

# Legislative Council,

Tuesday, 26th January, 1909.

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

## PAPERS PRESENTED.

By the Colonial Secretary: 1, The Land Act, 1898, and the Land Act Amendment Act, 1902.—Timber Trainway permits. 2, The Land Act, 1898.—Resumption of Pastoral Leases. 3, Reports and Returns in accordance with Clauses 54 and 83 of "The Government Railways Act, 1904." 4, Roads Act, 1902.—By-laws of Yilgarn Road Board. 5, Report of the Agricultural Bank, 1908. 6, Report of Perth Public Hospital, 1908. 7, Report of the Fremantle Public Hospital, 1908. 8, By-laws of Municipalities of Albany, Perth, and Fremantle. 9, Papers in connection with Application of Mrs. Pearce for a Gratuity from Police Benefit Fund.

## BILL—NANNINE-MEEKA-THARRA RAILWAY.

### Third Reading.

Bill read a third time and passed.

## BILL—CONSTITUTION ACTS AMENDMENT.

### Second Reading—No further stage.

Order of the Day resumed from 5th January.

Question put and passed.

Bill read a second time.

Hon. M. L. MOSS: I have achieved the object which I had in view when introducing this measure, namely that of calling public attention to what I deem to be a matter of pressing importance. I shall leave any further re-

sponsibility with the Government. If they are disposed to take up this measure, either in its present form or with alterations that may commend themselves, well and good; if, on the other hand, they feel it is a proper thing that members of Parliament should run the risk of being shot at by some outsider, again well and good. I leave the matter in the hands of the Government, and therefore I shall not move that the Bill be taken through any further stage.

Bill not further proceeded with.

## MESSAGE—COMMONWEALTH FINANCIAL PROPOSALS.

### Premiers' Conference Resolutions.

A Message from the Assembly having been received requesting concurrence in the approval of the resolutions passed by the Premiers' Conference held in Melbourne in April-May, 1908, the same was now considered.

The COLONIAL SECRETARY (Hon. J. D. Connolly): In moving the adoption of these resolutions I do not think it is necessary for me to speak at any length as hon. members, on reading the resolutions, will readily agree with the proposals there set forth. They are resolutions which were unanimously agreed to at the Premiers' Conference held in April and May of last year. They are now before this House in accordance with an understanding arrived at between the several Premiers present at that Conference, namely that they should be submitted to the respective State Parliaments for endorsement. These resolutions, as hon. members are aware, have already been endorsed and adopted by the other branch of the Legislature of this State. The first resolution reads as follows:—

"That, in view of the fact that upon the State Parliaments devolves the duty of developing the resources of their respective States by means of land settlement, railway construction, irrigation, and other public works, and that they are charged with the responsibility of maintaining adequate education and charity systems, and pro-

viding for the administration of justice, and other services, the financial obligations connected with which will inevitably increase with the growth of population, no financial scheme can be assented to by the States which does not provide for their receiving—

- (a.) a fixed annual sum; and
- (b.) a proportionate part of all increases in revenue from customs and excise."

Even if hon. members should hold opinions different from those expressed in some of the resolutions there can be, I think, no exception taken to the purport of the resolution I have just read, namely that the State shall receive a fixed annual sum and a proportionate part of all increases in revenue from customs and excise. The true business of the Conference at which these resolutions were passed was to consider the proposal, as to the settlement of this vexed question, made by the then Federal Treasurer, Sir William Lyne. Hon. members will remember that that proposal was altogether inequitable in its relation to the States and more particularly to Western Australia. Had the Premiers in conference assembled sought to amend that resolution I am afraid its sponsor would scarcely have known it on its being returned to him. But instead of seeking to amend it the Premiers decided to lay down certain fundamental principles as being essential to any proposal which might subsequently be submitted for their acceptance. Those principles are embodied in these resolutions. There is no new departure involved at all. The resolution I have just read has for its object a continuance of the system under which we have been working from the inception of Federation. Its object is practically to continue the operation of the Braddon Clause. It is not quite the same, but it is as near to it probably as we can expect to get. So it will really mean that under this resolution we can continue to work on the system we have known from the beginning. As hon. members are aware, under the Constitution Act the book-keeping period will come to an end at the beginning of

1911. Sir George Turner and Sir John Forrest, two former Federal Treasurers, were both prepared to accept a scheme for the settlement of this question on the basis now set forth in this resolution. In Melbourne in 1904 Sir George Turner, the then Federal Treasurer, proposed that the Braddon Clause should continue for 20 years from the end of 1910. I should have said that at the Melbourne Conference the proposal was that the clause should be extended for fifteen years, but at the Hobart Conference in 1905 it was proposed that the period should be extended for another twenty years. Sir John Forrest at the Melbourne Conference in 1906 and again at the Brisbane Conference in 1907, agreed to hand over to the States a fixed annual sum equal to the average annual three-fourths of the customs and excise revenue over a certain period. That would be practically leaving the basis as it is now. The Western Australian delegates at the Brisbane Conference were anxious that the financial basis should be struck on the States' returns for the first five years of Federation, but it was contended by the other States that that was an abnormal period so far as Western Australia was concerned, and the delegates could not see their way to agree to it. It was decided eventually to strike the basis on the first nine and a-half years of Federation. The reason the period was not made ten years, was that the uniform tariff did not come into force until six months after Federation. In considering this resolution we are not debating a new principle, but one which was accepted right up to the time of Sir William Lyne's proposals. It was also proposed that if the actual receipts were over and above a fixed sum, the excess should also be returned to the States. The only difference was that, in the original proposal, it was laid down that any surplus should be returned on a per capita basis. To do that would not suit Western Australia at all, for it was pointed out that this State was contributing 100 per cent. more than the other States. It was contended that in justice to Western Australia the return should be on a contributing basis as pro-

posed in this resolution. It was decided at Brisbane practically to continue the system of distributing finances that has been in force since the beginning of Federation. It was left to Sir William Lyne, the then Treasurer, to break new ground. He proposed to return a fixed sum of £6,000,000 per annum for five years, and for thirty years thereafter an additional £80,000 or £90,000 per annum. After the first thirty-five years no payments were to be made, apart from those representing outstanding debts or interest or sinking fund, that might be payable. He proposed to pay at the end of 30 years, some £8,250,000. When it is remembered that last year the States drew from the Commonwealth £8,859,000, it will be realised how inequitable to the States was Sir William Lyne's proposal. At the present time three-fourths are returned, the total amounting to the sum I have mentioned. The unfairness of Sir William Lyne's proposal is apparent when one considers the position the States will be in under that suggestion. Although the States may grow in population and continue to develop, they are not to receive more revenue from the customs and excise than they do at the present time. Although their revenue will be so much less, the States, owing to their progress, will have to incur very great additional expenditure in settling their lands and developing the various industries. Naturally, any settlement or development that goes on in a country means increased cost of administration, for additional facilities have to be supplied in the way of education, police, railways, and other directions. It would be offering a premium to stagnation to accept the proposals of Sir William Lyne, as, with the same revenue as exists now, the State would have to provide facilities and necessities for a population which would probably have become doubled. I do not need to say much to convince members that this would be an altogether one-sided contract, and one the State Premiers could not for a moment accept. It is amusing to see how the opinion of these men change in the course of a few years. It will be found on reading volume 1 of the report of the proceedings of the Mel-

bourne Convention which was held previously to Federation, that Mr. Deakin in speaking on this question said—

"These States must necessarily grow, and as they grow the Commonwealth revenue will necessarily increase. And as the Commonwealth increases possibly the States' requirements from the Commonwealth will increase also. As increases must arise in the natural course of events it would not be taking too bold or too hazardous a step to fix a sum based on the profits gained from those services and hitherto utilised by the several States for other purposes than their own colonies and to make the return of that sum the minimum returned either for a fixed period or, if necessary, in perpetuity."

Then Sir William Lyne, in speaking on that occasion, said—

"I would ask the hon. member to place himself in the position of State Treasurer. He would not know without some guarantee what money he would receive from month to month, or from year to year; and yet he would have to forecast his financial position for each succeeding year. It is all very well to say that the Federal Parliament will be framed from the electors of the States, as they are now. That is correct only in one sense. It will be made up from the electors of the present States but under very different conditions. If the Federal Treasurer got into financial difficulties at any time, the first thing he would do would be to throw the responsibility on the State Treasurers by refusing to pay them the amount of money that they should receive. He would, perhaps, be able to carry on, but would do so by placing the States in a very unenviable position. I desire to leave as much as we reasonably can to the Federal Parliament, but we should consider the necessities of the States during the first few years of the Commonwealth. I do not think for one moment that there is a possibility of any of the States repudiating any of their responsibilities or becoming insolvent. Still, some of the States may be placed in very great financial straits if they

were left dependent entirely on the Federal Treasurer. . . . I do not think the members of the Convention are here to form themselves into a number of State-wreckers, although it is approaching that. Every act that has been done is antagonistic to the States, and invests every power in the Federal Parliament. We were not sent here for that purpose and for my part I shall do all I can to give the States a fair show."

Mr. Kingston speaking later on at the same conference said—

"We have been at great pains to provide for the proper representation of the States; but all these constitutional provisions seem to me to be of importance indeed so long as you leave the absolute control of the State purse-strings in the hands of the Federal Treasurer; and that is what you do unless you provide for something in the shape of a distinct return to the States."

Mr. Deakin at the conclusion of that debate voted for the Braddon Clause in perpetuity, as also did Sir William Lyne, who was responsible for the utterances I have just read. It is unnecessary for me to say anything further in support of resolution No. 1. All members must recognise the importance of adopting that resolution exactly in the form in which it appears.

*Hon. J. W. Kirwan:* Are you not going to propose all the resolutions together?

The COLONIAL SECRETARY: Yes, at the end of my speech. Resolution No. 2, I will deal with separately as it refers to a different subject from resolutions Nos. 3, 4, and 7. It reads—

"That, for the purpose of enabling the Federal Government to initiate a general scheme of old-age pensions, the State Governments will be agreeable to accept a smaller proportion of the customs and excise revenue than three-fourths, and thus supplement, if necessary, the amount which can be provided under the Commonwealth Surplus Revenue Bill."

Since the Conference was held and this resolution was actually carried the Federal Government, as members are aware,

have passed a Bill for the payment of old-age pensions. If they had adopted a suggestion made to them by the Premiers' Conference old-age pensions would have come into force on the 1st January of this year, instead of on the 1st January, 1910. At the Conference of Premiers, the Prime Minister (Mr. Deakin) said he was quite willing to accept resolution No. 2, but that he would have nothing to do with the others. Naturally, the Premiers would not agree to that. They decided that all the resolutions should stand together, and not be taken separately. The next resolutions I wish to deal with are Nos. 3, 4, 6, and 7, which are as follow:—

3. That no restriction having been placed by the Constitution upon the borrowing powers of the States, and, further, for the reasons set out in resolution No. 1, the States should be the sole judges as to the raising of loans, within or without the Commonwealth, for the purpose of carrying on the work of internal development without interference by the Council of Finance, as proposed in the scheme of the Commonwealth Treasurer, or by any external authority.

4. That the gradual assumption by the Commonwealth of the State debts may eventually lead to economies, but it would be advisable to allow the settlement of details to stand over until the question of the distribution of the net revenue from duties of customs and excise has been determined.

6. That the proposal of the Commonwealth Treasurer to take over the Sinking Funds of the several States without making equitable provision for compensation is objectionable.

7 (a.). That, in the event of the Commonwealth taking over the debts, the total indebtedness of the respective States should be reduced by the sum of the value of the transferred properties (unless settlement for such properties be previously made), and that when the lighthouses, etc., are taken over by the Commonwealth, the States should be credited for them. (b.) The States urge an early settlement of this long-standing question.

As I mentioned when dealing with reso-

tution No. 1 the most vital question and the one that has to be passed at once, is that of fixing the returnable surplus to the States. The transference of debts, though an important question, is not so pressing as that dealt with in resolution No. 1, and need not immediately concern us. The question that we are all very much concerned about is, how we are going to fare in regard to the money we are to receive from the Federal Government after the end of 1910. I do not think we need apprehend any trouble as to the question of transference of State debts when that comes on for consideration. No actual transfer of debts (unless of loans raised prior to Federation) can be made without an amendment of the Constitution. The Constitution of the Commonwealth provides that the Government can take over the debts incurred by the States before the inauguration of Federation; and to have the Constitution amended, as members are aware, would necessitate the passing of a resolution by both Houses of Parliament and a referendum to the people. In our case, taking over the debts incurred prior to Federation would still leave eight million pounds of debts on our hands. The only practical way the Commonwealth can take over the State debts is by conversion. The proposal by Sir William Lyne was that there shall be three per cent. consols issued and provision made for a half per cent. sinking fund, and the interest would be paid out of the six millions allocated to the States. No saving would be made so far as the management of the loans is concerned. As far as Western Australia is concerned, we have already made arrangements to domicile our loans in London with the London and Westminster Bank at £150 per million per annum. This is a saving of £100 per million on the arrangement made previously. It is argued that the Commonwealth would obtain a better price for loans than any individual State. This, of course, may be so, but it is doubtful indeed if the Commonwealth would obtain a much higher price, if any, than that obtained by the individual States. As an instance of that I may say that during the last seven years the New South

Wales stock has ranked higher than that of the Dominion of Canada; and during the financial years of 1903, 1904, and 1905 the Canadian stock was slightly higher than that of New South Wales. That does not go to show that the Commonwealth of Australia could obtain loans on a very much better, or if anything better, basis than the individual States could. I am only quoting this to show that the Dominion of Canada, for her loans, is not in a better position than the Commonwealth of Australia would be, and further, the Canadian loans at most times are not quoted so well as those of the mother State of the Commonwealth; in fact in January of this year they were quoted at exactly the same price. I know that there are authorities who state that the Commonwealth stock must necessarily command a bigger price. Sir John Forrest, when Federal Treasurer, and Sir William Lyne have both stated that this would be the case. On the other hand we have an authority like Mr. Coghlan of New South Wales, who contends that it would make little or no difference. Mr. Coghlan, although he has not occupied the position of Federal Treasurer, is an accepted authority on the question, and, moreover, during the last few years has had the advantage of living in London and thus gaining a better knowledge of this particular question. The great point is that the transferring of State debts is linked with State borrowing. That is wrong. Under their Constitutions the States are practically free and untrammelled as far as their borrowing is concerned, and it is essential that they should be so. The only control in regard to State borrowing to-day is the control exercised over it by our own Parliaments. I do not think it desirable that any control other than that of our own Parliament should exist, and that no body other than our Parliament should have control over our State borrowing. It was proposed by the Federal Government, before taking over the State debts, to constitute a board of finance or council of finance. That proposal was made by Sir William Lyne when he was Federal Treasurer, at the conference at which the resolution was passed. Certainly I do

not think any member of the State Parliament would be in favour of handing over the State debts and restricting our borrowing to any council of finance, unless we knew what the powers of that council were to be. It was asserted that the members of the council would be appointed to administer the debts and the raising of loans, etcetera. It would be interesting for members to read the report of the Conference in that respect. Mr. Deakin was questioned by the Premiers of the different States there as to the exact duties and functions of this council of finance. Among other things he stated that it was to stop improvident borrowing. Other questions were put to Mr. Deakin which will throw some further light on what the duties and functions of this council would be. Captain Evans, the Premier of Tasmania, asked, "Will this council deal with loans borrowed for reproductive works?" Mr. Deakin replied, "No loan is excluded. It is not proposed to confer upon the council of finance any power to criticise the purposes for which any State thinks fit to borrow money." The report states—

Captain Evans: Would they have the right to say whether a loan is justifiable or otherwise.

Mr. Deakin: None whatever.

Mr. Ashton: I understood Mr. Deakin to say that the unquestionable functions of this council of finance will be to postpone, after consultation with the Treasurers, the less urgent loans for the more urgent loans.

Mr. Deakin: Yes, if that is necessary.

Mr. Ashton: Does it not necessarily involve an investigation by that body of the purposes for which loans are to be obtained, and a pronouncement of opinion as to which loan is of the more urgent character?

Mr. Deakin: No; that is a matter about which the Treasurers alone are entitled to speak.

Mr. Wade: Is it not this? That while you take over State debts you are also entitled to maintain the credit of the Commonwealth.

Mr. Deakin: Yes.

Mr. Wade: Then should not the council of finance have control over improvident borrowing on the part of the States?

Mr. Deakin: No.

Mr. Ashton: Then if any one State wanted to borrow ten millions it is the duty of the council of finance to float a loan even though the result is to ruin the Australian credit?

Mr. Deakin: Yes.

It is rather hard to see what use this council of finance would be after listening to the replies made by the then Prime Minister, Mr. Deakin, to the questions put to him by the Premiers, and which I have read. As I said before there is no connection between the transferring of the State debts and the question of the revenue that should be returnable to each State. Mr. Deakin certainly tried to establish some connection at the Conference, although Sir John Forrest, his representative at Brisbane, frankly admitted that there was no real connection between the two, and at the Melbourne Conference in 1904 it was resolved that the perpetuity of the Braden Clause was a condition precedent to taking over the debts. The 1905 Conference at Hobart was of the same opinion. Resolution No. 6, which I have already read, deals with the proposals of the Treasurer in dealing with the sinking fund when the State debts are taken over. This particular resolution was inserted by the Premier of this State, Mr. Moore, providing that compensation should be given for sinking funds which may be taken over. In this State, as members are aware, we are in a somewhat different position from the other States, having a sinking fund. Mr. Deakin was agreeable to this, but under the proposal by Sir William Lyne these funds are to be taken over apparently as transferred properties without compensation, exactly as the transferred properties are to-day. I think I have said sufficient in regard to these resolutions to show that it is highly desirable that no restriction should be placed on State borrowing. I think that applies more particularly perhaps to a State like Western Australia, that has a huge ter-

ritory to develop, and it would be quite impossible to develop that State in anything like a satisfactory manner if we were restricted in the loans by a council of finance, or any other means other than by our own Parliament. In regard to resolution No. 5, it treats of a slightly different subject from resolutions 3, 4, 6 and 7, and it reads as follows:—

*"That in the distribution of the amount returnable by the Commonwealth to the States, the per capita contribution of each State to the customs and excise revenue shall be considered and allowed for."*

This is a very important resolution, particularly when applied to Western Australia, and, as I have already mentioned, Western Australia already contributes almost double per head of the population to the revenue than any of the other States; therefore it behoves the people of Western Australia to see that the revenue returned is not fixed on a per capita basis but on a contributory basis as at present. If these six millions proposed to be returned by Sir William Lyne were fixed on a per capita basis, out of that six million pounds Western Australia would receive something like £380,000, while on a contributory basis we would receive £675,000. The fact that the Premiers of the other States were prepared to recognise the fairness of this scheme, that the money should be returned on a contributory basis rather than on per capita basis, showed that they were anxious to have this question fixed in a fair and equitable manner. At the Premiers' Conference the States adopted the proposal of Sir John Forrest and Sir George Turner, that the money should be returned only on a population basis, but they have departed from that now, and at the last Conference a resolution more favourable than that of the Conference to which I have already referred, has been adopted; that is in regard to the return of the revenue on a contributory basis rather than on a per capita basis. I do not know that it is necessary for me to say anything further to commend these resolutions to the House. They were agreed to unanimously at the Conference of Premiers

held in Melbourne in April and May last year, and they are very favourable indeed to Western Australia. They are submitted to the House, as I said before, in accordance with an understanding arrived at by the Premiers of the State Parliaments, that they should approve of them in the form submitted. I beg to move—

*That the House approves of the resolutions agreed to at the Premiers' Conference held in Melbourne in April-May, 1908, as printed on the Notice Paper.*

Hon. J. W. KIRWAN (South): As one who has taken a great deal of interest in this question for many years, I would like to supplement, by a few remarks, the speech of the Colonial Secretary, and in doing so I may be permitted to express the hope that I trust the resolutions that have been brought forward, and the discussions that have taken place in the State Parliaments, will be instrumental in arousing public interest to the very serious questions that these resolutions involve. To my mind, the financial relationship of the States and the Commonwealth affects practically the whole of the relationship between the States and the Commonwealth. The question has always been recognised as of paramount importance as regards Federal affairs. Even before Federation was inaugurated it was discussed for years and years. It was then generally recognised that the financial question was the *crux* of the whole difficulty, and at the Federal Convention that question was considered so complicated and so extremely difficult of adjustment that the Federal Convention did not solve it at all; they found it too difficult of solution; They devised Clause 87 of the Constitution, which is known as the Braden Clause; and that really meant that this question was postponed for 10 years. Now the time is nearly up; the time will expire at the end of next year when this question will have to be reconsidered, and when the people of Australia will have to consider what proportion of customs and excise duties should be retained by the Commonwealth Parliament. I

do not think that those who have studied the question, least of all those who have studied it from the point of view of the States Rights party, have any reason to congratulate the Premiers of Australia on the way in which they have dealt with it in the interests of the State.

*Hon. M. L. Moss:* Which Premier do you mean? There are so many.

*Hon. J. W. KIRWAN:* I am not referring to any particular Premier, but to the Premiers generally. There have been various Premiers in office in the various States since this question was first brought before the Premiers' Conferences. In all, there have been seven Conferences, and the position to-day is no nearer solution than it was at the end of the first Conference, and I say that the blame does not rest with the Commonwealth authorities. No fairer offer could be made than was made by Sir George Turner on two occasions, when he was Treasurer of the Commonwealth; and subsequently still fairer offers from the States' point of view were made by Sir John Forrest when he was Treasurer of the Commonwealth. The Colonial Secretary referred to the proposals made by Sir George Turner. As he pointed out, at the Melbourne Conference, in 1904, Sir George Turner proposed that the Braddon Clause should be extended for 15 years. The following year, at the Hobart Conference, in 1905, Sir George Turner proposed that the Braddon Clause should be extended for 20 years. The Premiers did not accept either of those offers. Furthermore, Sir George Turner made an offer to the Premiers concerning the taking over of the State debts that was the very essence of fairness. He proposed that in the taking over of the State debts the Commonwealth should merely act as agent for the States, and that if any advantage were to accrue by reason of the Commonwealth's taking over the State debts it should go to the States. I ask any member of this House could anything be fairer from a purely State point of view than that proposal of Sir George Turner's—that the Braddon Clause should be extended for 20 years, and that the Commonwealth, if it

decided to take over the State debts, should merely act as an agent for the States, that is, that the Commonwealth was to pay the interest on the debts taken over from the customs and excise revenue, credit it to the States, return any balance due to the States not required for interest, and collect from the States any balance for interest not met out of customs and excise revenue? These offers were refused by the Premiers. Furthermore, Sir John Forrest, at Melbourne in 1906, and at Brisbane in 1907, came forward with proposals that were even better from a State point of view than the proposals made by Sir George Turner. Sir John Forrest proposed that exactly the same lines as proposed by Sir George Turner should be followed in connection with taking over the State debts, that is, that the Commonwealth should be merely the agent for the States; and then he proposed that for 10 years after the expiration of the Braddon Clause the Commonwealth should pay to the States a fixed annual sum equal to the average three-fourths collected in customs and excise duties during the preceding five years. That was his proposal. It was subsequently, as the Colonial Secretary pointed out, amended to nine and a-half years; but whether it is nine and a-half years or five years is not of great importance; I am simply pointing out the proposals as they were brought forward by the Commonwealth Treasurers and not as they were subsequently amended by the Premiers. The proposal of Sir John Forrest that the Commonwealth should guarantee a sum equal to the average three-fourths of the amount collected in the preceding five years to 1910 for ten years subsequent to the expiration of the Braddon Clause, was very liberal indeed to the States. But Sir John Forrest came forward with a further proposal that was even far more liberal, because he stipulated that if the three-fourths exceeded the average on the five years' basis, the excess would be distributed among the States. Surely the Premiers can never hope to receive better proposals than were proposed by



those two right hon. gentlemen? And what is more, those proposals can never again be made to the States. The States can never get such liberal proposals again; for this reason: rightly or wrongly, the Commonwealth Parliament have decided that old-age pensions shall be paid out of the three-fourths of the customs and excise revenue. Consequently they could not possibly now, having rendered themselves liable for the payment of old-age pensions, make either of the proposals then made by Sir John Forrest and Sir George Turner.

*Hon. M. L. Moss:* The Old-age Pensions Act is not there for ever; it may be repealed.

*Hon. J. W. KIRWAN:* I do not think there is the slightest possibility of its being repealed by the Commonwealth Parliament. In the first place the Commonwealth Parliament is elected on the most democratic franchise of any Parliament in Australia. That in itself ensures that there is not much possibility of the Act being repealed. But there is another guarantee why it will not be repealed, and that is that some of the States prior to the passage of the Old-age Pensions Act—Victoria and New South Wales—paid old-age pensions, and naturally the members of the Commonwealth Parliament representing those States would not be in favour of a step that would throw upon Victoria and New South Wales the necessity for paying old-age pensions. So I rather think it is out of the question to expect that the Old-age Pensions Act will be repealed; that is, apart altogether from its merits. Now, whatever may be said of these proposals from a Commonwealth point of view, it is certain that few can reasonably object to them from a State point of view; and, therefore, I say that the blame does not rest entirely upon the Commonwealth that this question has not been settled before, but on the Premiers who attended the Conferences. At two conferences the proposals of Sir George Turner came before them, and at two conferences the proposals of Sir John Forrest came before them, and on the Premiers a great share of the responsibility for the non-

settlement of this question must rest. What happened next? These Premiers who refused to accept these extremely liberal proposals put forward by men who were fully alive to the responsibilities of the States, had to face an altogether different proposal in May last year when Sir William Lyne came down with the proposal referred to by the Colonial Secretary. Sir William Lyne's proposal, from my point of view, is very objectionable for many reasons. In the first place, the £6,000,000 proposed to be allocated among the States is altogether inadequate; in the second place there is no provision made for a proportionate share in all increases in revenue from customs and excise to be paid to the States; and in the third place no provision is made for payment for transferred properties, and no consideration is given in regard to the sinking funds of the States. But, in addition to all this, there is an objection that is rightly raised to the establishment of a council of finance. The constitution of this council of finance has never been dealt with by Sir William Lyne or any of the advocates of his proposal, but it may be taken for granted that it will be purely a Commonwealth body. Certainly there is no provision for any representation of the States on that council. That council will take practically the power of borrowing entirely out of the hands of the States.

*Hon G. Randell:* Notwithstanding what Mr. Deakin says.

*Hon. J. W. KIRWAN:* As the hon. member has interjected, when the discussion between the premiers, Mr. Deakin and Sir William Lyne took place, Mr. Deakin endeavoured to show that the council of finance would not take the borrowing power out of the hands of the States; but I think the Premiers properly showed that it would take the power of borrowing out of the hands of the States, because with the council of finance would rest entirely the order in which and the time at which the various loans should be placed on the market, and, to my mind, that would mean having a supervising power over the loans that the States would be

desirous of obtaining. Mr. Deakin endeavoured to show that the council of finance would not influence the power of the States, but I think Mr. Randell will agree with me, after reading the discussion that took place between Mr. Deakin and the Premiers, that the Premiers made it plain indeed that this council of finance would practically take the power and control of borrowing entirely out of the hands of the States. However, it is not Sir William Lyne's proposal that is the most important one at the present time. We have to recollect that at the present time there is a Labour Government in power, and the proposal of the present Government is the proposal that was agreed to at an interstate labour conference which was held in July last. I have here an official report of the proceedings at that conference, which shows that they drew up a statement as to what they considered ought to be done at the end of 1910. I shall not read that statement in full, but I shall just give the gist of the Labour party's proposal. Their proposal was—and I think all parties are agreed with that now—that the cost of old-age pensions should come out of the three-fourths of customs and excise duties. It is estimated—there is some doubt on the point—that old age pensions will cost £1,500,000. The Labour party propose that in addition to that £1,800,000, another million should be taken from the three-fourths of customs and excise revenue, and that would mean if the proposal of the present Federal Government were to be adopted, that the States would receive £2,800,000 less than the proportion they are receiving at present from the Commonwealth. It may be interesting, just to show the aspirations of the Commonwealth members in the matter of public works, to read a few quotations from the speeches of the Federal members at that Convention. Even Mr. Watson agreed that the proposal to take £2,800,000 from the amount that is at present returned to the States might be rather severe upon the States, but it did not satisfy some members of the Federal Parliament who were present at that conference.

*Hon. J. W. Langsford:* What was the extra million for?

*Hon. J. W. KIRWAN:* For the increasing necessities of the Commonwealth.

*Hon. M. L. Moss:* An extra million to force on unification.

*Hon. J. W. KIRWAN:* The position I wish to take up is this, that if the Commonwealth are to carry out these proposals, if they are going in for Unification, then I say they should not do it without first consulting the people of Australia, and before I finish I will point out what in my opinion ought to be done. I was referring to the debate at the inter-State labour conference. In the course of that debate, upon the proposal dealing with the financial relations between the States and the Commonwealth, the first gentleman who I wish to refer to is Senator Needham. In the course of his remarks he said—

"He hardly thought one million would be enough annually for the expanding functions of the Commonwealth."

Mr. Hutchison, who I think is a member for South Australia in the House of Representatives, spoke in this way—

"To his mind a sufficient amount had not been set aside for the payment of old age and invalid pensions. £1,800,000 would not be enough."

Mr. Watson interjected here that it would be enough for some time to come. Then Mr. Hutchison went on to say "that they had to look ahead," and here is an indication of the aims of the Federal members, and I think it contains rather a warning as to what the Commonwealth Parliament may do if they have unrestricted control of three-fourths of the customs and excise revenue. Mr. Hutchison went on—

"It was estimated in Federal circles that two millions would have to be spent in posts and telegraphs to make them thoroughly efficient."

I may digress by saying that one of the planks of the platform of the Labour party is the restriction of further borrowing, so this money must come out of revenue, and members of this House can easily see what a temptation it is to draw upon that three-fourths of customs and excise. Having stated

that two millions should be spent on posts and telegraphs, Mr. Hutchison went on to say—

“As to the Northern Territory they would have to meet the interest on three millions and the large yearly deficit. If that territory were to be properly developed a considerable amount of money would have to be spent there. It was only a question of time when the transcontinental railway would have to be built, west and north, while light-houses, beacons, etcetera, had yet to be taken over by the Commonwealth. Further, there was the development of Papua and Norfolk Island, both of which would have to be dealt with by the Commonwealth. Therefore he felt he was well within the mark when he reckoned one million pounds to be too small for the growing functions of the Commonwealth.”

Mr. Hutchison did not touch upon other modes of expenditure that are very freely advocated by Federal members. I allude to the question of defence, the establishment of the Federal capital in New South Wales, and also the necessity for the appointment of a High Commissioner in London. To go further on, Mr. Watson, who usually adopts a moderate tone, said—

“He had carefully scrutinised Commonwealth expenditure, and admitted that the amount he had set down would not do all he would like it to do, but, on the other hand, to take even what they were asking would possibly be a bit of a wrench for the States. It would mean about £2,750,000 less than they had formerly received, although it was off-set somewhat by the States not having to pay old age pensions. He recognised that the least the Commonwealth could do with its expansion of enterprises was £1,000,000 annually, in addition to the sum for old-age pensions.”

In the course of Mr. Watson's speech Mr. Bowman interjected, “How much have you allowed for the cost of the two Transcontinental railways?” and Mr. Watson replied, “The Committee had not attempted to provide more than £500,000

per annum on all works, including railways.” Then Mr. Watson went on—

“This scheme met the objection raised by the Premiers' Conference against Sir William Lyne's proposals. The Premiers objected to there not being any provision after 35 years, and Mr. O'Malley's proposition was open to similar criticism.

Mr. Batchelor: How much have you allowed for the Australian capital?

Mr. Watson: £100,000 annually was set out; then there was £250,000 for the Northern Territory, for which an annual deficiency of £12,000 had to be found; railways and works £500,000, and there were bounties and other expenditures which brought up the amounts to £1,000,000 and over. The leading features of the £1,000,000 were therefore, Australian capital, Northern Territory, and railways and works. This did not include increased defence expenditure.”

I could refer to many other speeches of the same character, but I do not wish to go into details of all these various proposals for the adjustment of the financial relations. I merely touch upon them to show that as time has gone on the demands of the Commonwealth have not lessened but have rather increased. That to my mind is only natural if one places himself in the position of a Commonwealth member. As the Commonwealth becomes older, as it grows, so the necessity for increased expenditure becomes impressed upon the minds of Commonwealth members. One ought not to forget in considering this matter that the Commonwealth members always look upon this question from a Commonwealth point of view. It is said for instance that it would be advisable to send men to the Commonwealth Parliament pledged to maintain State rights. Now when a member is returned to the Commonwealth Parliament he is at once introduced to a Federal atmosphere. He studies national questions such as defence, the development of the Northern Territory which after all is part of the scheme of defence which is in his mind, and he sees the necessity for the Commonwealth being represented in London, and through his

constant study of these questions, through being constantly brought into communication with men with whom these questions are ever present, they become all-important and State development seems to sink into comparative insignificance. No matter what members are returned to the Commonwealth Parliament, unless occasionally in the case of a member who has an extraordinary individuality and strength of character, you will find that they will be nearly always influenced by environment, and the tendency will be to think in a Commonwealth way rather than in a State way. One peculiarity of the Australian Federation and a feature which is undoubtedly certain to be the subject of comment by historians, is the fact that the Federal Senate has not realised the expectations of the framers of the Federal Constitution inasmuch as it has not proved the States' House that it was intended. The idea of a senate in a Federal combination is that it should preserve the rights and the individualities of the various States. That is so in the case of the United States, Canada, and other federations. It has not, strange to say, worked out in that way up to the present in Australia. Of the two Federal Chambers I would go so far as to say that the Senate is less the States' House than the House of Representatives. It was in order to prevent any encroachment on the part of the Federal authorities that the States received equal representation in the Federal Senate, but as things have so happened one more often hears the States defended in the House of Representatives than in the Senate. I do not know what the cause of that is, but it may arise in this way, that the Senators in Australia represent constituencies which are much larger than the constituencies of the House of Representatives. The man who appeals to a large constituency usually takes a more national and broader view than the man who appeals to the smaller constituencies, and consequently the man who has to appeal to such a large section of the whole of the Commonwealth as, say, a representative of Victoria or New South Wales is possibly more likely to be influenced from a na-

tional standpoint than the man who appeals to a restricted constituency. That is the only explanation that at present I can offer; except that in the United States the Senators are directly elected by the State Legislatures, and as such they possibly bring more of the States' spirit into their deliberations than those who are elected, as in Australia, by the bulk of the people on adult suffrage. However, I think it would have been better if the Senate in Australia had voiced the rights of the States more often than they have done. Now I have endeavoured to show that it is but natural for the Commonwealth members to take a somewhat exaggerated view of their functions; and on the other hand I think much the same thing may be said of the State Premiers, the State Governments and the State members of Parliament. State legislators, it is but natural, should devote all their attention to the study of questions of domestic importance as they affect each particular State. The question of the development of the resources of the State is all important to State legislators. They have to consider the development of agriculture, of mining, of pastoral, and of other industries. They have to recollect that they also provide for the education of the people, for charities, for means of communication by railways and roads, and so on. And they are so absorbed in their desire to do their best, and in their earnest and genuine desire to carry out those duties, that perhaps they are inclined to overlook the importance of the Commonwealth functions. Any conference between representatives of the States and of the Commonwealth to consider the adjustment of the financial relationship between the two powers is extremely unlikely to arrive at any satisfactory result. Furthermore the fact that both sides are so strongly biassed is a difficulty which is enhanced by the further fact that the Commonwealth need only procrastinate and at the end of next year they are masters of the situation. Under the Commonwealth Constitution, at the end of 1910 the Commonwealth Parliament can do exactly what they like with

the customs and excise revenue. They may return to the States three-fourths of the revenue; they may return one-half the revenue, and they may return one-quarter the revenue, or they may not return one penny. I do not say that they will go to that extreme: but there is a very serious danger that they will begin nibbling at the three-fourths of the customs and excise revenue until the amount will be reduced very considerably, and it may bring the States into a very awkward position indeed. The States have missed their chance. The States had a magnificent chance when Sir George Turner brought in his two proposals for the extension of the Braddon Clause and for dealing, in the liberal way in which he did, with the proposal to take over the States' debts. They again missed chances when Sir John Forrest twice brought down his two still more liberal proposals to deal with the whole question.

*Hon. J. W. Langsford:* Did the Federal Parliament agree to those proposals?

*Hon. J. W. KIRWAN:* I think that the Federal Parliament of three or four years ago was far more likely to agree to those proposals than is the Federal Parliament as at present constituted. I do not think for one moment that the Federal Parliament would now agree to those proposals; but I do think that in all probability it would have so agreed at that time. Certainly in 1904 the spirit of States rights in the Federal Parliament was very much stronger than it is now; and to my mind the Premiers missed their opportunity when they did not take those liberal proposals offered to them at four different conferences. The States at present are at the mercy of the Commonwealth. The Commonwealth need only delay and they can do exactly what they like with the three-fourths at the expiration of 1910.

*Hon. M. L. Moss:* The Federal Parliament will have to pass a Bill to decide what they will do.

*Hon. J. W. KIRWAN:* That does not alter the position. I say they are at the mercy of the Commonwealth Parliament; and furthermore I say that the

Commonwealth members would be more than human if they did not take a somewhat exaggerated view of the importance of Commonwealth functions. Living in the Federal atmosphere and studying Federal questions they are inclined to overlook the necessities of the State, just as are the States sometimes inclined to overlook the necessities of the Commonwealth. I speak as one who has been in both political camps. Having been a member of the Federal Parliament I know what their aspirations are—how genuine and earnest is their desire to build up an Australian nation, and to do the best for the people of Australia as a whole. In the same way, being a resident of Western Australia and a member of the State Parliament, and being so closely in contact with the members of the State Parliament, I equally fully realise how genuine are they in their desire to carry out the functions left to them, namely, the important work of the development of the State. There is only one means by which the Premiers can reverse the position as regards their being at the mercy of the Commonwealth. When a difference arises between two parties a third party ought to be called in to decide. A difference exists at present between the two parties, both of whom are biased. And my contention is that the people who ought to decide this question as to what proportion of the three-fourths shall be returned to the States, are the people of Australia. The people of Australia are the masters of the Commonwealth Parliament and of all the States' Parliaments; and it is for them to say what proportion of this three-fourths ought to go to the States. When the Commonwealth Constitution was agreed to by the people of Australia they did not finish their work. They did not solve the financial question; they simply postponed its solution for ten years. Now that time has arrived, and it is for the people of Australia to complete that work. I have a proposal which I will not go on with because I understand it is not acceptable to the Government. I can quite understand the wish of the Colonial Secretary that there should be no amendment to

these proposals, but that they should be passed as they are. However, no harm can be done by my reading the proposals which it had been my intention to move as an addition to the motion. They are as follows:—

"1. That in the event of the Commonwealth agreeing to terms that the Premiers cannot accept, such failure of agreement between the Commonwealth and the States can best be settled by a direct appeal to those who are not unduly biased in favour of one authority or the other, namely, the people of Australia.

"2. That if the Premiers fail to secure a satisfactory arrangement with the Commonwealth they should ask the Commonwealth authorities to take steps to secure the submission for the acceptance or rejection of the people at the next Federal Elections of an amendment of the provisions of the Commonwealth Constitution dealing with the Braddon Clause."

Now to my mind what that amendment ought to be should depend upon what the views of the Premiers are. The Premiers might adopt Sir George Turner's proposal with the proviso that old-age pensions might be paid out of the three-fourths. Supposing they were to say, "We will take the proposal made by probably the greatest political financial opinion in Australia, Sir George Turner; we will take the proposal made by the first Commonwealth Treasurer—a proposal that was practically endorsed two years later by another Federal Treasurer, Sir John Forrest." They could then ask the Commonwealth to submit an amendment of the Constitution on the lines of the proposal made by Sir George Turner in 1906 for extending the operation of the Braddon Clause for another twenty years; and the proposed amendment should contain a provision by which the Commonwealth would be enabled to pay the cost of old-age pensions out of the three-fourths customs and excise revenue. If the Premiers were to take that stand, it might be instrumental in inducing the Commonwealth to give better terms to the States. There are many people who say that the question ought

to be fought out at the coming Federal election; that candidates ought to be nominated and run as States' rights candidates. Hon. members know the hundred and one things that crop up during an election. There could be no guarantee that a financial question of that kind could be made the burning question of the campaign. We would have all kinds of party questions coming in. We would have the personality of the candidate, and the hundred and one things that crop up, and when polling day came the financial question might be altogether lost sight of. But in a case of this kind you raise the issue above the dust of party politics; you place a clear and simple issue before the people of Australia. It may be said that the financial question is too complicated for the people to decide; but I ask whether such a proposal as I offer is more complicated than that submitted to the people when they accepted Federation.

*Hon. M. L. Moss:* They did not understand it, and would not understand this.

*Hon. J. W. KIRWAN:* Since a great issue of that kind was decided by the people, surely they would be competent to decide an issue of this nature. They have become familiar with the Braddon Clause during the last nine or ten years. They know something about the financial relationship of the two parties. And a simple proposition of this kind, submitted to the electors, would be a test as to what really was wanted by the majority in Australia. There is one thing I feel convinced upon, namely, that if the question be submitted to the people of Australia the States will receive better terms than they are likely to receive from the Commonwealth Government or the Commonwealth Parliament.

On motion by *Hon. J. W. Laingsford*, debate adjourned.

#### BILLS (4)—FIRST READING.

Health Act Amendment (No. 3).

Local Court Act Amendment.

Roads Closure.

Fire Brigades Act Amendment.

Received from the Legislative Assembly.

*House adjourned at 6.5 p.m.*