argued that by participating in the Loan Council in this way, we are surrendering some of our sovereign powers.

Mr. E. B. Johnston: We are no longer a sovereign State.

The PREMIER: We still have our sovereign powers. It is true that under the agreement we shall not be able to borrow just how we like, and say what the rates and terms of our loans shall be. It is true that each State has surrendered its individual rights that it had formerly to decide how, when, and under what conditions it should borrow. At the same time, I would impress upon hon. members that the Commonwealth Government have surrendered their power to borrow when, where, and how they like. Thus, both the States and the Commonwealth have mutually agreed to give up their individual rights in that respect for what is conceived to be for the benefit of the whole of Australia.

Hon. G. Taylor: The Commonwealth Government do not need to borrow for the requirements of such a large territory as we have, although they can borrow an unlimited amount for defence purposes.

The PREMIER: The Commonwealth will have to borrow for other purposes, and they have a fairly extensive territory.

The Minister for Justice: And they have to borrow for the purpose of Customs houses, post offices, the construction of Canberra and so on.

The PREMIER: The Commonwealth Government have given up their freedom and rights, and the States are doing likewise.

Mr. Mann: I think you described it as the unification of the State's finances.

The PREMIER: That is true.

Mr. Mann: Another step towards unification!

The PREMIER: Not at all. As a matter of fact, this is an absolute unification of State finances, but I deny that it is anything at all in the direction of the unification of government.

Hon. Sir James Mitchell: Finance is government!

The PREMIER: This has no relationship to the question of a unified government as opposed to the Federal system of government. The object of the agreement is to secure the unification of our financial resources in the interests of the whole.

Mr. Mann: You were apprehensive that we might have to hand over some of our utilities to the Commonwealth.

The PREMIER: I do not know that I was.

Mr. Mann: You took that point at the conference.

Mr. E. B. Johnston: You hesitated then.

The Minister for Justice: Surely people can bargain when they go to conferences!

The PREMIER: I would again remind hon. members that we had a sort of second reading debate on the proposals, and the only remarks of mine that appear in the reports are those I made at that stage. After that, we sat for a week thrashing out the agreement in Committee and many of the proposals to which I had directed attention, were modified or altered.

Hon. G. Taylor: It is a pity that we have not got a report of the Committee proceedings.

The PREMIER: I do not know that it would be of any service at the present juncture. However, that is the position. The agreement really provides for common borrowing, and for fixing the rates of interest, and it will eliminate competition. If time permitted, I could give instances to illustrate how the rates for loans have been put up for the States because of competition, and even because of the action of one

particular State. During recent years, when the Loan Council fixed the rate of borrowing in Australia at $5\frac{1}{4}$ per cent., New South Wales, which was not then a member of the council, went on the money market and offered $5\frac{1}{2}$ per cent. The result, of course, was that that fixed the rate of interest for all the others, and so the rate of interest was raised from $5\frac{1}{4}$ to $5\frac{1}{2}$ per cent., although the money could have been obtained for $5\frac{1}{4}$ per cent. if New South Wales had been in the Loan Council and had not come out in competition with the other States. I think it is obvious to everybody that competition between several borrowers must have the effect of putting up the rate of interest.

Hon. Sir James Mitchell: In Australia it certainly does.

The PREMIER: Yes, but in this case the rate of interest will be fixed by all borrowers so that competition will be eliminated, and the result should be that as the years go on money will be obtainable on better terms than it would be if there were seven borrowers on the market each competing with the other.

Hon. Sir James Mitchell: That applies only to Australia, of course? I suppose the Commonwealth will give the States all Australian money.

The PREMIER: I think it will have a similar effect on overseas borrowing also. We have to bear in mind that all the indications for the future are that there will be considerable borrowings in America. I think there is no doubt whatever that the Commonwealth will be able to borrow in America on better terms than would any individual State. It may be that some States have been able to borrow in London on better terms than other States. We have been able to borrow fairly well, but in America individual States are not known and Commonwealth securities and a Commonwealth borrower in New York will undoubtedly get better terms than any individual State will get. That was evidenced on the first occasion when Queensland borrowed in New York, that State being the first borrower in New York; but we have borrowed pretty substantially in America since then and the indications are that we shall in future be borrowers in a pretty large way in America.

Hon. Sir James Mitchell: The other day New Zealand obtained a loan at a better

price in London than Australia obtained in America.

The PREMIER: Yes, New Zealand got better terms, but there is a reason for it. New Zealand is not a frequent borrower like Australia. It borrows very infrequently, whereas Australia has been frequently on the market, which fact affects the rate of interest. Still, I think that Commonwealth borrowing will result in better terms being obtained than are possible for any individual State. Under this agreement, we have assistance and contributions to the sinking fund; we have assistance in the payment of a sum of money towards interest; we shall be in a better position to dictate the terms of our loans in future than has been possible for the States in the past. The adoption of the agreement will enable sinking funds to be cancelled and a big saving effected in interest. It preserves all existing privileges such as overdrafts and loans from the Savings Bank and all that the State has been doing in the past.

Mr. Thomson: You will not be able to sell stock over the counter.

The PREMIER: Yes, we shall. There will be no prohibition; we shall continue in future as we have been doing in the past. Under the agreement there will be a contribution to sinking fund on the basis of the debt, and consequently the agreement is more advantageous to Western Australia than to the other States. Inasmuch as our debt per head of population is so very much higher than the debt per head of population of other States, so will the contributions of sinking fund be greater per head of population to this State than to any of the other States. In that respect the agreement is of greater advantage to Western Australia than to any of the other States.

Hon. Sir James Mitchell: Our borrowings are heavier because they include moneys for utilities that elsewhere are controlled by local boards, etc.

The PREMIER: Yes, we shall get the advantage of that now because we have borrowed in the past for water schemes, harbour improvements, etc., which in Victoria, New South Wales and some of the other States were financed by boards and trusts with self-borrowing powers that now have pretty substantial debts. Those States will receive no sinking fund contribution for such debts, whereas the money for all those public utilities in this State, which has been borrowed

by the State, will carry the sinking fund contribution. The Premier of Victoria raised that point in committee. It was stated that Victoria had a board of works controlling water supply and sewerage that had a debt of about £20,000,000, and Victoria would receive no sinking fund on that money. All the money we have spent on similar undertakings will carry the sinking fund contribution.

Mr. Mann: Can bodies like the Melbourne Harbour Trust and Metropolitan Board of Works go on borrowing?

The PREMIER: Yes; this agreement cannot affect them. Inasmuch as our debt is higher—and it is higher because we carry out so many undertakings that in the Eastern States are carried out by boards and trusts—we will receive a greater contribution to sinking fund, and consequently the benefit to us will be greater than to the other States. I do not think there is any danger in our giving up what measure of freedom we have enjoyed in the past with regard to borrowing. All the States as well as the Commonwealth will be in the same position, and for self-interest alone the Loan Council from year to year will be bound to act in the interests of the whole and consequently in the best interests of the States.

Mr. Angelo: The States will have six votes to two.

The PREMIER: There is no possibility of the Commonwealth, as a separate entity, dictating to the States.

Mr. Angelo: That is what I mean.

The PREMIER: All that the States need do will be to combine and they may control the whole situation.

Hon. Sir James Mitchell: Except that they cannot borrow.

The PREMIER: If there is any clash of interests, the Commonwealth will not be in a position to control or dictate in any way. The control will be in the hands of the States.

Hon. Sir James Mitchell: The Commonwealth could stop the borrowing if it so desired.

The PREMIER: How?

Hon. Sir James Mitchell: Because the Commonwealth need not borrow.

Mr. Corboy: And the States could stop the Commonwealth from borrowing.

Hon. Sir James Mitchell: I do not think they could.

The PREMIER: The hon. member means that the Commonwealth could stop the separate borrowing by the States.

Hon. Sir James Mitchell: If the Loan Council decided to borrow £20,000,000, the Commonwealth could say, "We cannot raise the money."

The PREMIER: No.

Hon. Sir James Mitchell: Yes, that is the agreement.

The PREMIER: The Commonwealth could not do that.

Hon. Sir James Mitchell: Yes, the Commonwealth has to borrow the money.

The PREMIER: The Commonwealth would have no power to say there should be no borrowing.

Mr. Mann: As the agreement stands, the Commonwealth may just refrain from floating the loan.

The PREMIER: The Commonwealth will do what the Loan Council decides has to be done.

Mr. Mann: There is nothing in the agreement to say so.

The PREMIER: Of course there is. All that may be done is set out in the agreement.

Hon. Sir James Mitchell: That is the point.

The PREMIER: The per capita payments have been abolished and have gone. We are at the mercy of the Commonwealth, which may do with us as it likes. We are offered this agreement which has the financial advantages to this State that I have indicated, namely, a large sum of money coming in over a long period of years. In order to secure those advantages we, in common with every other State and the Commonwealth itself, are asked to give away our right to free and independent borrowing. Seeing that the position will be controlled by the States in the Loan Council—and after all the States have a common interest—I think we are not being asked to give up too much, especially as we are only to give up what the Commonwealth itself will give up in agreeing to the terms for the financial advantages that the agreement as a whole will bring to all concerned.

Hon. Sir James Mitchell: All the Commonwealth will give up will be the amount it may borrow. It does not give up any position.

The PREMIER: That is all we do.

Hon. Sir James Mitchell: No damned fear!

The PREMIER: I hope the hon. member will not read into the agreement greater restrictions than it actually contains.

Hon. Sir James Mitchell: I shall read all that it contains.

The PREMIER: Taking it all in all, I consider that the State would be wise to adopt it. Five States and the Commonwealth have adopted the agreement. In Queensland it was adopted unanimously.

Hon. Sir James Mitchell: Don't say what the Queensland Premier said.

The PREMIER: I have not particulars of the voting in New South Wales.

Hon. Sir James Mitchell: It was not carried unanimously there.

The PREMIER: Although the Leader of the Opposition in New South Wales, Mr. Lang, opposed the agreement in the House, he approved of it at the conference. If he had still been Premier of New South Wales he would have been found introducing the Bill in support of the agreement.

Hon. Sir James Mitchell: You cannot trust those Labour chaps.

The PREMIER: In Victoria the agreement was approved by an overwhelming majority. In a House of 68 members I believe there were only 17 votes against it.

Hon. Sir James Mitchell: Victoria could only be expected to approve of it.

The PREMIER: No, the agreement will be of more advantage to Western Australia than to any other State.

Hon. Sir James Mitchell: Not at all.

The Minister for Justice: Everybody says so.

Hon. Sir James Mitchell: No. Not everybody.

The PREMIER: I do not know whether the interjections made at the last conference were given in the report, but every Premier, in discussing the agreement in Committee, stated that the agreement would be all right for Western Australia and showed how it would be of greater advantage to this State than to any other State.

Hon. W. J. George: They were only flattering you.

The PREMIER: Why should they flatter me? It was not my agreement; it was no product or child of mine. It was

no flattery to me at all. The agreement was adopted unanimously in South Australia.

Hon. Sir James Mitchell: No, Mr. Hill objected to it there.

The PREMIER: There was no division on the Bill.

Hon. Sir James Mitchell: Still, he objected to it.

The PREMIER: Anyhow, the Bill was carried in the South Australian Parliament without a division. It was carried unanimously in Tasmania.

Hon. Sir James Mitchell: I should think so.

The PREMIER: It was carried by an overwhelming majority in the Commonwealth Parliament.

Hon. Sir James Mitchell: They are not bound yet.

The PREMIER: The Commonwealth Parliament and five State Parliaments almost unanimously adopted this agreement.

Mr. Corboy: What will be the position if we reject it?

The PREMIER: The whole agreement will be lost. If we should decide to reject it we ought to be in a position to say that we reject it because we can get something better. Can any members say that we have any possibility of getting anything better than is contained in this agreement?

Hon. Sir James Mitchell: You can pay too much for what you get. You lose honour, credit and opportunity.

The PREMIER: I do not think either honour or credit is involved. The hon. member may hold the view that, by giving up our rights as separate bodies, we are paying too much for what we get, but I do not think that is so.

Mr. Angelo: Financial institutions have an association, but they do not give up their private interests. The association is altogether for their mutual benefit.

The PREMIER: I think every State Parliament is just as jealous of its sovereign rights and borrowing powers as we are. Those State Parliaments have practically unanimously adopted this. If it is rejected, what are we to get in its place: whatever the Commonwealth like to give us, which may be nothing at all?

Hon. Sir James Mitchell: We can take the money without giving up our rights.

The PREMIER: We can take the money if they are willing to give it to us. If we could dictate terms and say we will

take all the money but hold all our powers, I should say yes, but we have not the say in that matter. The body which determines it is the Commonwealth Parliament.

Mr. Mann: And they offer it when every State is financially embarrassed.

The PREMIER: They could not have offered it since Federation in any other circumstances. The States have always been financially embarrassed.

Mr. Mann: Victoria had a surplus until the last year or two.

The PREMIER: We know how they get their surpluses. A large sum of money was spent in purchasing estates for soldier settlement out of loan. The settlers failed, the Government sold the estates, and then took the proceeds of the sale into revenue.

Hon. Sir James Mitchell: That is within the last year or two.

The PREMIER: We should all get surpluses by that means.

Mr. Angelo: You are suggesting that under this Bill.

The PREMIER: No.

Mr. Angelo: With regard to the sale of Government property.

The PREMIER: This agreement makes the sale of Government property necessary. It is absolutely essential under the agreement that this method of dealing with the proceeds from the sale of Government property should be followed. I do not think there is any possibility of getting as good an agreement under any other conditions. The fact that we are going to be secured in our position for 58 years justifies its adoption by Parliament and the people of the State. I do not fear that we are going to suffer in any way in regard to the money we require for development, or even that there will be any surrender of sovereign rights which will affect the future of the State in any way. Accordingly, I move—

That the Bill be now read a second time.

On motion by Hon. Sir James Mitchell, debate adjourned.

House adjourned at 8-20 p.m.

Legislative Assembly,

Wednesday, 13th June, 1928.

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

QUESTIONS (2)—WHEAT, EXPORT.

Quality.

Mr. THOMSON asked the Minister for Agriculture: 1, Is he aware that statements similar to those made by the member for Fremantle might prejudice our wheat on the world's market before it arrives, and thereby reduce its value, resulting in loss to the State? 2, Is he aware that the wheat shipped ex the stacks complained of by the member for Fremantle was inspected on board the "City of Singapore" in the presence of the chief officer of Lloyd's surveyor, who pronounced it "in good order and condition and in every way fit for shipment"? 3, Is he aware that the "condition" of wheat shipped from Western Australia this year is better than for any year since the State became a serious exporter of wheat, and that wheat shipped this year since the rain set in is as good or better "condition" than that shipped in June of any year since the war period? 4, Is he aware that Canadian wheat may contain 14.4 per cent. of moisture without being graded "damp," whereas the moisture content of Australian wheat is about 8 per cent. to 9 per cent., and re-conditioned wheat—although the cost of treatment is probably more than reimbursed by added weight secured—never reaches the moisture content equal to that of wheat exported from other countries to the London market? 5, Is he aware that no ship has left the port of Fremantle with a cargo of wheat during the past ten days, and that the opportunity still exists for inspection by Government inspectors of all wheat loaded since the rain commenced? 6, Will he have such inspection made?