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1901-09-12

Senate.

The President took the chair at 2.30 p.m., and read prayers.

PAPERS

Senator DRAKE laid upon the table

Papers re communication made to the press by the Deputy Postmaster-General of Victoria.

Ordered to be printed.

SUSPENSION OF STANDING ORDERS

Vice-President of the Executive Council

Senator O'CONNOR

. - I move -

That, on the report of the committee being adopted, so much of the standing orders be suspended as would prevent the Bill relating to the Customs from passing through all its remaining stages in the same sitting.

The PRESIDENT

- This is, I think, a contingent motion.

Senator O'Connor

- Do you rule, sir, that it is contingent on my moving the adoption of the report on the Bill ?

The PRESIDENT

- I find that I was mistaken.

Senator Sir JOSIAH SYMON

- Of course, sir, there can be no objection to the suspension of the standing orders, when the report is adopted. But the remark you made suggests whether this is exactly the form, as a matter for future guidance, in which it ought to be done. The better way and it would be more in accordance with usage, would be for the notice of motion to be contingent upon the adoption of the committee's report on the Bill. That is the way in which I think it was always done under your own guidance in the Legislative Council, and also in the other Chamber in South Australia. If the report is not adopted on the same day, it looks as though a resolution were passed which could only come into operation on a future date. The effect, of course, is exactly the same if it is moved as a contingent notice of motion.

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The PRESIDENT

- The honorable and learned senator is, I think, quite right. It is, however, a matter for the Senate ; it can be done either way.

Question resolved in the affirmative.

CUSTOMS BILL

Motion (by Senator O'Connor) agreed to-

That the report be now adopted.

Bill read the third time, and passed.

PROPERTY FOR PUBLIC PURPOSES ACQUISITION BILL

In Committee (consideration resumed from 11th September, vide page 4702).

Clause 44 -

The compensation payable to a State in respect of any land acquired under this Act may, at the option of the Governor-General, be paid in any one or more of the following modes, that is to say-

by payment to the State of the amount of such compensation ; or

by relieving the State of its liability for principal and interest in respect of an equivalent amount of the public debt of the State, upon which Senator O'Connor had moved -

That paragraph (b) be omitted, with a view to insert in lieu thereof the following : -

By debiting the amount of such compensation to the Commonwealth, which shall pay to the State by half-yearly payments 4 per cent, per annum on that amount, of which 3 per cent, shall be deemed to be for interest and 1 per cent, for a sinking fund ; the Commonwealth to be discharged of all obligations in respect of such compensation when the amount paid on account of sinking fund, accumulated at the rate of 3 per cent, per annum with half-yearly rests, is equal to the amount of such compensation ; or.

Vice-President of the Executive Council
Senator O'CONNOR

. - I have considered the various objections which were made to the clause, and the feeling of the committee generally with regard to it. It appears to me that no good purpose will be served by continuing the discussion upon it, and therefore I do not propose to go on with new paragraph (b).

By leave I withdraw my amendment.

Amendment, by leave, withdrawn.

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Senator O'CONNOR

- I move-

That paragraph (b) be omitted, with a view to insert in lieu thereof the following : -

By the Commonwealth becoming responsible to the State for its liability for principal and interest in respect of such a part of the public debt of the State as is the actuarial equivalent of a three per cent, loan of the same currency and of the amount of such compensation.

It will be well now to come to the point about which we are all, I think, agreed, and that is that in some form, amongst the modes of payment of compensation, there should be a mode by relieving the State of its liability in respect of a certain amount of its debts. I am indebted to several honorable senators for calling my attention to the objection to paragraph (b) in the clause - that it does not provide a definite manner of settling the amount of the public debt to be taken over. There is an ambiguity involved in the use of the term "equivalent amount." Does it mean at the market value, and I am inclined to take that view, or what does it mean? I make this explanation now because some honorable senators asked last evening - I think without fully considering the difference between the two provisions - Why not allow the clause to remain as it is? It would not do to allow the clause to remain as it is, because it is not clear enough, and in addition to that it is open to the interpretation that it lays down as a basis of calculation the market value, whatever that may be, of the public debt at the time. I think that would be so unstable and uncertain a standard of value that it ought not to be adopted in a measure of this kind. The new paragraph (b) will, on the face of it, require, I take it, some kind of document or some form of obligation on the part of the State in which the rights of the Commonwealth and of the State in regard to the transaction will be set out. This provision simply gives the Commonwealth power to enter into an arrangement of that kind, so that it enables the Commonwealth to become responsible to the State for principal and interest. I presume that a document which would evidence the responsibility of the State would provide fully for the payment of the principal at the time when it became due, and for the payment of the interest from time to time as it became due. Of course, the State would deal with its own bondholders. It would be impossible to substitute the liability of the Commonwealth for the liability of the State in regard to all these individual creditors. It might be done, I presume, by an Act of Parliament, but we do not want to do that. It is very much better to preserve exactly the same purpose by making the Commonwealth become responsible to the State ; that is to say, the State will pay its own bondholders, and the Commonwealth will pay the State the amount of interest and the amount of principal which it takes over. There is no difficulty in ascertaining the amount itself, and by the way in which it is put here, being the actuarial equivalent, you get rid of all questions of the market value, and it simply becomes a question of an actuarial calculation. First of all you get the amount of compensation, and you assume that the debt taken over is a debt of that amount. Then you make a calculation in accordance with this provision and find out what is the actuarial equivalent of a 3 per cent, loan of the same currency, and of the amount of such compensation. A concrete illustration, perhaps, is the clearest way of dealing with this matter. The amount of compensation to which New South Wales is entitled, according to the estimate which was made at the conference of statisticians in Melbourne in 1S99, was £3,200,000. Supposing that we wanted to pay that off under this provision, we would look about for some loan of that State which would be appropriate to the purpose. I find that there is a loan of £5,609,000 at 4 per cent, per annum, payable half-yearly, which falls due on 1st July, 1933. We have to find out how much of that loan assumed by the Commonwealth would compensate the State for property of that value. To pursue the investigation it is necessary to make the assumption that the property was acquired at a certain date. For "the convenience of the calculation I shall take it that the 1st January, being the date when the Commonwealth entered upon its career, is the date when the property was taken over. The unexpired currency of the loan is 65 half-years. I take the present value of the

principal on a basis of 3 per cent., with compound interest and half-yearly payments. On the same basis I take the present value of the 4 per cent, interest which is payable on that loan. Taking the principal and the interest together, I find that the present value of the amount of the loan, which would be equal to £3,200,000, is £2,651,904. So that in order to compensate New South Wales for the amount of £3,200,000, assumed to be her compensation for the property taken over, the Commonwealth would take over and become liable for a portion of this loan to the amount of £2,651,904. It is necessarily smaller than the amount of the compensation, because we take the present value. I shall now take an illustration from Victoria. That State has a loan of £5,000,000, bearing interest at 4¹/₂ per cent., payable half-yearly, and the principal is repayable on the 1st January, 1904. The question is how much of that indebtedness would be assumed as compensation for the value of the property, which in the case of Victoria is £2,745,000? On the same calculation it is found that taking over an amount of £2,632,537 would be a compensation for the £2, 745,000. And so on in regard to the other States. The results are simply a question of the use of actuarial calculations, and are altogether independent of the fluctuations of the money market in regard to the price of debentures or the stock of any State. That seems to me to be a fair basis of arrangement. It also has this advantage in it : that it is a way by which the public debts of the States will be gradually extinguished and taken off their hands ; and I assume that if there is one thing more than another which the States look forward to as a result of federation, it is to having their debts taken over from them, where that can be done on terras which ave just both to the States and to the Commonwealth. I do not think it is necessary for me to go into any other matters referred to in the debate ; but I thought it was desirable to explain as concisely as possible the proposal of the Government. It is a proposition which in its main features has already been adopted, and I trust that, in the form in which it now appears in this amendment, it will meet with the acceptance of the committee.

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Senator CLEMONS

- I hope the committee will agree in approving of the form and method of paragraph (c). With what Senator O'Connor has said in regard to it I myself entirely agree, but perhaps I may point out what will be the operation of calculating this actuarial equivalent. It will be worked out in this way. If the Commonwealth agree to pay to any State a fixed sum of, say, £500,000 for property acquired, an estimate will be made under this clause to ascertain the amount of that State's loan which will be taken over. Now, if the State happens to have borrowed, we will say, £500,000 at 4 per cent., the Commonwealth, in making the basis of its estimate 3 per cent., will approach the matter practically in this way. It will say - " By taking over your liability we incur a liability in two respects - in the first instance as regards capital, and in the second instance as regards interest. Inasmuch as your loan, which we are dealing with, is a loan at 4 per cent., it is obvious, assuming our basis to be at 3 per cent., that we shall have to make a deduction from the capital sum we take over, because the interest which we, the Commonwealth, will have to pay will be higher than our standard of 3 per cent." The natural result of that will be that if, in such a case, the Commonwealth agreed at the request of a State to deal with the ±500,000 loan at 4 per cent, which the State had initiated, it would say in respect to the payment in cash - " We will take over this loan of yours, but seeing that you borrowed at 4 per cent., and our standard is 3 per cent., we will only take over a liability of, say, £450,000." In that case the Commonwealth will be saying that £450,000 at 4 per cent, is about equivalent to the sum of £500,000 at 3 per cent. That is what this clause does. I hope the committee will agree as to its method. To summarize, I may say that in every case where the Commonwealth deals with a State loan, and where the State has borrowed at more than 3 per cent., the State will receive less than the par amount. That is to say, if £500,000 of loan is taken over by the Commonwealth the State will receive less. If any State happens to be in such a fortunate position as to have borrowed money at 2½ per cent., the Commonwealth, in paying the £500,000, would, in respect of that 1½ per cent, loan, pay, Say, £550,000. As a matter of fact, however, I believe that no State is in the advantageous position of having borrowed at less than 3 per cent.

Senator Playford

- The States have never borrowed at 3 per cent., and therefore we are dealing unfairly with them.

Senator CLEMONS

- I am simply pointing out that this clause, when brought into operation, will at any rate allow the States and the Commonwealth to agree at once, without any trouble or difficulty, as to what particular loan shall

be taken over ; because it will make no difference whatever to the State whether the Commonwealth takes over a loan at 4 per cent., at 4£, or at 5. The actuarial equivalent will be exactly the same - not in amount, but in result ; so that this clause will prevent any difficult question of that kind arising.

Senator McGregor

- It will relieve the State from the same amount of interest in either case.

Senator CLEMONS

- Precisely so ; and this clause will prevent any disagreement as to what particular loan the Commonwealth shall take over. That being so, I hope that the committee will entirely approve of the form of paragraph (c). But I recognise, at the same time, that we are going to adopt the rate of 3 per cent, as our basis. I must confess that since I spoke last night I have felt inclined to agree with Senator Playford that 3 per cent, is not sufficient. I will give two reasons why I think so. In the first case I urge that, practically speaking, there is not a single State in this Commonwealth that is in the happy position of having borrowed at 3 per cent.

Senator Sir Richard Baker

- Nor at 3½ per cent, either.

Senator CLEMONS

- That is one strong reason why we should hesitate to allow the Commonwealth to assume this basis of 3 per cent. But there is a further reason.. Even where the States are in the happy position of having borrowed at, we will say, 3½ per cent., I ask the committee to remember that probably in every such case the State has only succeeded in getting the rate of interest reduced because it has accepted less than par value. In other words, nearly every 3£ per cent, loan has, I suppose, been floated at £95 or £96, or something under par.

Senator Sir Frederick Sargood

- Some have been floated at a premium.

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Senator CLEMONS

- Nearly all have been under par. That means that the States, in order to put themselves in the position of paying 3½ per cent, for their money, have agreed to receive £95 or £98, we will say, for every £100 upon which they pay interest. What that really comes to is this. If the Commonwealth takes over any 3£ per cent loan in respect of which a State, in the first instance, only received £95 for every £100, the Commonwealth is really taking over that loan at par ; whereas the State only received £95. If a State received that amount, and pays 3£ per cent, interest, its position is really little better than if it received par - £100 - and had to pay 3½ per cent, interest. That is an additional reason why this 3 per cent, basis seems to be unfair to the States. First of all, we have the fact that none of the States are fortunate enough to have borrowed at 3£ per cent., and there is the further reason that if they have borrowed at a low rate of interest, it is only because they have consented to receive less than par, which is only another way of paying a higher rate of interest than 3£ per cent. Recognising both these facts, I cannot help thinking that the rate of 3½ per cent, is unfair, even though I recognise that for the first five years it is a question of taking money out of one pocket and putting in into another. Even with that limitation, however, 3 per cent, is not a fair rate of interest, and I am going to support any amendment which may be moved to increase the 3 per cent, to 3½.

Senator Sir RICHARD BAKER

- I take it that the amendment proposed by Senator O'Connor is really an equivalent of the paragraph as it now stands in the clause. It is only a question of putting it into better words. Therefore, I entirely concur with Senator O'Connor in his proposition to insert paragraph (c) instead of paragraph (6). As to the question of interest, I agree with Senator Clemons that 3 per cent, is not enough to compensate the States. But I did not rise to speak upon either of those points. I wish to call the attention of the committee to two sections of the Constitution, and to the probable effect of the proposition to pay in one way or another to the various States some £10,500,000 of money for public works which have been taken over. It is quite clear that under either of the alternatives which may be adopted - the payment in cash or the payment by taking over an equivalent part of a State loan - the Commonwealth must pay the interest ; and it must pay it under any circumstances. The Commonwealth must pay £300,000 or £350,000 some way or another, unless the money is to be borrowed, which I do not suppose any member of either House

of this Legislature would contemplate for one moment. The Commonwealth must, therefore, pay it out of revenue. What revenue will it be paid out of ? Take the case of Queensland. It cannot be paid out of Post-office revenue, because in the case of Queensland there is not any surplus revenue derived from the Post-office from which it can be taken.

Senator Glassey

- I am sorry to say that the balance in Queensland is the other way.

Senator Sir RICHARDBAKER. That is so. The Commonwealth must pay the money out of some revenue raised in Queensland, and the only revenue which it can be paid out of is the Customs revenue. That revenue collected in Queensland will be appropriated pro tanto to the payment of the interest on the money which is payable to Queensland in respect of the public works taken over from that State. If honorable senators will look at section 87 of the Constitution, and also at section 105, they will appreciate the point I wish to bring forward. ' Section 87 states -

During a period of ten years after the establishment of the Commonwealth, and thereafter until the Parliament otherwise provides, of the net revenue of the Commonwealth from duties of customs and of excise, not more than one-fourth shall be applied annually by the Commonwealth towards its expenditure. Then there is a sub-section which states that -

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

Now, still alluding to Queensland as an illustration, suppose that the scheme provided by the new paragraph proposed by Senator O'Connor is adopted, namely, taking over an equivalent portion of the Queensland debt as payment for Queensland public works-

Senator O'Connor

- It is not taking over the debt ; it is becoming responsible to the State for the payment of the debt.

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Senator Sir RICHARD BAKER

- Becoming responsible for the payment of the debt. Will section 87 of the Constitution apply to that proposal ? Can the Commonwealth pay to Queensland interest on the debt taken over, and debit Queensland with that amount under section 87 1 Or does section 87 only apply to the state of affairs contemplated by section 105, which says that -

The Parliament may take over from the States their public debts as existing at the establishment of the Commonwealth, or a proportion thereof ; and then goes on to say - and thereafter the interest payable in respect of the debts shall be deducted and retained from the portions of the surplus revenue of the Commonwealth payable to the several States, or if such surplus is insufficient, or if there is no surplus, then the deficiency or the whole amount shall be paid by the several States.

Now, I am not at all sure in my own mind whether the latter part of section 87, if read in conjunction with section 105, will permit the Commonwealth to debit Queensland with the interest on the £1,000,000, or whatever the amount may be, which the Commonwealth has to pay to Queensland for the public works taken over ; or whether it will have to be taken out of the Customs duties - because that is the only revenue which, as far as Queensland is concerned, it can be taken out of. If it is taken out of the Customs duties collected by the Commonwealth, then the first part of section 87 comes into force, and the Commonwealth will be placed in this difficulty : That it will not be able to return Queensland three fourths of the Customs revenue received in that State, unless the Customs revenue is made very large. In other words can this £300,000 or £350,000 per annum as the case may be - which has to be paid to the various States or credited to them, or has to be credited in respect of the guarantee - I do not care which way we put it - given by the Commonwealth under the provisions of this proposed paragraph, be taken out of anything else except Customs revenue ? That is the difficulty in which I find myself. Perhaps I have not made myself perfectly clear. It is rather difficult to explain the point ; I admit that. I do not dogmatize about the matter in any way. I simply ask Senator O'Connor to consider what will be the effect of these two sections of the Constitution, if either of these two alternative proposals as to the payment of £10,000,000 for State property is brought into force. So far as I can express an opinion tentatively, I do not think there is any way out of the difficulty, so far as a State like Queensland is concerned, where the amount cannot be taken out of the postal revenue collected in that State. It must be taken out of the only revenue the Commonwealth will have from Queensland, namely - the Customs revenue. If that is done, how can the

Commonwealth return three-fourths of that Customs revenue to the State of Queensland 1

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Senator O'CONNOR

-Perhaps it may be convenient if I state at once my view in regard to the question raised by Senator Baker. It is a matter which I have considered before, and I hope to be able to satisfy the committee that there is really no difficulty in practically dealing with the matter. In the first place, as to the latter portion of section 87 of the Constitution which says that -

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

I do not think there is any doubt that that sub-section refers to debts taken over by the Commonwealth under section 105. It will be noticed that the provisions of section 105 describe exactly the reverse process of that which is followed in this clause. Section 105 is this -

The Parliament may take over from the States their public debts as existing at the establishment of the Commonwealth, or a proportion thereof according to the respective numbers of their people as shown by the latest statistics of the Commonwealth, and may convert, renew, or consolidate such debts or any part thereof.

I may pause here to observe that the only power to take over debts there, is the power to take over the whole of the debts or a portion of the debts in proportion to the population. And there is no power to take over any debt of a particular State. The whole thing must be done upon a common basis, and in proportion to the population. If debts are taken over, the section goes on to say -

The States shall indemnify the Commonwealth in respect of the debts taken over, and thereafter the interest payable in respect of the debts shall be deducted and retained from the portions of the surplus revenue of the Commonwealth payable to the several States, or if such surplus is insufficient, or if there is no surplus, then the deficiency or the whole amount shall be paid by the several States.

That is exactly the reverse proposal to that of this Bill. We do not take over debts for the benefit of a State and make the State responsible to us for the interest. We become responsible to the State for the interest. We pay the interest to the State, or we undertake to pay the State the interest ; so that the process is exactly the reverse of that indicated in section 105. I have no doubt, therefore, that section 87 does not apply to this proposed new paragraph, but to debts taken over under the provisions of section 105. I admit that any expenditure which is Commonwealth expenditure must come under the provisions of the first part of section 87 - that is to say, the Braddon clause. Any expenditure which is not dealt with by debiting it to the State, under section 89, must come under the Braddon clause. In order to see whether this would come under the Braddon clause or not we need to look at the provisions of section 89, which says -

Until the imposition of uniform duties of Customs -

The Commonwealth shall credit to each State the revenues collected therein by the Commonwealth.

Of course there will be the Customs revenue to be credited, and the revenue from different departments as provided for in different parts of the Constitution.

The Commonwealth shall debit to each State -(a) the expenditure therein of the Commonwealth incurred solely for the maintenance or continuance, as at the time of transfer, of any department transferred from the State to the Commonwealth. I presume the suggestion of Senator Baker is that, inasmuch as the expenditure in many of these cases of compensation is really an expenditure in respect of buildings, those buildings being necessary solely for the maintenance or continuance as at the time of transfer of the departments transferred, the interest on the compensation would be payable by the State, and would be debited to the account of the State in the ordinary way. There is no reason why that should not be done. There is no reason why this expenditure should not be charged against Queensland or any other State in connexion with which it is incurred.

Senator Sir Frederick Sargood

- Their share of it.

Senator O'CONNOR

- No, not their share of it. The honorable senator will see the difference for the first five years in regard to expenditure upon transferred services for the purposes pointed out in section 89 " for the maintenance or continuance as at the time of transfer " of various departments transferred. That is not Commonwealth

expenditure in the ordinary sense. It is expenditure incurred in the States for the purpose of transferred services and debited to the States in the bookkeeping. What is debited to the States on the basis of population all over the Commonwealth is expenditure which does not come within that category. What Senator Baker is pointing out is that this expenditure in many of these cases would no doubt be expenditure coming within the sub-section of section 89 to which I have referred. I see no difficulty in debiting that expenditure just as any other expenditure is debited, because section 87 provides - During a period of ten years after the establishment of the Commonwealth, and thereafter until the Parliament otherwise provides, of the net revenue of the Commonwealth from duties of Customs and of excise, not more than one-fourth shall be applied annually by the Commonwealth towards its expenditure. The balance shall, in accordance with this Constitution, be paid to the several States - In order to find out what is "in accordance with this Constitution," we look at the latter part of section 89. I have already quoted sub-section (1), and paragraph (a) of sub-section (2), of the section, and there follow these provisions : -

The proportion of the State, according to the number of its people, in the other expenditure of the Commonwealth.

The Commonwealth shall pay to each State month by month the balance (if any) in favour of the State. Now, that makes no limitation whatever, and it compels the Commonwealth in the bookkeeping of the Commonwealth to charge every item of expenditure which properly belongs to the maintenance and continuance of the transferred services. That goes down in the bookkeeping against the State, and there goes down on the other side the revenue collected from that State, and the balance, if any, is handed over to the State. Whatever Customs duties, therefore, are collected in Queensland - to continue the illustration of Senator Baker - will have to have debited against them any matter of interest on compensation which comes under sub-section (a) of section 89.

Senator Clemons

- The wording of section 89 is not "after the imposition," but "until the imposition of uniform duties of Customs."

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Senator O'CONNOR

- Under section 93 it is the same thing. That section provides for payments to the States during the first five years after the imposition of uniform duties of Customs, and thereafter until Parliament otherwise provides. It therefore carries on this bookkeeping on the same system exactly for a further period of five years at least. There is no doubt that Senator Baker has called attention to a very important aspect of the matter, but it is one which has had the consideration of the Government, and we see no difficulty whatever in charging any expenditure which would come under paragraph (a) of section 89 in connexion with the maintenance and continuance of transferred departments, whether in the paying of salaries, the payment of rent of offices, or the payment of compensation, and it all must be debited against the State and must come out of the revenue of the Commonwealth collected in the State. The only amount the State is entitled to is the balance remaining after the settling up of the account on both sides. Therefore, so far as the criticism of Senator Baker is concerned, the committee need be under no apprehension that there is any real difficulty in carrying out the proposal I make.

Senator Sir RICHARDBAKER (South Australia). - I may say that I agree with every word and every single argument that the Vice-President of the Executive Council has used ; but the honorable and learned senator has not met the point I endeavoured to raise. Taking his own statement and his arguments as being correct - and I believe they are correct - this result will follow : Taking Queensland as an example, and supposing the Commonwealth has to guarantee to Queensland £50,000 per annum, as interest on the loan for its public buildings taken over. That will necessitate the raising of £200,000 per annum extra Customs duties in Queensland, because under the first part of section 87 the Commonwealth has to pay over to Queensland three-fourths of the Customs revenue raised in Queensland.

Senator O'CONNOR

- No ; that is where we differ. I am sorry I did not understand that that was the point the honorable and learned senator intended to make. I think there is no difficulty about answering it at once. Under section 87 it is provided that -

During a period of ten years after the establishment of the Commonwealth and thereafter until the

Parliament otherwise provides of the net revenue of the Commonwealth from duties of Customs and excise, not more than one-fourth shall be applied annually by the Commonwealth towards its expenditure. That is to say it shall apply not more than one-fourth to its own expenditure - the expenditure of the Commonwealth. The next portion of the section says -

The balance shall, in accordance with this Constitution, be paid to the several States.

It does not say that three-fourths shall be paid to the States without any deduction ; it says - " The balance in accordance with this Constitution," and that is a reference to section 89, to which I have already referred, which says that of that three-fourths, there must be made deductions of certain expenditure of the State, not of federal expenditure, and the balance then shall be paid over. Section 87 does not provide that three-fourths shall be paid over, but that three-fourths subject to the deduction provided for in section 89 shall be paid over. I think that is an answer to the honorable and learned senator's criticism, and it seems to me that it is perfectly clear.

Senator PULSFORD

- The Senate is much indebted to Senator Baker for bringing this subject forward. I had myself intended to refer to it, because a great deal depends upon the way in which these payments are viewed. If the interest at 3 per cent, on the estimated amount of £10,000,000- which would mean £300,000 - was to be treated as new expenditure of the Commonwealth, as the Commonwealth has very little limit to play with, it would mean a very considerable increase of Customs taxation to meet it. I am glad, therefore, that Senator O'Connor has made it clear that the interest which is to be paid on the loans taken over for purposes of compensation will come out of the balance of 75 per cent, which is returnable to the States, subject to the deductions which may arise. I would like to refer to the subject of the interest on the loans, because I must say I rather support the view taken by the Government that in view of all the circumstances 3 per cent, would be a fair settlement of the question. I have in my hand the last issue of The Seven Colonies of Australasia, by Coghlan, and I may quote from it particulars of two or three comparatively recent loans. In 1898 New South Wales issued a 3 per cent, loan of £1,500,000, and the average price realized for that was £98-65, or within £1-35 of par, so that the difference was very trifling.

Senator Playford

- Take the last loan, floated only the other day.

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Senator PULSFORD

- I am not going to be asked to calculate for a period of years, at the rate of interest which happens to be ruling at 3 o'clock upon a given day. I prefer to take the interest we find existing over a considerable series of years. I think it is right to take notice of the fact that there has been for a long period a gradual tendency to a reduction of interest. Of course there is at times a reaction, but the tendency exists all the same. At the present moment, undoubtedly, Australian loans might be reckoned at about 3-1 per cent, instead of 3 per cent., but if we are guided by the experience of the last 10 years, I think we can fairly come to the conclusion that 3 per cent, is a fair representation of the amount. There is another point to be remembered, and it is that 3 per cent, is not to be paid to the State on the amount of their individual loans, but on the estimated value of the properties taken over. If a property which has cost the State £100,000 has risen in value to £150,000, it is credited to the State at £150,000, and the State receives 3 per cent, on that amount, which will be £4,500. So that, when the State is paying 4 per cent, interest on the £100,000 it will still be in pocket, although the amount of interest received from the Commonwealth is only 3 per cent. The question as to whether we should make it 3 per cent, or 3½ per cent, is really not worth spending time over, but another point to which I must direct the attention of the committee is that if we allow the States 3½ per cent., we shall have to charge them 3½ per cent., and it practically comes back again to the same thing. After ten years have passed, the finances may be in a different position, but within a period of ten years it does not seem to make very much difference whether the rate charged to the State be 3 per cent, or 3½ per cent. For the reasons I have given, I believe that 3½ per cent, fairly represents the financial requirements, not of to-day, yesterday, or ' to-morrow, but of the period of years in which we are living.

Senator PLAYFORD

- I have listened with attention to Senator Baker, but I have not been- able to follow the honorable and learned senator sufficiently to fix in my mind exactly "what he has been driving at. Looking at section 87, it

deals with two positions. The position in the first place of where we take over property, such as post-offices, necessary for the conduct of our business, and we have to pay the States something for the property we take over. I understand the latter part of the section to refer practically to section 105, where we take over the debts of the States, altogether apart from purchasing property at all. We are, in that case, going to relieve the States of certain debts, and I contend the position is this - that so far as property we are taking over and may take over under this Bill is concerned, we are precluded by the Braddon clause from taking more than one-fourth of the Customs revenue, while if we take over the debts of the States, we are certainly not precluded from taking only one-fourth, because if we read the sub-section of the section dealing with the matter we will find that it says -

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

The debts of the several States taken over by the Commonwealth are set out clearly enough in section 105", and in that case we may exceed the one-fourth, and in taking over the debts of a State, paying interest on her behalf, and relieving her of the burden, we may take every penny the State may be entitled to receive as her share of customs duties. We can do that in such a case in spite of the Braddon clause.

What are we doing under this Bill ? We are assuming power to take land from private individuals, and from States, under certain conditions. We are assuming power, also, in respect of the post-offices and other buildings taken over from the States ; instead of paying cash for them, to take over a certain portion of their indebtedness, and pay the interest upon that amount. The question, then, arises whether that, together with other expenditure of the Commonwealth, will absorb more than one fourth, as provided by the Braddon clause That is the point, and, so far as I can see, it will do nothing of the sort. £10,000,000 is the amount which it is supposed these proper ties are valued at, and our other expenditure is put down at ±'300,000. We expect to raise at the very least £8,000,000 by Customs duties after paying other expenses.- 'Therefore, we shall have £2,000,000 under the Braddon clause, and we shall not want all the money or anything like it.

Senator Sir Richard Baker

- You have to pay for the transferred services.

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Senator PLAYFORD

- The revenue from the Post-office will pay for those services, at all events within a few hundred thousand pounds. We have to pay for the telegraph and post-offices, but we take over the marine. Surely if the Braddon clause were strictly adhered to £2,000,000 would be ample for all our purposes. Therefore, what is the use of raising the point at the present time? I understand that the Government propose to raise £8,500,000.

Senator Keating

- Not net.

Senator PLAYFORD

- Then we shall be in a very awkward fix. We shall not be able to pay the States. So far as I can see from roughly looking at the question, £2,000,000 will be ample for paying the interest on the £10,000,000 worth of property taken over, and all the working expenses of the Commonwealth, including any loss on the Post-office and ,the marine. If we are economical, it ought to be sufficient. Under the circumstances, I do not know what good there is in discussing something which is exceedingly problematical. . I have not gone into the figures, but it appears to me, on the spur of the moment, that £2,000,000 is ample for all our requirements. Coming to the clause, I entirely differ from Senator Pulsford in his contention as to the rate of interest. He tries to make out that it is a matter of no consequence whether we pay 3 or 3-J per cent., because it comes out of the States. That is really an argument to pay them nothing at all. We could carry that argument to an extreme degree. The States vary in their positions, and require, undoubtedly, to be treated on a fail- basis. Is 3 per cent, a fair rate of interest to pay ? It is admitted on all hands that no colony in the group has ever been able to borrow in the London market at 3 per cent. They have always had to float their 3 per cent, loans at a discount. We know that there was a time, commencing in 1894, and running up to 1898, when the value of money decreased until stocks which were practically at par at 3^ per cent, rose nearly to par at 3 per cent. But between that time- .and, the present, we have seen stocks depreciate in value until the premier State in the group, which has always been able to go to

London and get a higher price for her bonds and stocks than any of the other States, has to-day to accept £91 or £92 at the outside for a 3 per cent. loan. That is the position we have to face. The equivalent of the debts of the States to be taken over ought to be gauged on a fair basis, and 3 per cent, is not fair ; 3-£. per cent, would be nearer fair. A number of the smaller States have never been able to borrow at anything like the rate at which New South Wales has done. Western Australia has seldom been able to get more than £93 or £94 for her bonds, when South Australia was getting £97 15s., and New South Wales close up to £99. Other States, like Tasmania, have always been getting less. It has been so in the case of Queensland. If you adopt 3£ per cent, as your basis it would be a little to the benefit of New South Wales, but will not be a half -penny to the benefit of any of the other States. I move -

That the amendment be amended by the insertion after the word " thereof" of the words "and a half."

Senator Sir FREDERICK SARGOOD

- After looking into this matter as fully as I could in the short time at my disposal, I am very much inclined to agree with Senator Playford that there is no practical difficulty in the way, and that the amount of interest required will be forthcoming out of the fourth that can be retained by the Commonwealth. But even if it were not so, it appears to me that the matter is fully met in the concluding part of section 87 of the Constitution. The first part provides that three -fourths of the revenue has to be handed back, and the concluding paragraph says that the balance shall be handed over to the States or applied to the payment of interest on the debts taken over.

Senator McGregor

- That has nothing to do with this clause.

Senator Sir FREDERICK SARGOOD. The proviso says that the balance shall be paid to the several States in accordance with the Constitution. That to my mind makes a very great difference and brings in section 89. I had only read section 89, and was wondering what would happen after the imposition of uniform duties, but I had overlooked section 93.

Senator Playford

- But section 89 is not "Worth considering for- a ' "moment, because it will cease to exist in a very short time.

Senator Sir FREDERICK SARGOOD

- The same principle is continued in section 93.

Senator Sir Richard Baker

- Section 93 is only a detail.

Senator O'Connor

- Section 93 continues the five years.

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Senator Sir FREDERICK SARGOOD

- It continues the same principle. In regard to the principle to be adopted, I think that the new paragraph provides for the most equitable and reasonable way of dealing with the subject, but I hold that the clause will have to be considerably altered. It is all very well to say that the Commonwealth is to become responsible, but we must provide how the interest is to be paid. The only case of the kind I know of is that, in the Act under which the Metropolitan Board of Works here took over about £2,000,000 of the State's loans, it was provided that the interest should be paid three months before it was due in London to the State Treasurer, in order that he might remit it to London. In the same way it will be necessary here to provide that the principal for which the Commonwealth makes itself liable shall be paid three months before it is due in London, in order that it may be remitted. It is not sufficient, in my opinion, to leave it in this bald manner - to merely say that the Commonwealth shall become responsible to the State.

Senator O'Connor

- Perhaps my honorable friend was not here when I mentioned that it will be necessary to have a document of some kind settling the rights of the parties under this provision, because it gives the Commonwealth the power to become responsible for the debt, but the details of the responsibility, the modes and places of payment, are matters to be settled by the deed of contract.

Senator Sir FREDERICK SARGOOD

- It is a matter of such importance, involving such large responsibility, that it would be infinitely better that the clause should contain the leading principles on which it is to be carried out. I do not think that we

should trust to regulations. I think 3 per cent, is too low. Certainly it is lower than any of the States have been able to borrow money at.

Senator O'Connor

- What has the rate of interest in the past to do with the fairness of 3 per cent, now 1

Senator Sir FREDERICK SARGOOD

- I do not think it is a fair amount now. It certainly will not place the States in the same position as they are in now. If you paid the States in cash, the States could do fairly well with the money if they did not spend it as I think they would. On the other hand it is not fair to ask that the States shall be compelled to receive a less "amount than the present fair value of money.- Frankly, I think 3£ per cent, is too much to give. The latest flotation does not come out at more than £3 8s. I would suggest that 3£ per cent, would fairly meet the case. If the Minister can agree to that suggestion, I do not think there would be much difficulty in regard to the committee.

Senator Downer

- Why should the States do that?

Senator Sir FREDERICK SARGOOD

- Because I think, looking ahead, 3[^] per cent, will be a very fair- price indeed. It is not worth while paying more than is really a fair amount of interest to pay on transactions of this character.

Senator EWING

- As Senator Playford has put the question, very plainly I think, so long as the Commonwealth Parliament has sufficient revenue out of which to meet its expenditure, and to pay the interest on the portion of the loans taken over in payment of this money, there, of course, will be no trouble. But the question which has been raised by Senator Baker seems to me a most important one. I speak with great diffidence in the presence of constitutional authorities, but it does seem to me that we must pay the whole of the interest on the properties taken over out of the revenue of the Commonwealth. Under the Braddon clause we are entitled to keep one-fourth of the Customs revenue for the purpose of meeting the requirements of the Commonwealth. But there is the proviso which allows us to keep under one other condition more than a fourth. That one other condition is that we relieve the States of a portion of their liability. We are not, in that sense, relieving the States of a portion of their liability by paying them on taking over the loans. Senator O'Connor has called in aid section 89 of the Constitution, by which he says .we are assisted in the matter, and upon which he founds the argument that we can, in spite of the Braddon clause, retain more than a fourth of the Customs revenue.

Senator Playford

- So we can if we take over the debts of the States.

Senator EWING

- Only if we take over the debts of the States. Section 89 does not help Senator O'Connor in the very least, because it is only a method of calculation as to the liability of the States. It is only a method of bookkeeping. All it says is that in connexion with the departments which are taken over, the States shall be debited with the amount of the expenditure.

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Senator Charleston

- It is all governed by the first line.

Senator EWING

- I am admitting that it is extended for another five years, but Senator O'Connor seemed to think that during its existence it would help us out of the difficulty. I submit, with due respect to the Minister, that it assists him not in the slightest degree, because it says in paragraph (b) that the Commonwealth shall debit to each State -

The proportion of the State, according to the number of its people, in the other expenditure of the Commonwealth.

What is the other expenditure? It is that incurred in the ordinary conduct of the Commonwealth's affairs other than the old expenditure. So that the old expenditure is paid on one basis and the new expenditure is paid per capita of the population. That does not affect the Braddon clause in the slightest degree. The clause does not give the Commonwealth Parliament, as Senator O'Connor seemed to suggest, the right to pay for other expenditure. It is bringing under the head of other expenditure the payment of the interest

on the loans we take over from the Commonwealth for the purpose of paying for the assets. I agree with Senator Playford that we must look to the revenue of the Commonwealth for the payment of not only its working expenses, but also the interest on the properties taken over from the States. I think that Senator O'Connor, on looking more closely into paragraph (b) will see that it does not take him a bit further. It does not modify or explain away one iota the provisions of section 87 of the Constitution, and I think we are bound to return to the various States three-fourths of the revenue collected through the customs. It has been suggested by an interjection from Senator Downer that we might take over a portion of the State debts in proportion in order to get over this difficulty, but that does not take over the debts of the States in the sense which is meant here. That is not taking over their debts at all. That is a payment and not a taking over of liability. I submit to Senator Downer that the difficulty cannot be got over in that way. There is no possible way out of the difficulty but to raise sufficient revenue through the Customs in order to enable the Commonwealth with the one-fourth of the Customs revenue not only to carry on its own affairs, but also to pay interest on the loans which it takes over in payment for the assets it takes from the various States.

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Senator Sir JOHN DOWNER

- I do not take quite the same view as the last speaker. The first principle which I understand underlies all this thing is that where State institutions are taken over, there shall be an indemnity so far as the Constitution justifies it. Not an indemnity in respect of the original costs, but an indemnity in respect of the actual value. That indemnity may take the form of paying cash. That, however, the Commonwealth is not prepared to do. It may take the form of paying interest, or becoming responsible for a State in respect of the actual value. That the Commonwealth appears not to be prepared to do. But I entirely object to the Commonwealth saying that under the Constitution they are entitled to take over the property of a State, and pay a rate of interest less than the interest paid on the amount which the property cost to the place from which it is taken over. That is not an indemnity in any shape or form, and is not in accordance with the Constitution Act. How is the Commonwealth to do this? That is what the Commonwealth has to find out. I do not think there is very much difficulty about it myself. I do not think the Braddon section applies in the slightest degree. But my view is this, in two or three words I object to the States having money sent to them in respect of the responsibilities that are taken over. I know the ways of States, and I fear that there is an immense amount of danger that the money may not be appropriated to the purposes for which the payment is desired. I object to the sinking fund from identically the same point of view. I do not want the States to be paid interest, because I distrust them in that as in the larger matter. What I want to see is, that the States shall be relieved from liability, which they at present have incurred just in proportion to what the Commonwealth takes from them. I do not care how the Commonwealth does it. It can, if it pleases, so far as my view is concerned, take over the most interest-paying bonds of the States or their least interest paying bonds. I only say to the Commonwealth on behalf of the States, "take over our institutions, relieve us of a corresponding liability, and we leave the whole area of our indebtedness open to you. You can pick it where you like, but do not send us money back which may lead us into all sorts of anxiety." I do not think there is a member of this committee who will not agree with me in that respect. I say that Senator O'Connor's proposal does not meet my view in the slightest degree.

Senator Drake

- It provides for it.

Senator Sir JOHN DOWNER

- I do not think so.

Senator Clemons

- The method is easy.

Senator Sir JOHN DOWNER

- Under the new paragraph we are to be paid interest time after time.

Senator O'Connor

- No ; the Commonwealth is to take over debts.

Senator Sir JOHN DOWNER

- I thoroughly disagree with the proposal. There is not a loan that has ever been floated in Australia at less than 3| per cent-

Senator Clemons

- That is another question. The method is still right.

Senator Sir JOHN DOWNER

- Let us deal with the thing in globo if we can. I say that there has never been a loan floated by Australia that has averaged less than 3[^] per cent.

Senator Sir Frederick Sargood

- The honorable and learned senator is wrong.

Senator Sir JOHN DOWNER

- The loan floated in New South Wales the other day - the State which can float at, I suppose, the best possible terms - was only floated at £94.

Senator Sir William Zeal

- That was £94 for a 3 per cent. loan.

Senator Sir JOHN DOWNER

- What does Senator Zeal think the result comes to, reckoning in the expenses of flotation ?

Senator Sir William Zeal

- It is under 5[^] per cent.

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Senator Sir JOHN DOWNER

- Assuming that it would be 3£ per cent., we have the fact that a loan floated by the most favoured State is only able to be floated at that rate of interest. The loans of the other States, of course, have not been floated under such favorable circumstances. The business of the Commonwealth being to indemnify the States, subject to the principle that it ought not to pay according to cost, but according to valuation, I want to know where is the justification for the proposal now before the committee? The Commonwealth and the States have a common interest. They are in that respect all one. The Commonwealth cannot get on unless the States get on also, and the States cannot get on unless the Commonwealth gets on. We are all one concern, and we have only for convenience arranged to amalgamate in respect to several things. The result will only be a success in proportion to the degree in which we work fairly with each other. What is the good of saying - "How can the Common wealth do this?" and "How can the States do that ?" If the Commonwealth takes over the property of the States without doing justice to them how can the States get along at all ? If the Commonwealth takes over from South Australia properties that are bringing in a really good revenue and paying the State well, and the Commonwealth says - "We are going to take these properties at a great loss to you," where is the justice of that ? Surely there must be something fail1 and reasonable in the transaction. The very wording of the agreement between us from the beginning was that the Commonwealth should take over certain properties of the States which might be better managed by the Commonwealth than by the States, on terms of indemnifying the States to the extent of the values as against the liability of the States ; or that the Commonwealth should pay for them in cash, which would be an end to all things. But this 3 per cent, interest payment is, to my mind, simply absurd. Even 3J per cent, will not be enough ; though, certainly, 3£ per cent: would be better than 3. I sincerely .hope that the rate will be considerably increased, in order to indemnify the States on the principle which the Constitution intended in respect of the way in which the properties should be taken over.

Senator MACFARLANE(Tasmania).Senator O'Connor has not yet answered Senator Baker's point. He referred to section 89 of the Constitution, which deals with the payments to the States before uniform duties are imposed, and then he alluded to section 93, which also requires to be considered. That section refers to what is to take place during the first five years after the imposition of uniform duties. Section 87 refers to a period of ten years. So that in ten years' time the real trouble will commence. The committee is very much indebted to Senator Baker for pointing this out, if only because it shows that in the future we shall have to guard cur expenditure, and cut it down as far as possible, in order to make it square with our income.

Under the large propositions which many Members of Parliament have brought forward, very large expenditure would have to be incurred in the future ; but we ought to go in for curtailing our expenditure. I shall be very glad to support the proposal of the Vice-President of the Executive Council for the amendment of paragraph (b).

Senator Charleston

- With an increase in the rate of interest?

Senator MACFARLANE

- No.

Senator PEARCE

- There is one phase of the amendment which has not been touched upon, and as to which I should like to hear Senator Playford's opinion. The whole assumption has been that in taking over these services we are taking over institutions which have been built out of loan money. The rates at which many loans have been raised have been quoted to the committee. But it must be remembered that a number of these institutions have been built, not out of loans, but out of revenue.

Senator Playford

- Still, the Commonwealth should pay a fair price for them.

Senator PEARCE

- We have to take into consideration the fact that if this money were invested by the States they could not get more than 3 per cent, for it. The only State institution paying anything like 3 per cent, interest is the railway system of New South Wales.

Senator Sir John Downer

- Victoria appears to be the only State that has erected its public buildings out of revenue.

Senator PEARCE

- Western Australia has done so to a large extent also. So far as Victoria is concerned, we have it on the authority of Senator Sargood that, outside its railways, a large number of its institutions have been built out. of revenue, including post-offices and defence works.

Senator Sir Frederick Sargood

- In the transferred services only £200,000 has been spent from loans.

Senator PEARCE

- Therefore, it seems to me that if we are going to raise this percentage to 3½, we are going to be over-generous at the expense of the Commonwealth, in paying interest to Victoria and other States that have not paid for public works out of loan money. When we take into consideration the fact that the sources of revenue are limited by the operations of the Braddon section of the Constitution, we should be careful before we raise the percentage to 3½ ; and I shall require to hear further reasons before I feel justified in voting for the increase.

Senator O'CONNOR

- I gather from the trend of the debate, so far, that the real question to be decided is, whether this rate of interest should be 3 or 3½ per cent. I think there is very little difference of opinion on the other points dealt with by the clause. I really cannot understand the kind of argument which has been used by my honorable and learned friend Senator Downer, by Senator Playford, and some other honorable senators who have addressed the committee. It is quite true that we have got to compensate the States in some way that shall be just. According to section 51 of the Constitution, property is to be acquired from any State "on just terms." There is no contract and no implied understanding that the States shall have absolute indemnity and shall be paid back what the works cost them. The provision is expressly that the compensation shall be "on just terms," and that means "just terms" looking at the transaction as a whole.

Senator Sir John Downer

- "Just terms " means indemnity.

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Senator O'CONNOR

- I have called attention to the words of the section in order to show that it does not say indemnity. If it meant indemnity that intention would have been expressed in the Constitution. We had many able and eminent men in the Convention which prepared the Constitution, including my honorable and learned friend himself, who had great influence there, and who certainly would have been able to carry a proposal, if the sense of justice of the members of the convention went that way, to make this an indemnity instead of a question of payment upon "just terms." But the reason why the Convention made the provision as it stands was that it was recognised that the Commonwealth in its early days would have large expenditure forced upon it, and would have to take over a large amount of property. The Commonwealth has forced upon it, under the section which hands over the transferred services, over

£10,000,000 of property. That has got to be paid for. The States have to be compensated on "just terms," and we have to see what "just terms" are. Now, with all respect to honorable senators who have spoken about the loans of the States, I say that we have nothing to do with the percentage which has been paid on loans raised by the States. In the first place, in many States large public works which have come over to us have not been paid out of loan money at all.

Senator Playford

- That should make no difference to us.

Senator O'CONNOR

- It has been urged that there is some reason why the Commonwealth should pay more than 3 per cent., because the States were not able to borrow at less than 4 or 4½ per cent, in the past.

Senator Playford

- Because they cannot at present borrow at 3 per cent. That is the fair way of looking at it.

Senator O'CONNOR

- That is another matter altogether. The argument that the States have borrowed at a larger interest than 3 per cent, has nothing to do with the question we are deciding now. In the early days, when the credit of Australia was not as good as it is now, there is no doubt many States were obliged to borrow money at high interest.

Senator Sir William Zeal

- Sometimes at 6 per cent.

Senator O'CONNOR

- Many of them borrowed at 4, 4½, and 5 per cent. But that borrowing was not on the credit of the particular works which the Commonwealth takes over. It was on the general credit of the States; and why should that have any relation whatever to the "just terms" of compensation, when we are dealing with the States at the present time?

Senator Playford

- We never said it should. If we did, the Commonwealth would have to pay 7 per cent, in some cases.

Senator O'CONNOR

- We have nothing to do with the interest paid by the States. We have no knowledge of what has been paid by them in past years, or what they may be paying now for their loans. We have to say what is a fair thing to allow under all the circumstances. The Commonwealth takes over these properties. A large number of them, as I have said, are forced upon the Commonwealth, or are transferred by virtue of the Constitution. The Commonwealth has to pay for them. What is the object of asking the Commonwealth to pay a larger amount of interest? Surely regard must always be had to the credit of a person who owes money. If one has the best possible security a less rate of interest is charged. If one has not so good a security a larger rate of interest is charged. Here we have the best possible security in the world in the security of the Commonwealth - a security which, I assume, comes next, if it is not equal, to the security of Great Britain herself. What better security could there be? The next consideration is at what rate would a State itself be able to invest this money? If this amount of compensation, estimated at some £10,000,000, were distributed to the different States in cash, what use would they be able to make of it? Would they, if they invested it in the ordinary way, be able to make more than 3 per cent, out of it?

Senator Playford

- They would not; but they would be able to use it, instead of borrowing in the market themselves.

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Senator O'CONNOR

- The honorable senator says they would not, and that is an admission of one branch of my argument. One way of looking at the question is to ask what return would a State get for the money, supposing it had it to invest? Surely we cannot put a State in a better position than by paying it the interest which it would itself get for the money. Senator Playford says the States might not invest the money, but use it in other ways. We have nothing to do with that question, but when the honorable senator puts it to me, I think, as a matter of economy, a State would probably make very much more by getting 3 per cent, on the money as is here proposed than by investing it in the ordinary way in public works, carried on as they are in the different States. The proper measure of value is first of all what is a fair interest to pay, having regard to the credit of the person who owes you the money, and having regard to what you would be able

to get for your money if you had it. In dealing with the matter we must consider the particular words of the Constitution, that the terms must be "just terms." With regard to isolated instances of resumptions which may take place from time to time, they will be small and we need not trouble about them. What we have really to deal with is the large amount of £10,455,000 which comes over to us. as the estimated value of properties connected with the transferred services, and in the bulk of the cases this compensation is absolutely in respect of premises in which the transferred services are actually being carried on. In the case of Post-offices, Custom-houses, or fortifications, they would all be acquisitions of properties that are necessary for carrying on the services as they are, and the States are therefore in this position in any of these cases which come under sub-section (a) of section 89 of the Constitution - that is to say, where the expenditure of the Commonwealth in paying this interest on compensation is solely for the maintenance or continuance as at the time of transfer of any departments transferred from the States - that they will themselves pay the interest, whether it is 3 per cent, or 3½ per cent, for five years, and until some other arrangement is made under a later section of the Constitution. If a State has to pay the interest, surely it does not want to saddle itself with 3½ per cent, instead of 3 per cent 1

Senator Playford

- That argument would be just as good for paying no interest at all.

Senator O'CONNOR

- It will certainly go to this extent, that the less the interest is the better it will be for the States.

Senator Playford

- Only for a short time.

Senator O'CONNOR

- Only for a short time, the honorable senator says ; but I think he will see that at the end of the five years there will probably be some basis of settlement which will recognise the settlement - whatever it was - which was arrived at and continued during the five years. That, therefore, is another view which must be taken of the matter ; and, under the circumstances to which I have referred, I cannot understand that the States will be willing to pay interest at 3½ per cent, instead of at 3 per cent. There may be cases in which it may be considered that the expenditure will not be solely for the maintenance or continuance of transferred departments as at the time of transfer, and under these circumstances the States are put in the position that with regard to a large portion of these properties, which were dead properties paying no interest whatever, they will get interest upon them at the rate of 3 per cent. That is a matter which must also be considered very carefully in arriving at the amount of interest we are going to give. In the alternative I am putting now, we relieve the States of a large portion of property, under defence, for instance, which is paying no interest what ever, and which has originally cost the States a very considerable sum of money, and we must take that into consideration in order to see what the rate of interest in accordance with just terms amounts to. I have made some calculations as to the amount involved from a very useful collection of documents connected with these matters, in Mr. Fenton's report to the Conference of Statists in Victoria, and I find that, taking the estimated value of the properties at £10,455,000, £1,540,000 represents defence works. The interest upon that at 3 per cent, would be £46,200 a year. That is to say that the States would get between them £46,200 a year in respect of State properties which before that were absolutely bringing them in nothing.

Senator Clemons

- The Commonwealth could not get these properties for nothing.

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Senator O'CONNOR

- Of course the Commonwealth could not get them for nothing ; but I am pointing out now the difference between the position of the States before these properties were taken over and after they were taken over. There is a question now of \ per cent, difference of interest between my views of what is just, and the views of some other honorable senators, and I say that in considering the question of whether we shall saddle the Commonwealth with the payment for all time of \ per cent, more interest, we must have regard to all the circumstances I have been pointing out. I have shown that in respect of these properties the States will be in the position of receiving, by the proposal to fix the rate at 3 per cent., no less than £46,200 per annum in interest which they would never have received before. Quarantine is another item of the same kind which has to be taken over, though it is not taken over yet, and it is something that does

not produce any revenue to the States. The compensation in respect of that is estimated at £81,000, and the interest payable upon that at 3 per cent, would be £2,430 per year. Then there is an estimated amount of £854,000 in connexion with coast and harbor lights. The interest on that amount at 3 per cent, is £24,620 a year. Taking all these works together, which at the present time are mere dead weight to the States, there will be an amount of £73,250 which the States will get in interest upon these dead works, as they may be described from the financial point of view, which they would not get if the Commonwealth had not taken over these properties. We must look at the transaction all round. On the one hand, the States hand over the whole of these properties to the Commonwealth. They hand over their revenue from Customs to the Commonwealth, and they hand over the transferred services to the Commonwealth ; but, on the other hand, they get large benefits from the Commonwealth. It is for the good of Australia that the transfers are made. It is the people of the States who make the transfers, and when they are made we must remember that in respect of many of the properties handed over they will get £73,250 in interest, which it would never have been in their power to earn if those properties had remained under the old condition of things. There is still another matter to be considered. In regard to the compensation payable for properties taken over, a very large portion will be in respect of the value of land transferred in each case. The Commonwealth will pay to a State the value of the property at the time of taking it over, practically its value at the present day, and honorable senators will see that in regard to all the States there is an immense amount of unearned increment attaching to these properties which the States will get the benefit of. Take, for instance, the case of a post-office like the Sydney Post-office, situated in the most valuable portion of the city. Putting it at the very lowest figure, I suppose the land there would be worth now something like from £1,000 to £1,200 a foot, and when it was originally acquired by the State, whether it was Crown lands or whether it was bought, £100 a foot would have been a very large amount to allow for it. That is only one illustration of a great many instances which will occur throughout the States and in every portion of Australia. And in the case of post-offices and other public buildings, the land on which they are erected will have cost the States a very small sum of money, and the Commonwealth will have to pay the States a very large sum of money for it, the States getting the benefit of the unearned increment.

Senator Clemons

- We cannot analyze like that.

Senator O'CONNOR

- We have had a good deal of analysis here as to the position of the States and the position of the Commonwealth. We have to look at the question all round ; and honorable senators must remember that every farthing of expenditure we put upon the Commonwealth in its early days will be difficult to find, and will be likely to increase its embarrassment. We must look at the matter not from the point of view of the States only, any more than from the point of view of the Commonwealth only. We must consider all the circumstances and see whether we cannot arrive at something that will be fair, equitable, and reasonable. Under all the circumstances, I say it is reasonable to fix the rate of interest to be allowed at 3 per cent. Honorable senators will remember that that is the net percentage without any deduction, and it is more than the States would make from the money, if we handed it over to them, by investing it in the money market of the world. I have reminded honorable senators also that it is the rate of interest which, by this Bill, we will have to pay to the private individual, and if, under all the circumstances, it is a fair rate of interest to pay the private individual, why should the States, under all the circumstances I have pointed out, require more? It maybe well to realize for a moment what the amendment proposed by Senator Playford means in increasing the percentage. It does not sound very much when we say 3½ per cent, instead of 3 per cent.

Senator Playford

- It is £35,000 on the £1,000,000 as against £30,000.

Senator McGregor

- It is £50,000 a year on the estimate of £10,000,000.

Senator O'CONNOR

- Yes ; and when we consider the difficulties with which we are hedged round under the Constitution in regard to the application of revenues, it is a serious thing to put an extra £50,000 a year upon the Commonwealth for the purpose of compensating the States.

Senator Playford

- Not if it is just.

Senator O'CONNOR

- Not if it is just ; but we may be liberal and over-liberal without being just, and we must remember the circumstances of the Commonwealth as well as the circumstances of the States. It would be a very serious thing to make an addition of £50,000 a year to this estimate of the payments which the Commonwealth will require to make to the States in compensation for transferred properties.

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Senator Sir John Downer

- It all depends on if it is just.

Senator O'CONNOR. We get back again to the question as to whether it is just, and I say it is just to fix the rate at 3 per cent., and that we must not be over liberal, remembering that this extension of [^] per cent, proposed by Senator Playford means a charge against the Commonwealth for all time of some £50,000 a year. The proposal of the Government is a reasonable one under all circumstances, and I hope the committee will assent to it.

Senator CHARLESTON

- Notwithstanding all the honorable and learned Senator has said, I am convinced that this proposal is not a fail- and just one to make. We have been told that money has been borrowed by the various States on the general credit of the States, and if that be so, and we take over a certain portion of the assets of the States, it is only fair that we should at least be willing to base our calculations as to the rate of interest we shall pay upon at least the average rate of interest paid by the States. That is the only fair way to deal with the matter, and I only hope that something of the kind will be done. It is quite evident that 3 per cent, is far less than the average rate of interest paid by the various States, and if we pay only 3 per cent, on taking over these assets, we shall be increasing the burdens of the people in the States.

Senator MCGREGOR

- This question is scarcely settled yet in the minds of a good many honorable senators, and I hope a vote will not be taken on it until every senator has made up his mind as to the basis of that justice which has been so often referred to. I believe the intention of a good many honorable senators, in advocating 3 per cent., is to protect the interests of the States to which they belong. It might require some little time, probably, to show the representatives of some of the States, at least, that they are not protecting the interests of their people by advocating a rate that is in excess of what is really just. There is something involved in this clause to which honorable senators have not given due consideration. A certain public work is taken over from a State. Suppose that it is worth £1,000,000. Does it matter whether the State borrowed the money to construct that work at 5 per cent, or 3 per cent., or no interest at all? That is the way in which we must come at it, and we must arrive at justice by analysis. Suppose that the State paid 6 per cent, on the loan money, or that the work was constructed out of revenue. How is it taken over by the Commonwealth? By the means which is set down in this Bill, a value is placed on it, based on the market value at the time it was taken over. When* you are about to take over a property you do not consider whether it was constructed out of loan money or out of revenue. You simply consider what is a fair value. What does the amendment, which I believe would be an improvement, provide? It says that at the rate of 3 per cent, you are to take over from the public debt of the State a sum equivalent to that value. If you take an actuarial value what does that mean? Suppose that the value is fixed at £2,000,000, you say to the State-" We have taken over from you a property which is worth £2,000,000, and we are going to give you 3 per cent, on that sum." The State has bonded debts at rates ranging from 6 per cent, to 3 per cent. If you take over £2,000,000 worth of property at 3 per cent., you can take £1,000,000 of its bonded debt, on which it has to pay 6 per cent. Is not that fair? If you take over a portion of its bonded debt at 4 per cent, you have to take over £1,000,000 and a third. You agree to pay the State £2,000,000 for this asset at 3 per cent., but you take over an amount of its debt arrived at by an actuarial calculation based on that £2,000,000 at 3 per cent. I come now to the question of whether 3 per cent, is a fair rate of interest to pay on that £2,000,000. It has been pointed out that a great many of the properties which are to be taken over return nothing to the States, and that the States will get a great advantage in that direction. It is also pointed out that the States will get in very many instances a large equivalent in unearned increment. Take for example, the State which Senators Playford, Downer, and Charleston so ably represent. Suppose that

the value of the properties taken over is fixed at £10,000,000. At 3¹ per cent, the Commonwealth has to pay £50,000 more than it would have to pay at 3 per cent. The Post-office in that State pays, but it does not pay in other States. South Australia has, however, to contribute her proportion of that £50,000.

Senator Playford

- Only for five years.

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Senator MCGREGOR

- Honorable senators must not allow their minds to dwell on the State they represent, and what may be an apparent advantage at this time. They must broaden their minds to the effect of what they are doing, on the Commonwealth beyond 5 years, and on the State even at the present time. When you make a larger amount of interest payable beyond what is really fair you burden the smaller States which have to make up a very large proportion of what has been lost elsewhere.

Senator Playford

- You had better reduce it then.

Senator MCGREGOR

- I have heard both Senators Playford and Downer say - "If you argue in that way you had better do away with the interest." If their argument is correct why do you not raise the rate to 20 per cent.? The thing cuts both ways. We want to be fair. I for one consider that 3 per cent, is fair. Although very probably at the present time if everything was analyzed as it could be, I could show that it would be far more in the interests of South Australia if it were only 2¹ per cent. Those who only look at the surface of the thing, and its effect for five years, may say that the bigger the rate of interest they get the better for them. Who is going to contribute this money? Is it not the people of their State? If the people of their State have to pay in interest, and it goes to make up a big deficit, is it not all the worse for the State in which the property is? I hope that honorable senators will not be led away by the mere idea that we are going to get a benefit - apparent benefit - when really if you go to the bottom of it you are going to lose by the transaction. I hope that the fairness and justice of the proposal will be recognised by honorable senators.

Senator CLEMONS (Tasmania). - I rise to briefly point out that what really is at the root of the question is that if we adopt the clause we are going to force the States to lend money at 3 per cent. Instead of paying the States in cash for their properties we are going to say to them - "We intend to force you to lend us this money at 3 per cent." Honorable senators may decide if they choose that to give the States 3 per cent, is a fair thing. I do not think it is, and that is why I shall support the amendment to give 3¹ per cent.

Senator Pearce

- It is pointed out that some of the money is not returning 1 per cent.

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Senator CLEMONS

- We have nothing to do with the question of what the capital price is now; we are merely discussing the rate of interest. Every consideration which ought to be taken notice of in assessing the capital price will be taken notice of. You have finished with - that question once and for all so soon as you have settled the capital price. Having done that in a perfectly fair way, what interest are we going to compel the States to take because they become lenders and we become borrowers? The argument that the States could not borrow anywhere else at less than 3 per cent. is wholly beside the question. It is turning the whole matter topsy turvy. The point is - Can the States lend money at more than 3 per cent.? Or, if they had a vast sum to lend, would they lend it at so low a rate as 3 per cent.? I appeal to every honorable senator to decide the question on that issue. If he is of opinion that it would not be a good financial operation for any State to lend money at 3 per cent., he ought to approve of the amendment. If on the other hand he thinks it would be a good operation for any State to lend money at 3 per cent., he ought to support Senator O'Connor. I am going to support the amendment.

Senator PULSFORD (New South Wales). - It is worth while for us to bear in mind what has been done in Great Britain in regard to the national debt. Some years ago the Chancellor of the Exchequer, Mr. Goschen, finding that the money market was very easy, arranged to bring down the interest on the national debt, and it was an operation that covered more than £500,000,000. The arrangement was that for seventeen years the interest should be 2¹ per cent., and that after that time it should be 2¹ per cent. The period of seventeen years expires, I think, in 1903. The difference of ¹ per cent, between the British

rate and the Commonwealth rate,, as proposed in this clause, seems a fair and reasonable one - not on the basis of the value of money as existing on this particular day, or in this particular year, but on the basis of the value of money during the last ten or twenty years. At the same time, I would suggest to the Government that they should make a little alteration in the clause - that, taking a leaf out of Mr. Goschen's book, they should make the clause read " a loan of per cent, for five years, and afterwards 3 per cent." If Senator Playford would accept that suggestion it would be a reasonable and satisfactory termination of this debate, especially in view of the fact that the special amount of the rate of interest is of no very great significance, seeing that the States which pay it will have to receive the money back again.

Senator DE LARGIE

- I intend to support the proposition of the Government on the question of the rate of interest, because the longer the debate continues the more strongly do I see the justice of their case. I could understand a demand for a higher rate of interest if all the money with which these works were constructed were loan money. But we would also be paying 3 per cent, interest on money which has never existed. For instance, the sites of many of the post-offices in the various capitals and towns throughout Australia have never been out of the hands of the States. These greatly enhanced values will have to be paid for at the same rate of interest as loan money. I must confess that the States will have the best of this bargain, so far as the rate is concerned.

Postmaster-General

Senator DRAKE

. - Before we go to a division I wish to say a few words on this very important subject. It struck me on listening to the remarks of a number of honorable senators, especially those who favour increasing the amount of interest, that they look at this matter from the point of view of their own State as a State which is going to receive this money. Senator Clemons has put it in this way ; that in dividing we are to decide whether we are willing to force the States to lend money to us at 3 per cent. That statement and a number of others seem to me to be based on the fallacy, that the States are regarded as being merely the receivers of this money. They forget that every State in addition to being a receiver is a payer ; that the six States have to pay this amount ; and although it may be possible that one State is to a slight extent more in the position of a receiver than a payer, on the whole the thing, of course, will come to be perfectly equal. I think hardly any honorable senator would like to stand up and admit that he is taking an entirely selfish view of the matter and asking for a higher percentage because his own State will be a little more in the position of a receiver than a payer.

Senator Playford

- I do not think any honorable senator took that into consideration. I never thought of my own State.

Senator DRAKE

- If that is not taken into consideration the position is exactly equal, and the representative of each State is just as much interested in seeing as a payer that the rate of interest is low as he is in seeing as a receiver that the rate of interest is high. It comes to exactly the same thing.

Senator Playford

- It is not a question of high or low interest, but of justice.

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Senator DRAKE

- I say let us have justice as buyers as well as receivers ; and if so the proposal of the Government that the rate should be 3 per cent, is absolutely fair. It has been pointed out that in the case of some of the properties that will be handed over, they cannot be considered as of the value of 3 per cent., or anything like that at the present time. It is true that some of the properties that will come over to the Commonwealth will not bear the value that to a very large extent is the result of the high cost of the land upon which they were erected. Taking it as a whole - looking at it from the point of view not of the States, but of the States and the Commonwealth being equally interested as buyers and receivers - I cannot see any ground for the amendment which has been proposed. I cannot see that any reason has been shown why 3¹ per cent, should be the rate of interest; or why 3 per cent, is not just to the States and fair to the Commonwealth. There is another reason why the 3 per cent, interest should be retained. The committee knows very well that there are certain strict constitutional limits as to the expenditure of the Commonwealth, and it is desirable, if it can be done in justice and fairness to all the States concerned,

that the amount of the expenditure of the Commonwealth should be kept down within these limits. Senator Baker, who has been followed by other honorable senators in the same line of argument, has pointed out that in consequence of sections 87 and 93 there will be some difficulty in finding a very large amount of money as interest to make compensation for the acquisition of property, and that is given as one reason why it is desirable that the rate of interest should be 3 per cent, instead of 3£. When honorable senators take up that position, they are looking at it from the point of view of their own particular State, or considering whether they are in the position of buyers to a greater extent than they are of receivers, or viceversa. I think that there is no argument whatever why the 3£ per cent, should be preferred to the 3 per cent.

Senator Sir JOSIAH SYMON

- I certainly do not view this matter from the stand-point of my own particular State. That position has been repudiated by Senator Playford, who said that it never entered his mind, as am sure it did not. I do not view it from that stand-point, because at the present moment I really do not know whether my own State will be a receiver or a buyer, to use the expression of Senator Drake, when the accounts come to be made up. There are one or two other considerations introduced into this debate, which seem to me to have little bearing on the real question. One of these is as to the amount which will have to be received by the Commonwealth, and as to the somewhat awkward position in which the Commonwealth is placed owing to that provision which is always known as the Braddon blot. Now that constitutes, as far as the revenue is concerned, an objection to raising any amount of money whatever, but it does not seem to me that it is of very great importance, having regard to the position of the Commonwealth of Australia, that the amount is either to be £30,000 or £35,000 a year per million. It does not appear to me to be a matter of serious moment - it will not break us or make us. I will not say that that is an ad captandum argument, but it is one to which honorable senators at the first blush may be disposed to give too much weight when they consider the solution of the question involved in this amendment. Another matter that requires to be cleared away is this : That it is a matter of common concern for us to consider whether the particular loan that was expended upon the particular work that is to be taken over bears 3 per cent, or 3-J- or 4 per cent." interest. That has nothing to do with the question. Therefore, when Senator McGregor put it that there may be a loan of 6 per cent, referable to. a particular property being taken over, I reply that that is of no consequence whatever. Another suggestion, which is only misleading and throwing dust in the eyes of honorable senators, is that many of these properties at their present value are worth a much larger sum of money than that for which they were originally acquired by the particular State. That has nothing to do with the question either. I regard this as a purely business transaction, and that is the only way in which I intend to deal with it. It is not a question to be settled on the lines of patriotism or sentimentalism or emotion or anything of that kind. It has to be dealt with as a pure matter of business ; and it is not only an understanding, but an absolute constitutional bargain between the Commonwealth and the States, that these properties are to be taken over at their present value. There can be no other basis. The argument of Senator McGregor would be exceedingly powerful could the Commonwealth get these properties at prairie value or at the original cost. But that has nothing to do with the rate of interest we have to pay, or the actual value of the loan we are to take over as an equivalent. Therefore I hope that honorable senators will disabuse their minds of any arguments resting upon foundations of that kind, or resting upon the foundation that the States are apparently going to make a profit out of a transaction - that they are going to sell land which may have cost them £100 per foot for £1,000 per foot. If they are, we, as the legislative body of the Commonwealth, have no right to grumble at it. It is our business to pay them either in cash or in some other way proposed in this clause.

Senator Glassey

- Suppose the Commonwealth had to buy the properties ?

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Senator Sir JOSIAH SYMON

- That is the test. The interjection of Senator Glassey pricks the bladder that has been blown up in respect of the fairness of the Commonwealth in securing these properties at the lowest possible value. Whatever the States may get for them has nothing whatever to do with the rate of interest on which the actuarial estimate shall be formed as to the equivalent amount of debt to be taken over. The question then being - What is the transaction? let us look at it for a few seconds. The transaction is that we have to take over

the properties at their present value. If we do that we have to pay for them. The alternative spoken of in this clause is that the Commonwealth may pay for them in cash or by taking over debts. The Commonwealth itself may say to the States - " We will pay in cash " ; or, if it is considered preferable, may say - " We will take over a portion of your debts." If the Commonwealth thinks it advisable to pay cash it can do so. If, on the other hand, it thinks it advisable to make a State, so to speak, a lender of money - to say "We would rather not pay the money owing, but let it stand over, paying you an equivalent in interest," - that can be done. The question we have to ask ourselves is - "What is a fair rate of interest to pay?" - not as some honorable senators have put it, " What is the patriotic view we ought to take as between the Commonwealth and the States ?" Some honorable senators have probably been in the unfortunate position of acquiring land at a very extravagant price. We thought probably that we should be able to sell it to some one else at an even more extravagant price. But that did not come off. We have had to hold that land unproductively for a number of years, just as it is said that some of the properties taken over by the Commonwealth are unproductive. But what had that to do with it ? If I hold my land unproductively it is a burden to me. If I sell it for a thousand pounds, and the buyer says - " I cannot pay the money, but will leave half of it at interest," am I to take into consideration that it has been unproductive ? That fact was an inducement to me in getting rid of it, and perhaps I took a lower capital price for it in consequence. But surely to goodness I am not to be victimized both ways. What is a fair market rate between the States and the Commonwealth? Is it not what the States would have to pay for the money if they had to borrow ? At what rate can the States afford to lend to their borrower, the Commonwealth? What is the just rate? We know what happens in South Australia in regard to our State bank, which has the power and the financial strength of the State behind it. South Australia, for the purpose of the State Bank, is able to borrow money at 3£ per cent. That money is lent out at 4 or 4£ per cent. That is a fair and legitimate transaction. What does Senator Playford say in regard to the properties taken over by the Commonwealth from South Australia ? He offers that the Commonwealth shall pay 3£ per cent., which is the rate at which South Australia can borrow money for the purposes of its State bank. I put that as an illustration of what happens in a particular case, and it is a fair one, because a fair rate of interest should approximate to the rate the Commonwealth would have to pay if it went into the market. We all know that the State of New South Wales, which stands very high in the money market, has recently floated a 3 per cent, loan at £94. There you have a case in which a State has to pay more than 3 per cent, for its money.

Senator Sir Frederick Sargood

- £3 Ss. 9d.

Senator O'Connor

- Here we are offering to pay the States 3 per cent, at par.

Senator Sir JOSIAH SYMON

- I know that my honorable and learned friend is one of the most acute and subtle lawyers in this country. I always thought that he was also a bit of a financier until he made that last remark. Of course, the Government propose to pay 3 per cent, on the £100, but what I am showing is that the States cannot borrow at 3 per cent, on the £100. The States are going to place the Commonwealth in the position of a borrower. The Commonwealth cannot both " a borrower and a lender be."

Senator Drake

- That is what the Commonwealth is.

Senator O'Connor

- Senator Symon will find that hereafter the States will have something to say as to the high rate of interest paid by the Commonwealth.

Senator Sir JOSIAH SYMON

- That shows that the patriotic view is the view I am taking, because we say - " Let us do what is fair and just in this matter, whatever the ultimate result may be." We say that we are only undertaking a business transaction, and that we should do it on a fair and just basis. The States will be lending practically £10,000,000 to the Commonwealth. I say that the Commonwealth cannot go into the market at 3 per cent.

Senator Sir Frederick Sargood

- They can at close on 3A- per cent.

Senator Sir JOSIAH SYMON

- They may at a little less than 3^ - ; but we cannot go into fractions. Taking a fair approximation it seems

to me that the amendment should commend itself to the committee.

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Senator DOBSON

- I have not hitherto interposed in this debate, because I recognise that the matter is one of small import, inasmuch as every State whilst being a receiver will also be a payer. As the Vice-President of the Executive Council has said, the States will have something to say as to the rate of interest paid by the Commonwealth. But I do not like to say in a matter of this kind that it does not matter what we do and that it is as broad as it is long. We have to do what is a fair and right thing. We have to pay such a rate of interest as will be fair both to the

Commonwealth and the States. I therefore rose to ask my friend, Senator Playford, who has moved an amendment, to give way in order that I may move an amendment prior to his own. In this Bill, where we are dealing with private persons, we may take up the ordinary position which every lawyer takes up when acquiring land compulsorily, but when we are dealing with the States which form this Commonwealth, I do not know that we should take up that position. I do not know that the States should not have some voice in the transfer of this £10,000,000 of property. That being the case, I propose to move that "three per cent." be omitted, and that the following words be added to the amendment : -

The loan being estimated to bear such a rate of interest as may be agreed upon between the Commonwealth and the State, and to be as nearly as possible the current rate of interest at which the State can issue debentures on the English market at the date of the transfer of the land.

Senator O'Connor

- They would never agree.

Senator DOBSON

- How can the honorable and learned senator say they would never agree, and at the same time tell us that they are both buyers and receivers, and that it is of no consequence ?

Senator O'Connor

- I never said it was of no consequence. I said that the States would have something to say as to the rate of interest paid by the Commonwealth.

Senator DOBSON

- When we know that the original mother State of Australia can only float a loan at £3 8s. 9d. per cent, for £94, how can we offer the States only 3 per cent?

Senator Playford

- Then there was 1 per cent, for underwriting.

Senator DOBSON

- That goes without saying. The loan was really only floated at an equivalent to 92. What Senator Pulsford has pointed out is true, that in 1897-8 the various States were all floating their 3 per cent, debentures at a very little below par. But not even then could any Australian State float a loan at that rate of interest at par. Ever since 1899 the rate of interest has been rising, so that now it is practically £3 8s. 9d. per cent. I do not see much chance during the next few years of the rate of interest falling to what it was in 1897 and 1898. To use the phrase of some honorable senators, I cannot dogmatize about the matter, and I can hardly say what is a fair rate ; but I think that the States and the Commonwealth ought to confer together about it, and it should be not less than the current rate at the time the transaction takes place. If Senator O'Connor objects to the amendment suggested, let us put in the words "the then current rate," instead of either 3 per cent, or 3½ per cent. We might use the expression "the then current rate, not being less than 3 per cent, or more than 3½ per cent." In order to test the matter, I shall be prepared to move the omission of the words "three per cent.," and if that is negatived I shall abandon my amendment.

Senator PLAYFORD(South Australia). - I withdraw the amendment I have proposed in the meantime, to enable Senator Dobson to propose his amendment.

Amendment on amendment, by leave, withdrawn.

Senator DOBSON(Tasmania). - I move -

That the words "three per cent.," lines 5 and 6, be omitted.

If that is carried, I propose to add the words I have read. If it is asked how the matter can be decided, I say, let it be decided at once by the High Court of Justice.

Senator Clemons

- -Let us decide it now.

Senator DOBSON

- The honorable and learned senator keeps on saying "let us. decide it," but I think the State Governments should have a voice in the matter. The Treasurer of the State I represent should have a voice in the matter, and we are adopting altogether too dogmatic a tone in regard to the States and in regard to £10,000,000 worth of State property.

Senator O'CONNOR

- I must oppose this amendment, which is really my honorable and learned friend's view over again that there should be no option.

Senator Dobson

- -There certainly ought not to be any option.

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Senator O'CONNOR

- Exactly ; I knew that was what it was, but it has been thrashed out twice already. The honorable and learned senator will recognise that while we may have agreement in some cases, we must always, in dealing with these amendments, look to the breaking-point of the clause. And supposing there is no agreement, what is to be done ? If there is no agreement there must be a payment in cash, and that would mean that the Commonwealth would have to pay between ten and eleven millions of money. The honorable and learned senator must see that that is impossible, and I ask the committee not to agree to the amendment.

Amendment on amendment negatived.

Amendment (by Senator Playford) proposed -

That the words "and one-half" be inserted after the word "three," line 5.

Question - that the words proposed to be inserted be so inserted - put. The committee divided -

Ayes 13

Noes 12

Majority 1

Question so resolved in the affirmative.

Amendment on amendment agreed to.

Senator Sir FREDERICK SARGOOD

- I again call attention to the desirability of putting some words into the paragraph to provide for the mode of payment. It should be provided in the Bill that the interest and principal should be paid to the States some time before they became due. If the matter is left to arrangement between the States and the Commonwealth it will simply mean that it will be the subject of almost interminable disputes. The interest upon the State loans has to be paid at certain dates, and the Commonwealth should provide the necessary amount of money a certain time before the due date for the payment of interest in order that it may be remitted to London. In the same way money required for the payment of the principal should be handed over to the States three months before the due dates for its payment. We must bear in mind that the Commonwealth does not take the responsibility of these debts so far as the debenture-holders are concerned. They will, of course, continue to look to the States. All that the Commonwealth has to do is to deal with the States, and I think it necessary we should provide that the States shall receive interest and principal three months beforehand in order that they may be able to remit the money to meet their obligations at home.

Senator Sir William Zeal

- Why three months ?

Senator Sir FREDERICK SARGOOD

- I am taking the experience of the Metropolitan Board of Works, and they have found that it takes about three months to make the necessary arrangements for payments at home.

Senator O'CONNOR

- What the honorable senator refers to is one of the details of the arrangement which may be made between the Commonwealth and the States. There is no doubt it is an important detail, but the honorable senator will recognise that once we begin to supply details of these arrangements we will have to provide some general form of agreement in this Bill.

Senator Sir Frederick Sargood

- It already provides for details.

Senator O'CONNOR

- No ; what is provided for is the power of the Commonwealth to become responsible, and all the details will be, and must be, arranged between the States and the Commonwealth. The case to which the honorable senator referred was the case of a single transaction, but there will be hundreds of differing transactions carried out under this clause, and it would be impossible to provide in detail for all of them.

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Senator PLAYFORD

- There is one point of great importance to the State outside the matter to which Senator Sargood has referred, and that is that if the interest is paid by yearly payments it will mean a considerable loss to the States, who have in every case to make half-yearly payments on the loans they have borrowed. I think the Commonwealth should pay interest to the States on the loans they take over half-yearly, but I do not see how we can ask the Commonwealth to pay this money some time before it is due, for the purpose of enabling the States to remit the money to England to meet their obligations there, because when we take over portions of loans we do not become responsible to the bond-holders or the men who hold the States' stock in the London market. We only become responsible to the States, and the State would have to provide its own money for the London market to pay the interest as it falls due. The payments of interest are made at different dates, some in January and July, and some in March and October, but in every case they are half-yearly payments, and I have not the slightest doubt that the Commonwealth will, as far as possible, consider the convenience of the States in the payment of interest. I think we should guard the States to the extent of seeing that the interest should be paid half-yearly. I therefore move - That the words "interest to be paid half yearly " be added to the amendment.

Senator O'CONNOR

- There is an objection to putting in those words ; in the first place, because the honorable senator will see, on looking at the paragraph, that there is absolutely no necessity for them ; and we would, by their insertion, be laying down a hard-and-fast rule, which might not be applicable in all cases. By the Commonwealth becoming responsible to the State in respect of a loan, it will follow that where the conditions of the loan involve a half-yearly payment of interest by the State, the Commonwealth will have to pay the interest half-yearly.

Senator Playford

- If the honorable and learned senator is satisfied that that is met by the clause, I ask leave to withdraw my amendment.

Amendment on amendment, by leave, withdrawn.

Amendment, as amended, agreed to.

Clause, as amended, agreed to.

Clause 59 -

Whenever land is acquired under this Act by notification in the Gazette, a copy -of -such notification, certified under the hand of the Attorney-General, shall be lodged with the Registrar General or Registrar of Titles, or other proper officer of the State or part of the Commonwealth in which such land is situated.....

Senator O'CONNOR

- I have an amendment to move upon the clause, at the suggestion of Senator Dobson, which, I think, will be an improvement. I move -

That the words " together with a plan of the land " be inserted after the word "notification," line 3.

Some honorable senators have referred to the necessity for a certified plan of the land, but I do not think that is at all necessary, because under this clause, as amended, the plan will be certified under the hand of the Attorney-General of the Commonwealth. In most of the States where there is a system of real property registration, under what is called the Torrens system, a plan is to be certified, but it is certified by a licensed surveyor under the local Acts. Surely the -authority of a licensed surveyor under a local Act will not count as high as the authority of an official of the Commonwealth, certified under the hand of the Attorney-General of the Commonwealth? The clause certainly should provide quite as sufficient a guarantee of correctness as would be provided by the plan of a licensed surveyor certified by an officer of

a State. A difficulty in connexion with the suggested amendment would also be that it would put this business of titles under the Commonwealth in the hands of some person certified to by an official of the State.

Senator CLEMONS

- The difficulty which Senator Dobson had was that under the Real Property Act in Tasmania, before any transfer can be completed, a plan of the land has to be lodged in the office of the Registrar of Titles, which plan has to be certified to by an authorized surveyor under that Act. There is only a limited number of persons authorized under the Act to prepare these plans, and a plan prepared by any other surveyor, no matter how eminent he may be, could not be accepted by the Registrar of Titles. The consequence will be that unless a plan can be produced certified by one of these officers, the transfer cannot be completed. I should be very slow to accept the opinion which Senator O'Connor seems to be on the point of urging, that this Bill will override the Land Transfer Act of Tasmania, in regard for instance to the necessity of producing a plan. I hope he will hesitate before he will urge such an opinion. I do not think for a moment that it is tenable. That being the difficulty, what Senator Dobson wants is that the plan which is prepared by one of the necessary officers shall be lodged. If Senator O'Connor could see his way to insert such a provision, he would carry out what I think is desirable, and what I know is the desire of Senator Dobson. But if he wants to make that amendment, the proper place for its insertion will be in sub-clause (2), because it deals with the production of the plan and consequent registration.

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Senator O'CONNOR

- The first question is whether this is necessary. I take it that the object which Senator Dobson has in view is the same as I have, and that is that the notification and the plan shall have the same effect as a transfer lodged in the ordinary way in the real property office of the State.

Senator Clemons

- What is done here will secure registration of the transfer.

Senator O'CONNOR

- That is not necessary, because it is really provided for in the clause. It says that the notification with the Attorney-General's certificate upon it shall be registered and treated as if it were a grant or conveyance or memorandum of transfer duly executed under the laws of the State. You could not give to it any greater effect than that. My objection to the amendment is that the certificated surveyor is either an officer of a State department or an officer who holds a certificate from a department which the State may withdraw. If you cannot get the title to a piece of Commonwealth land without being dependent on the certificate of a person authorized by a State official, you put at once the title of the Commonwealth in the hands of the State officials to be dealt with. I think Senator Clemons will see that we must provide some means by which we can independently make our title complete by the act of our own officials. He will see at once that if you import as a necessity the certificate of a State official or any one authorized by a State official, you at once deprive us of the absolute power of dealing with our own property. After all, what is the object in the States of requiring a certificate from a certificated surveyor? It is to insure that there shall be correctness and knowledge on the part of the person who prepares the plan; you cannot serve any purpose other than that. Surely we have every guarantee that there shall be correctness and knowledge by providing that the Attorney-General of the Commonwealth shall give a certificate. Of course, he would only certify to the work of a Commonwealth officer, and I presume that will have just as high authority, and be as likely to be correct, as the work of a person authorized to make surveys under the State Act.

Senator Sir Frederick Sargood

- Might not the State office refuse to register such transfer?

Senator O'CONNOR

- Under this clause it cannot refuse to register. I listened to what Senator Clemons said, and I see no reason why that should be so.

Senator Sir Frederick Sargood

- This clause overrides the other provision.

Senator O'CONNOR

- Undoubtedly. According to the words of the Constitution, the officials of Tasmania or any other State will take notice of the provisions of the Act, and be bound by it just as much as if it were a local Act.

Senator Dobson

- I think that would be so.

Senator Keating

- Our own land vesting Act has a similar provision.

Senator O'CONNOR

- It would be in exactly the same position as if such a provision were inserted in the State Act. I think Senator Dobson will recognise that there is a difficulty in the way of inserting the amendment.

Senator Dobson

- I do.

Senator Sir WILLIAM ZEAL

- The practice in Victoria is that every plan shall be made by a licensed officer of the State, and it is then lodged in a land transfer office, and is checked by State officers. The licensed surveyor bears the same relation to the State department as an attorney or a barrister bears to the Supreme Court. If Senator O'Connor is satisfied that this plan, under these directions, will be prepared in the same accurate way, and will obtain the same result, he is quite right to hold to the position he has taken up. But if he is not, I think he should waver before he tries to obtain a document in a way which would savour of inaccuracy, or might conflict with the provisions of the State law.

Senator O'CONNOR

- I am quite satisfied that the work of the Commonwealth officer, certified by the Attorney-General of the Commonwealth, would be quite as correct as the work certified by any of the State officers.

Senator Dobson

- Will it be taken notice of by the land transfer office?

Senator O'CONNOR

- It must be.

Senator Dobson

- I think so.

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Senator O'CONNOR

- Unless Senator Dobson thinks it is absolutely necessary to insert the words "together with a plan of the survey," perhaps it would be better not to make the amendment. The plan is served with the notice, and therefore the owner has complete notice of what land is to be taken, and that really is all that is necessary. Unless my honorable and learned friend particularly wishes to have the words inserted, and shows some reason for their insertion, I shall not press the amendment.

Senator CLEMONS(Tasmania).- The insertion of these words was suggested by Senator Dobson, who pointed out that under the requirements of the Tasmanian Act a plan was necessary before a title could be registered. The only plan which is of any use in order to secure registration under the Torrens Act is a plan certified by an authorised surveyor. I would point out to the Minister that this plan is of no use. The discussion has been started in order to secure for Senator Dobson what he thought was necessary. If you insert the words you secure for him nothing, simply because the plan will have no value in the eyes of the department which administers the Act. If the words are inserted they will only create confusion.

Senator O'Connor

- In what way?

Senator CLEMONS

- It will be confused with the plan which is really wanted. I am firmly of opinion that if the words were left out there would be no difficulty in seeing that a transfer was duly registered under the Real Property Act. Even although you have not got those words in the clause you can still effect your transfer; but the presence of the words will create confusion between some plan to be certified under the hand of the Attorney-General and another plan. Why make the Attorney-General certify to a plan when under the State Act it cannot possibly be accepted?

Senator DOBSON

- I understand that in clause 12 it is provided that the notification is to contain a plan of the land. If we provide in clause 59 that this notification shall be published in the Gazette and the Registrar-General and Registrar of Titles shall take notice of it, I take it that the plan of the land is part of the notification, and

must go to the Registrar-General and that both must be certified to. In our Real Property Act we have a provision under which they will not allow a man to employ a young surveyor, or a man who has picked up the profession in the bush.

Senator O'Connor

- Senator Clemons has put all that.

Senator DOBSON

- It was because I knew of that provision, and because I had had difficulty myself, that I thought that if the law of other States contained a similar provision we ought to say in the clause -

Certified by a surveyor authorized to make surveys under the different Land Transfer Acts." I take it, however, that under those Acts the State authorities will accept the survey of the Commonwealth surveyor, but that if they do not it is quite probable that by regulation they might be enabled to do so. I should be very sorry if I were to lose an opportunity of putting in this provision, and afterwards to find out that some State had to pass an Act of Parliament. I do not think, however, they would have to go that length. I do not know whether this provision is absolutely in the Act itself, but I fancy that the Governor in Council in any State would have authority to accept the survey of a Commonwealth officer. The Postmaster-General seemed to think that the State officials would be bound to regard as official what the Commonwealth surveyor did.

Senator O'CONNOR

- So far as I can see it really is a question of the practice in Tasmania.

Senator Sir Richard Baker

- And in South Australia and Victoria.

Senator O'CONNOR

- The observations of Senator Clemons were really justified. If we put these words in the clause, it is just possible that there may be some confusion between that plan and the plan which is mentioned in the State Act. All we need to provide is that there shall be a plan of the land itself, and that we have already provided for with the notification. What you have to do here is to make certain that the notification which really operates to change the property in the land shall be properly registered. The notification itself will contain a description of the land, and as we are dealing with a great number of different State Acts, I think it is better to leave the clause as it is.

Senator Dobson

- In the State they never bother about descriptions ; it is all done by a plan.

Senator Clemons

- Pardon me.

Senator O'CONNOR

- That really does not matter, because the notification here will contain a description of the land. If that is registered, that is really all that is necessary.

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Senator Sir JOSIAH SYMON

- Clause 59 seems to be given undue weight to. I agree with Senator O'Connor that it is merely to provide for the registration of what is in effect the conveyance vesting the property in the Commonwealth .

Senator Dobson

- Under clause 12 ; but when I wanted to introduce the words into that clause, he said that I ought to put them in clause 59. I think clause 12 is the right place for them.

Senator Sir JOSIAH SYMON

- At any rate the amendment ought not to come in here. This is merely machinery with a view to securing registration of the instrument which vests in the Commonwealth the property and the fee-simple under the earlier clauses, free from all encumbrance, easements, and everything which would detract from the ownership to the Commonwealth. It is not intended to have any effect with a view to transfer the land. It has no such effect, because the transfer of the land is made under clauses 6 and 7. I would suggest to Senator O'Connor that sub-clause (2) ought to stop at the word " registered." To that point the clause enables the instrument to be placed on the register as a matter of public record, but the registration has no effect whatever. But then come three lines which I think will be found confusing, because they seem to derogate from the effect of the notification -

And shall deal with and give effect to such notification.

It would be well to omit these last three lines, which do not appear to me to add to the effect of the registration in the earlier part of sub-section (2), and which enable the Registrar-General to register in the manner, as nearly as may be, in which dealings in such lands are registered.

Senator O'Connor

- I think these words are necessary to meet the case of those States in which there is a system of land transfer that will be met by the words.

Senator KEATING

- Senator Dobson, in suggesting this amendment is, I think, somewhat forgetful of the facts concerning the transfer of land in another State. As a matter of fact it is not necessary in Tasmania, when registering a disposition of land under our Real Property Act, to always have a plan accompanying the transfer, mortgage, or other instrument. The plan that is required by the office is one that is filed in the office at the time the holder first acquires his title under our particular statute. If he has held land under the old law and wishes to bring it under our Torrens Act there must be a plan prepared by a certificated surveyor, filed in the office of the Recorder of Titles, and any subsequent disposal of that land, in whole or in part, may be registered without an accompanying plan, so long as the memorandum, whether it be of a mortgage, transfer, or lease, sufficiently describes the land intended to be affected so as to make it identifiable by reference to the filed office plan.

Senator Dobson

- I am talking of subdivisions. If you want a subdivision of land you want a plan.

Senator KEATING

- Precisely. Then such plan must be lodged in the office of the Recorder of Titles. But, so far as subsequent dispositions are concerned, as long as the description of the land proposed to be affected by the transfer, or whatever the instrument may be, is sufficient to render it identifiable on the plan in the office, no further subdivisional plan need accompany the instrument. If the description is sufficiently explicit to enable the officer to recognise the land upon the former plan the transfer can be registered.

Senator Dobson

- In nine cases out of ten a new plan is wanted.

Senator KEATING

-I think that in nine cases out of ten a transfer is filed, containing a description merely by reference to the plan in the office. With regard to the words to which Senator Symon has taken exception, in my opinion they are needed.

Senator Sir Josiah Symon

- I am satisfied.

Senator KEATING

- If the description lodged with the Recorder of Titles indicated a portion of land belonging to the proprietor, who owned more land, the Recorder of Titles would alter the office plan accordingly, so that no subsequent attempt at disposal on the part of the owner could go any further than the counter of the Lands Titles-office. It would be found there that the original office plan had been altered, and that the land was not the property of the person purporting to deal with it, but the property of the Commonwealth. For these reasons I think the words may as well remain in the clause.

Amendment, by leave, withdrawn.

Clause agreed to.

Bill reported with further amendments.

PUBLIC SERVICE BILL

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In Committee(consideration resumed from September 11, vide page 4681).

Clause 5 -

For. the purposes of this Act the Governor-General may from time to time appoint some fit- and proper person to be Public Service Commissioner, and not exceeding six fit and proper persons to be inspectors. The commissioner shall submit, for the consideration of the Governor-General, reports as to any matters requiring to be dealt with by the Governor-General under this Act ; and shall have the powers, duties, and authorities in this Act vested in or imposed on the commissioner, or as may be prescribed, and shall, in

addition, perform such other duties as may from time to time be imposed upon him by the Governor-General. Each inspector shall exercise, during the pleasure of the commissioner, such powers, duties, and authorities of the commissioner or inspectors as the commissioner thinks fit to assign to him. The commissioner and inspectors shall each be appointed for a term of seven years and shall be eligible for re-appointment.

If any officer of the Commonwealth is appointed commissioner or inspector his service as commissioner or inspector shall for the purpose of determining all his existing and accruing rights be counted as public service in the Commonwealth. If any officer in the public service of a State is appointed commissioner or inspector he shall have the same rights as if he had been an officer of a department transferred to the Commonwealth and were retained in the service of the Commonwealth.

In the case of the illness, absence, or suspension of the commissioner or any inspector the Governor-General may appoint some other person to act as the deputy of such commissioner or inspector during such illness, absence, or suspension, and no longer; and such person shall, during the time for which he acts as such deputy, have all the powers and perform all the duties of such commissioner or inspector.

No action or suit shall be brought or maintained against any person who is or shall have been commissioner or inspector for any nonfeasance or misfeasance in connexion with his duties, nor shall any action or suit lie nor any costs be payable in respect of any proceeding before the commissioner or inspector.

Out of the consolidated revenue fund of the Commonwealth there shall be payable to the commissioner a salary at the rate of fifteen hundred pounds per annum, and to each inspector a salary at the rate of eight hundred pounds per annum; and the consolidated revenue fund is to the necessary extent hereby appropriated accordingly.

The commissioner may at any time exercise and perform all or any of the powers, duties and authorities of inspectors.

Senator BARRETT

- As the second reading of this Bill was put through rather unexpectedly, and when the measure was last in committee I had not the opportunity of moving an amendment I desired to move upon clause 2, dealing with temporary hands, I would like, with the permission of the committee, to ask whether the Postmaster-General will be willing to recommit that clause

Postmaster-General

Senator DRAKE

. - Clause 2 is the interpretation clause, and the subject to which the honorable senator desires to refer will come up in one of the later clauses of the Bill. If any amendment be made in any clause of the Bill which will necessitate an amendment in clause 2, I shall certainly recommit the clause.

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Senator Sir JOSIAH SYMON

- I understand that in consequence of the second reading having been taken somewhat suddenly, and through some inadvertence, we are to be permitted, by general understanding of the Senate, a certain amount of latitude in the discussion of this clause 5, which involves the absolute principle of one-half of the Bill. The Bill may be divided into two portions; one is the great body of the measure which deals with classification, salaries, methods, and order of promotion, and all that sort of thing. That is all detail of the administration of the public service, and it would necessarily be embodied in any Bill, whatever might happen with regard to the portion of the Bill of which the headnote is really this clause 5, upon which we are now engaged. So far as regards all the other part of the Bill, I do not propose to say anything, because it is not involved in the discussion of clause 5, and it must be adopted in some shape or other in order that the machinery of the public service may be placed on a proper footing, and the machine itself go on smoothly. Clause 5 embodies the principle of the other portion of the Bill, which is the system of control, or the buffer system, in respect of the management of the public service, and which is to be interposed, as I venture to think, between the public service and Ministerial responsibility. From that point of view it is of the highest importance that we shall have it debated on general lines, and amendments will certainly be moved in this clause with the view first of ascertaining whether we assent to this particular system of control, or, if we do, whether we assent to it with the details associated with it in this portion, of

the Bill. The Bill might, from this aspect of it, be entitled - "A Bill to do away with Ministerial responsibility in respect of the Public Service." To that I take entire exception. It is said that this is done with the view of preventing the exercise of what is called political influence. Undoubtedly political influence, and all kinds of influence, is exercised not only in relation to appointments to the public service, but in connexion with every business of life. The motive for introducing the scheme proposed here is to either get rid altogether of political influence or to diminish it. But it often seems to me that we should ask ourselves whether in getting rid of this political influence we are not paying too big a price for it in the first place, and in the second place, whether we are not introducing some other system which may be exposed to another kind of influence, which I think is equally, if not more, potent, and is certainly equally objectionable, and that is what may be described as social influence, or private influence exercised upon a person who looks upon himself as an autocrat. Whilst recognising that the motive is an exceedingly good one, I say that I shall on all occasions strenuously support every possible form of Ministerial responsibility, and there is no institution in connexion with which it ought to be kept more keenly alive than that of the public service. It is of the highest importance in connexion with the public service that the Ministers who control the different departments should be responsible directly to Parliament for appointments that are made, and for the management of the public service, which should be quite sufficiently conducted through the heads of the different departments. I regard the particular system embodied in this Bill as unnecessary, as cumbrous, and as costly. It is unnecessary, because at the beginning of the Commonwealth public administration we do not want to erect these costly commissions and appoint heavily-salaried officers. We have under this Bill a series of nominal departments dealt with, and what are they, all boiled down, but the Customs and the Post-office ?

Senator Drake

- Defence.

Senator Sir JOSIAH SYMON

- Defence is excepted, unless as regards the civil portion of the administration, and that is infinitesimal. Therefore, for the purpose of controlling two departments--

Senator Drake

- There are others also ; the department of External Affairs, the Attorney-General's, and other departments.

Senator Sir JOSIAH SYMON

- The department of External Affairs, what is that? We have the Prime Minister and his secretary.

Senator Drake

- More than that.

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Senator Sir JOSIAH SYMON

- And a typewriter I suppose. Surely it is a joke to suggest these departments. I am not seeking to minimize the importance of the department of External Affairs, but I will enumerate the different departments as my attention is called to them. There is the department of External Affairs, and do we need such a heavy system as this to control that department? Surely to goodness the secretary who is permanent head of that department is quite competent to recommend who his clerk or his typewriter should be, and the Prime Minister is perfectly competent to take the responsibility of defending the work of the department if it is challenged in Parliament. We know that the work of the Attorney-General's department at the present time, with the exception of that of the parliamentary draftsman, is nothing, and there is probably as little to do in that department as in any other department of the Commonwealth. Then there is the department of Home Affairs. Sir William Lyne has got a secretary, and I suppose that is about the staff. Then there is the Treasury, and we know that is nothing at all. Then comes Trade and Customs, and the Postmaster-General's department, which of course are very large departments, employing a great number of officers. Then there is the Defence department, which in respect of the civil side of it, the accountancy and bookkeeping department, is a very small affair. If the whole department of Defence were under the control of the public service authorities provided for in the Bill I could understand it being classed alongside the Customs department and the Post-office department. So that the whole of this heavy machinery involved in this system of control is to be adopted with a view practically to these two departments, and I ask honorable senators whether it really is not setting up a great wheel to break a fly.

Now, what have we got ? We have first of all a commissioner under this system, a permanent official, who is to be appointed for seven years on the same tenure, substantially, as one of our Judges, irremovable except upon an address to both . Houses of Parliament. We establish him as an absolute autocrat, practically to do as he pleases, but with this difference, that if the Ministerial head of the department is challenged with respect to any influence brought to bear upon the commissioner, who, being human, will be as susceptible to influence as the Minister himself, he will be able to throw the responsibility on to the commissioner, and disclaim anything of the kind for himself. That is not a healthy state of things to create in connexion with the public service. Then he is to have £1,500 a year. In addition to the commissioner, we are to have six inspectors.

Senator Drake

- That is the maximum number.

Senator Sir JOSIAH SYMON

- I do not suppose it is likely to be less. The idea, I suppose, is that there shall be one for each of the States at present constituting the Commonwealth.

Senator Drake

- Not necessarily.

Senator Sir JOSIAH SYMON

- It is a symbolic number, and one can hardly understand the choice of the number six unless it is with the view to appointing an inspector either in, or in respect of each State constituting the Commonwealth. We are to have six inspectors, each of whom is to have £800 a year - £4,800. That is to say, we are to pay between £6,000 and £7,000 a year for these officers appointed for seven years, because the inspectors are to be appointed for the same period and practically under the same tenure as the commissioner. Then we are to have a permanent head for each department, who is supposed to be quite incapable of controlling his department, and requires to have over him first the inspector, then the commissioner, then the Minister without responsibility, and then the Parliament that can do nothing.

Senator Sir William Zeal

- Poor country !

Senator Sir JOSIAH SYMON

- Is it not a miserable state of things ? And consider the suspicion which is involved in all this. It is like setting one man to catch another, and it is all increasing the expenses of the Commonwealth, which is already getting a bad reputation in the different States and throughout the community - I do not say whether justly or unjustly - for unnecessary extravagance. Then after the permanent head we have in each State a gentleman who is called the chief officer. He will be the head of the department in each State, and he is to be regarded as of no use whatever. So far as regards the control of the department, the choice of officers, the recommending of one man and the dismissing of another, and that sort of thing, he is to be considered of no use whatever, and he is not to be trusted. The whole of that work is to devolve upon somebody else. I say it is a complicated and cumbrous piece of machinery.

Senator McGregor

- All generals and no privates.

Senator Sir JOSIAH SYMON

- At any rate, there are too many heads, and we want something simpler than this for the management of our public service at the present stage. In future years, perhaps, when the offices have extended more largely, and we have an entirely different condition of things to deal with, all this control super-added upon control, this Pelion-upon-Ossa sort of thing may be necessary, but it is not necessary for the control of two departments. Let us go slowly - *festinalente* ought to be our motto in these things ; and, in introducing legislation of this character, we are really treating the Commonwealth as if it were a new kind of toy, and we did not know how to dress it up sufficiently. It seems to me in reference to Bills of this description that we are looking too much at what is expensive and ornamental instead of having regard to what is simple, cheap, efficient, and easily maintained. Constitutionally, I venture to think there is a fundamental principle of Ministerial responsibility to Parliament, and, if we can possibly help it, we ought not to sweep that away unless it is absolutely essential that it should be done in the public interest. We have not reached that stage yet, and for that reason, it seems to me, that we ought to pause before we adopt the system of control - for that is what it is - sought to be established under this Bill. Honorable senators will find that

these inspectors and the commissioner will indulge in a system of reporting one to another in an interminable series, it appears to me. The Bill embodies really a system of red-tape and circumlocution which is simply appalling, and there is nothing whatever direct about it. If anything goes wrong Parliament may as well say nothing.

Senator McGregor

- No, the 1 parties will be dead before anything can be done.

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Senator Sir JOSIAH SYMON

- Possibly enough. Let us, too, cast some responsibility on the permanent head, and the chief officer in each State. If the chief officer of the department in a State is not to be trusted; if he is not competent to inspect his own department, and to say whether there are too many officers or too few, he ought to be dismissed, because he is not worthy of the position. We are giving them, I hope, handsome salaries. If he is not competent to do that, what is the permanent head for? Is he simply to be an ornamental officer? Is he never to examine into the management and progress of the department? Is he to sit in Melbourne while Parliament is sitting, and to migrate - with allowances, of course - to Sydney? What has he to do for his money? Surely we do not want a multiplicity of officers? We are not to relieve these gentlemen of all their duty. The permanent head of a department ought to have thrown upon him the responsibility of controlling its officers, and he will have plenty of time to do a little inspection on his own account. But if you say that he is not familiar, or not likely to be familiar, with the working of the departments in the different States, then let the chief officer in each State do it. I do not deny for a moment that inspection is as useful in the public service as it is in the banks, but let us there, as in the bank, have an inspector appointed from the staff. Let the chief clerk in the State, if he wishes to send round an inspector as he ought to do, choose a man from the staff.

Senator Sir Frederick Sargood

- That is not the practice of the banks. The inspector is perfectly independent of the staff.

Senator Sir JOSIAH SYMON

- Is he not an officer on the staff?

Senator Sir William Zeal

- Decidedly.

Senator Sir JOSIAH SYMON

- I have known some of them, and I have always understood that a man is chosen from the staff and is called an inspector. His duties are merely to inspect, and why should he be independent of the staff?

Senator Dobson

- Does he not inspect securities more than the clerks?

Senator Sir William Zeal

- No, that is not his duty at all.

Senator Dobson

- Surely it is.

Senator Sir JOSIAH SYMON

- My honorable and learned friend lays it down authoritatively, and I am sure he knows. But I have always found that the inspector, when he goes to visit a country branch, not only inspects the securities, but examines every account.

Senator Dobson

- Of course, the accounts and the securities.

Senator Sir JOSIAH SYMON

- And the general conduct of the business, and if the clerks have not been doing their duty he points it out.

Senator Dobson

- We are quite agreed that the inspector here has to examine each clerk and estimate the value of his services.

Senator Sir JOSIAH SYMON

- I think my honorable and learned friend will find that that is merely a phrase. To examine each clerk and estimate the value of his services is exactly what the manager of any business would do.

Senator Dobson

- As the honorable and learned senator has just pointed out, the head of the department is not allowed to do it.

Senator Sir JOSIAH SYMON

- That is my criticism on this Bill.

Senator Dobson

- And a very just one, too.

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Senator Sir JOSIAH SYMON

- An inspection is a very good thing ; it keeps the officers in the different branches up to their duties. If we want an inspector to do that, let him be appointed in the State by the chief clerk as one of the staff, or let him be appointed generally, if you like, by the head of the department, to make these inspections. But why we should have six inspectors, even if that is merely put as the maximum, superadded to a commissioner, when we have the under-secretary and the chief officer familiar in every respect with the working of the department, and the performance of the duties by the clerks, I really cannot understand. We ought to be able to trust the permanent head, and the chief clerk. If we do not trust them, if circumstances arise to show that this country is so poor in the integrity of its public officers, that they are not to be trusted, we shall have to conceive and bring into operation a much more drastic remedy than is produced in the Bill. But I deny that that state of things has arisen or is ever likely to arise. And, moreover, when we come to see the high and responsible position which these gentlemen occupy, it does seem to be a reflection on them that we should require six others to be appointed with a view to doing exactly the same work as we should expect from them. Their familiarity with their own department is complete ; no inspector can acquire an equal familiarity, I certainly not a greater one.

Senator Pearce

- Especially if there be less than six inspectors.

Senator Sir JOSIAH SYMON

- If you reduce the number below six you will get men who will not be particularly well acquainted with the States. I shall not discuss that as a matter of detail. Looking at the position of the Commonwealth and the stage we have reached, this system of control is entirely unnecessary. It is imposing a cost on the Commonwealth which we can very well dispense with, and a cumbrous system such as this is needless when we have the permanent head and chief clerk in each State to do the work, maintaining at the same time Ministerial responsibility to Parliament for any irregularities. Our present situation makes it all the more important that that responsibility shall be maintained in the keenest possible way. We are only beginning ; we are constructing a machine ; we are organizing our public service. For two years or more we should be in a position to lay our finger on any irregularities in building up the public service, and we shall not be able to do that, certainly not effectively, if this system is introduced and parliamentary responsibility is immediately swept away.

Senator DRAKE

- It is not my intention to deprecate the fullest possible discussion of this clause, but I hope it will be remembered that it contains the central principle of the Bill. It proposes a certain system of public service administration, and honorable senators who are not satisfied with that system should suggest a better system to adopt in its place. It must be admitted that various systems of public service control have been tried in the States. In many cases they have been tried and found wanting. What we desire at the commencement of our career is, if possible, with the help of the accumulated wisdom of honorable senators from all the States, to devise some system which will be the least open to objection. The system of what has been called Ministerial control has been a great deal spoken of. That has been adopted, I think, in nearly every State, and in many it has been found necessary or desirable to adopt a different system. I listened with great interest during the second-reading debate to the arguments against the Bill on that one point, and certainly they were arguments which appealed strongly to me, as they did to many others. It no doubt looks very well to say that the Minister is responsible to Parliament, and therefore he is the person upon whom should be cast the duty of making appointments, and of controlling the civil service in his department. We were also asked on several occasions to consider the case of a merchant

in command of a large establishment. We are asked how he could conduct his operations if he had not the controlling voice in the appointment of the officers who were to work in the establishment under him. That certainly is a very effective argument. But the merchant would not be satisfied if he were stepping into a business with having only the power to make ' future appointments. He would want to go down to bedrock, and to have the power of appointing the whole of the persons who were going to work under him.

Senator Playford

- But you have taken over these officers under an Act of Parliament, and you cannot interfere with them.

Senator DRAKE

- We do not desire to do so. If you are going to establish the principle that a Minister, because he is responsible for the working of his department, should have in his hands all the fresh appointments, you ought to go further and say that he should have the power, not only of making fresh appointments, but of substituting officers for those appointed by his predecessor. If not, you are in this position, that you are claiming for a Minister who is in office to-day the very power which you say should not have been exercised by his predecessor. We have to look at the civil service, not as an occasional thing, but as a continuous thing. The departments are presided over from time to time by Ministers whose tenure of office is of limited duration. What we desire to do is to insure that the conditions of the civil service shall be such that, it will attract the best men to it, and that once a man is appointed, so long as he conducts himself well and according to the conditions of the Act and its regulations, he shall be insured permanence of employment.

Senator Sir Josiah Symon

- But you do not get that any more by appointing this commissioner.

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Senator DRAKE

- I am speaking on the question of Ministerial responsibility. If you adopt the principle that a Minister, being responsible to Parliament, should have the power of making all fresh appointments, you should go further and say that he should have power to substitute officers for those appointed by his predecessor, in which case you get to a system which is supposed to exist in America - I do not think it does - which is known as the system of " spoils to the victors."

Senator Sir Josiah Symon

- That is a different thing altogether.

Senator DRAKE

- The mind of Senator Symon would at once revolt at the idea of adopting any system Of that kind. I wish to show that this principle of Ministerial responsibility - that he should have the controlling voice in making appointments, because he is responsible - is not logical, unless you go further, as a merchant would who was in a business; and claim the right at any time to dismiss a servant and to appoint another in his place.

Senator Sir Josiah Symon

- The spoils system only exists there because there is no Ministerial responsibility.

Senator DRAKE

- I am not sure whether it does exist in America.

Senator Sir Josiah Symon

- It is said to.

Senator DRAKE

- Yes. Appointments are said to be made there by political parties.

Senator Sir Josiah Symon

- That is only after the Presidential election.

Senator DRAKE

- It is only because there is not some better system-

Senator Sir Josiah Symon

- Of Ministerial responsibility.

Senator DRAKE

- Of public service administration. What you want is a system that will be continuous, and in order to insure that, and to give an assurance of permanence to civil servants, you require that there should be

some system of administration which would not depend on the wishes or the views of the Minister of the day. The first important proposition of the Bill is that, instead of the initial movement towards the appointment of an officer being in the hands of a Minister, it shall be in the hands of the permanent head, and on that point I think the argument of Senator Symon was erroneous when he took up the position that the permanent head was left out of this scheme, and that he might as well go away because his services were not called into requisition. Exactly the reverse is the truth. The permanent head is the person who, instead of the Minister, has the first voice in the appointment of an officer.

Senator Playford

- But the sole voice rests with the Minister.

Senator DRAKE

- I want to proceed by stages. The person who first of all makes a report to the commissioner with regard to an appointment, a transfer, or a promotion, is the permanent head. There is good reason, I think, for that provision. The Minister is administering for the time being, and probably he has some other occupation, and has not had the means of becoming acquainted with the officers in his department. The permanent head, on the other hand, is probably almost necessarily a man who has lived all his life in the public service. He has got no other background, and he has had every possible means of not only knowing the civil service generally, but of making the acquaintance of the officers under him. Looking the other way, the Minister has the prospect, after a term more or less short, of ceasing to administer the department. He may go into another department or pass out of politics, and cease to have any intimate connexion with that department. The permanent head has no future before him except in that department. A man who has lived all his past life in the public service has probably nothing to look forward to except, perhaps, in his old age, to retire on a pension. His whole life is wrapped up in that department. He has the means of knowing the feelings and wishes of the officers in that department, and he has nothing in front of him except to live and work in such a way as to make his department a credit to the country, and be himself a credit to it. The permanent head, then, is the man who makes the report to the commissioner.

Senator Sir Josiah Symon

- Why should he not make the report to the commissioner?

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Senator DRAKE

- I can speak about the commissioner directly. I am pointing out that whereas under a system of Ministerial control the Minister would be the person who in the first place would recommend to the Governor-General in Council the appointment or promotion of an officer, under this system the first act towards the appointment or promotion of an officer is with the permanent head. I justify that on the ground that the permanent head from his past has a better means of knowing the conditions of the service and the value of different officers, and because looking forward to the future he can give the greatest possible guarantee that he has no interest to serve except to promote the welfare of his department.

Senator Dobson

- Which is the clause in which that power is given?

Senator DRAKE

- It is given all through the Bill. In regard to promotions, appointments, and transfers the report is the report of the permanent head.

Senator Playford

- The report of the commissioner?

Senator DRAKE

- No; it is the recommendation of the commissioner.

Senator Clemons

- The permanent head approaches the commissioner.

Senator DRAKE

- He makes a report to the commissioner.

Senator Clemons

- It is the commissioner which is troubling the committee.

Senator DRAKE

- I am coming to the commissioner. It is just as well that honorable senators should spend a few minutes

in ascertaining what the system proposed by the Bill is, so that if they do not agree with it they can give us an alternative system. The first principle is that it is the permanent head who makes the report to the commissioner. He has the advantage of having, in a big department like the Post-office, a chief officer in each of the States. He will have the advantage of the knowledge of the chief officer in making his report to the commissioner. Now we come to the commissioner. I presume he will not necessarily be in the civil service before his appointment, but he will be a man who has a considerable knowledge of the civil service and also of something beyond. I think he should be a man of affairs, with a general knowledge of the world, in order to satisfactorily discharge such functions as are intrusted to him.

Senator McGregor

- A sort of fifth wheel of the coach.

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Senator DRAKE

- No ; I think he may be looked upon as the central pivot of the public service administration. We give him a position under the Bill in which he has a secure tenure ; and then we remove him as far as possible from political or social influences. I admit now, as I did in moving the second reading, the extreme difficulty of this matter. It is very difficult to get a man who would have all the qualifications we desire this officer to possess. But we have to deal with all kinds of difficulties in connexion with the civil service, and we must do the best we can. We should do all we can to put the commissioner in such a position as to remove him from all improper influences. Then the commissioner and the permanent head having made their report and recommendation, it remains for the Governor in Council either to give effect to it, or to decline to do so. It is at this point that the Minister comes in. The Minister, as the head of the Executive, and as having charge of the department, would no doubt have a considerable voice with his colleagues in regard to any appointment proposed. What the Minister can do, supposing his colleagues are with him, is to veto any particular appointment ; but if he does that the reasons for the veto must be laid upon the table of Parliament. There Parliament comes in, becoming the ultimate judge as to whether justice has been done. So that under this system the Minister has not the power of making appointments in his department. It is not advisable that he should have that power. It may be said that it will be a good thing for the Minister to have the power of making appointments. But would it not be a very unsatisfactory thing if a Minister's immediate predecessor, who had just gone out of office, had made a number of appointments 1 Under this proposed system the Minister will not be able to make appointments, but he will, as one of the Executive Council, be able to prevent any appointment being made which he may consider to be improper. But, as I have said, if he does that he must be prepared to have the reasons for the objection laid upon the table of Parliament. When he vetoes an appointment in that way, he has to send the recommendation back to the commissioner, who has to make another recommendation. Then the process commences over again. So that the Minister, in that way, though he has not the power of making appointments, has ultimately - supposing his colleagues support him - the power to veto appointments. These provisions are designed, wisely I think, in order to give an assurance of permanence to officers in departments ; and to the extent that we make positions in the service permanent, to the extent that we insure that the men in the public service shall be properly treated according to regulations, and shall not be at the mercy of a capricious superior, to that extent we attract good men, and insure a public service that will be a credit to the Commonwealth. What I have endeavoured to do in these remarks is to make clear to the committee what is the system of control and administration proposed in this Bill, and what I ask honorable senators to do in criticising it is, if they are not satisfied with it, to suggest some alternative system which, in their opinion, would be better.

Senator DOBSON

- I have experienced a feeling of irritation, and I may add of humiliation, at having to consider a Bill of this sort. I have devoted many hours to the study of it. I have made many and various inquiries as to the working of the various civil service systems in the different States, and the more I proceed the more my irritation and sense of humiliation increases. I should like to devote a few minutes to the consideration of the reasons which have induced the Government to bring forward this Bill, to the history as far as we can get at it of measures of a similar character in the various States, and thirdly, to the principle embodied in clause 5, which is the foundation of the whole Bill. As I understand, the reason which has prompted the Government in bringing forward this Bill is that certain Cabinets - certain State Cabinets, if honorable

senators prefer to put it that way - have in the past proved themselves so weak in the back, so amenable to the wire-pulling of electors through Members of Parliament, that they have not had the courage or the firmness to administer the civil service under their control with ordinary justice or common fair play between man and man.

Senator Sir Josiah Symon

- In South Australia we have always done very well, and we have never had a commissioner.

Senator DOBSON

- I understand that that is the reason for introducing a Bill of this sort - to take away from the Cabinet its real responsibility. Apparently the Government acknowledge that different Governments in the past have been in- capable of doing justice and fair play to the civil servants in their departments.

Senator Ewing

- And they think that one man over the head of Parliament will be able to do better.

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Senator DOBSON

- Quite so; because this man will be paid a high salary. But the Government are always saying, " If we get the right man." If they do not, the whole thing topples to the ground. We heard a great deal of talk about the higher national life which the unity of Australia was to lift us into. What has become of that now? Are we to write down Ministers of the Commonwealth as not having the firmness of character which is necessary to render them capable of doing justice, and as intending to administer the departments under their control and the civil servants in those departments in accordance with the wire pulling of the members who are supporting them ? I decline to do anything of the kind. If this Bill is passed as it stands, I shall feel that this Senate and this Parliament have humiliated themselves and humiliated the Government which has been established in the Commonwealth. I shall feel that Parliament has humiliated and wiped out of existence the permanent heads of departments, notwithstanding that the Postmaster-General says that these permanent heads will be men of experience, position, fidelity, and loyalty, upon whom we ought to be able to rely most implicitly to do the things mentioned in this Bill, or else they ought to be sent about their business. So much for the reasons which have induced the Government to introduce the Bill. Now, what about the history of the various Civil Servants Acts that have been passed by the States? Senator Neild drew the attention of the Senate to what happened some years ago in the State which he represents, where the Public Service Act which he referred to was passed. The report of the committee, of which Senator Neild was chairman, shows that the Public Service Board of New South Wales committed some gross cases of hardship, cruelty, and injustice. I have examined that report and have it before me now. I find that every word Senator Neild told the Senate the other evening is more than justified by the unanimous findings of the committee. As I understand, the action of the Public Service Board of New South Wales was brought about in this way. The finances of the State were getting rather low. Then the Premier put down upon the Estimates savings to the extent of £200,000 or £300,000, which he expected to achieve. The commissioners were apparently told to take the hint ; whether there was wire pulling or not I do not care to inquire, because we have the results before us. In accordance with the hint, that something like £200,000 or £300,000 had to be saved in regard to the civil service, the board went to work, and, as the report of the committee shows, committed some gross injustices. They got rid of men who had been 20, 30, and 40 years in the service just before they were entitled to pensions. Some cases of this kind were so manifestly unfair that Parliament afterwards undid the work which the commissioners had done. In another case the board dismissed a man in the middle of his leave. He had got six months' leave of absence from his duties, and after one month's leave had expired they dismissed him while he still had five months' leave to run. In another case they dismissed a man who was getting £156 per year, and gave him £50 superannuation allowance ; but a month or two afterwards they wrote to him offering him a situation at £80 a year. The man, not knowing what to do, took the decreased salary, and the board thereupon took away from him the superannuation allowance of £50 which they had previously granted to him. Some of the things which I read in this report really make one's hair stand on end. In other instances the committee unanimously found that the board had misinterpreted the sections of the Act they were supposed to administer. There were in the employ of the departments temporary officers, some of whom had been in the offices for ten or twenty years. "When the civil servants were got rid of these men were sent about their business without any recognition

whatever. The difference between the temporary and permanent civil servants was simply this. If a man was appointed by a minute of the Executive he was a permanent officer, but if he was appointed by the head of a department and the appointment was confirmed by the Minister, he was a temporary officer. Although some of those men had Served for ten or fifteen years in the departments they were only regarded as temporary officers, and were sent about their business without having the status of civil servants conferred upon them, notwithstanding that they had been rendering services to the State for so many years. So great was the scandal that I believe about £50,000 had to be put on the Estimates of New South Wales to meet the cases, of injustices which had been perpetrated.

Senator Drake

- What have they done since ?

Senator DOBSON

- I must not quote what was said in another place, but I know that one of the honorable and learned senator's colleagues said there that the Civil Service Board of New South Wales was failing to some extent because they ignored the heads of the departments. That is the very fault we are brought face to face with under this Bill.

Senator Drake

- - The heads of the departments have to be consulted under this Bill.

Senator O'Connor

- The powers are larger in New South Wales than under this Bill.

Senator DOBSON

- We find that in Victoria the system that has obtained has been that if there was a vacancy in one department - say the Post-office - and there was a man in the Customs who had a little more seniority than another man in the Post-office, the officer from the Customs would be transferred to the Post-office. This system was followed by the Victorian Public Service Board to such an extent that it got the whole service into a state of muddle. Victoria had to retrace her steps, and when there was a vacancy in one department they had to adopt the system of moving on the next man in the department. What is the use of taking a man who has been sorting letters in the Post-office and putting him into the Customs department, where he will have to do with invoices and the passing of entries? The work is entirely different, and I do not see anything to be gained by jumping men about from department to department.

Senator Drake

- - That is provided for here.

Senator DOBSON

- That has been one of the scandals, if one may call it by that name, in Victoria in the past. But Victoria has had to retrace her steps in this respect.

Senator Sir Frederick Sargood

- When has she done so?

Senator DOBSON

- I am only telling the committee what I have been told.

Senator Sir Frederick Sargood

- It is not a fact.

Senator DOBSON

- Then does Senator Sargood say that when a vacancy occurs in a department in Victoria the Public Service Board does not now look throughout the whole of the departments in order to get a man ?

Senator DRAKE

-That is merely a matter of detail.

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Senator DOBSON

- Is it the idea that if this Bill is passed the Government are going to break down the barriers between the States ? Whenever there is a vacancy in the Post-office in Melbourne, we will say, are they going to look around the different States for a man who may have three months' seniority over an eligible man in a Melbourne office? Are they going to take a man from Tasmania, Western Australia, or Queensland ? If they are going to deal with the public service in that way they will certainly want a commissioner and half-a-dozen inspectors. But is that the proper way of dealing with the public service ? I think we should

wait a few years in order to see how matters work out, and then frame a Bill which will suit the needs of the Commonwealth. At present we are all intensely ignorant as to how things are going to work. If I were Minister I should deprecate the idea of officers being brought from one State to another in the way proposed. Do not let us change cabins until we have launched the ship and have a fair wind behind her. A wrong would be done in appointing officers out of their own States at present.

Senator Drake

- That has not been done.

Senator DOBSON

- If the honorable and learned senator admits that it is not going to be done for two or three years there is no immediate need for this Bill.

Senator Drake

- Why not ?

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Senator DOBSON

- Because if there is a vacancy in the Post-office or in the Customs department to-morrow the next man in the office under present arrangements will get the appointment; or if there is a man below him whose merit entitles him to the billet he may be appointed to it over the head of a man who may have one or two black marks against him through laziness or negligence. Matters of that kind can be settled by the head of the department and the Minister in a few moments. We are invited to accept this Bill as an experiment. I believe that if honorable senators will read and inform themselves as to what has taken place in reference to the measure they will see that it is simply as an experiment that it is offered to us. My opinion is that we should not make the experiment now, but should lay the Bill on one side for the present, and then, when we see how the departments are working, and what our requirements are, and what sort of a civil service ours is going to be, let us frame a measure which will be suitable to our needs. Before I leave the case of Victoria, let me observe that on every side to-day, I see dissatisfaction in connexion with the service of this State. I commenced to look into this matter carefully two or three weeks ago, and since then two or three times a week I have seen paragraphs in the journals which lead me to suppose that there is more dissatisfaction existing now in the civil service of Victoria than exists in any other State in Australia, where I believe we have not the same amount of wire pulling. What do I find ? I find that the teachers of Victoria in the State schools are all dissatisfied with their classification. I look at the Victorian Act, and I find that it is not the Civil Service Board who classify the teachers, but that it is the inspectors of the schools, the men who know the work of the teachers and have been inspecting their pupils and their work for years, who classify them. But it appears that everybody in the civil service and everybody else in this State is in such a state of mind that they are all dissatisfied. Although these teachers are classified and graded by the very men who have to inspect their work daily and hourly, they are as much dissatisfied there as anywhere else. I made some inquiries in connexion with the Railway department, and I am told that scandals have arisen there, that Ministers in the Victorian Parliament have sat up night after night, and had injustices pointed out as having been done to officers of that department by commissioners of railways, and they have been powerless to alter the state of things. I find that at the present moment certain civil servants are expecting that the Premier of Victoria is going to look into their cases, that a lot of men are going to have the right to appeal to him ; and in another corner of the paper I see that a man is actually asking for a mandamus to compel the commissioners to classify him differently. The whole thing is so cumbrous that it is difficult for the commissioners themselves to say what their powers are. At all events under this Victorian Act there is an appeal to the law courts in order to settle how clerks in a department are to be graded, managed and promoted. That is not responsible government. If we get back to responsible government, as I hope we shall do, for goodness' sake let the Ministers have the responsibility of administering their departments. Let me say at once that I regard any Member of Parliament who listens to the complaint of a civil servant as doing wrong. The civil servant is absolutely breaking the regulations under which he is earning his salary, and the Member of Parliament who sees a Minister in reference to a civil servant's complaint is unintentionally doing what I consider a gross wrong. When the head of a department advises the Minister that a certain civil servant ought to be fined, or ought to be transferred, there is a judicial act performed. The head of the department recommends that a man should be fined, because he thinks he ought justly to be fined; he says that he shall be sent to a certain

place, because he thinks he is the right man to go ; and for any Member of Parliament to listen to the civil servant's complaint, and then go to the Minister with it, behind the back of the head of the department, is to my mind a gravely improper thing to do. That it is done so often may be said to be an excuse why any honorable senator may do the same thing to-morrow, but it is still absolutely improper and absolutely wrong. When the head of a department and the Minister say that a certain thing shall be done in the filling up of a vacancy, the increase of a salary, or the fining of a civil servant, there is a judicial act performed, and we might just as well go to a Judge of a court, and try to influence his decision, as go to a Minister and ask him to undo what the head of the department has done, and alter the verdict given in favour of or against the civil servant. That is the way I regard it, and I cannot regard it in any other way. If we could say that we can rely upon civil servants carrying out the written regulations under which they are working, and not going to Members of Parliament ; if we could rely on Members of Parliament declining to be interviewed by civil servants; and if we could rely upon the Minister declining to have any interview with a Member of Parliament upon such matters, the thing would be done, and we would not need any Bill of this kind at all.

Senator Sir Frederick Sargood

- Those are three very big "ifs."

Senator DOBSON

- I do not think they are very big "ifs" at all. That is what I intend to fight for, for all I am worth. In the first place Senator Sargood says it is a very big "if" to suppose that the civil servants will carry out the regulations.

Senator Sir Frederick Sargood

- Some will not.

Senator DOBSON

- Then they should be fined the £5 which I see some of them can be fined. Let them have the right of appeal in the right way, but not in the wrong way, and they have no business to go outside to a member of the Federal Parliament and try to bring pressure through the electors' to bear upon any Minister. The honorable senator says also it is a big "if" to suppose that the members of the Federal Parliament, and there are 36 honorable senators amongst them, will decline in future to talk to civil servants. I ask myself, is it a big "if" 1 and I do not think it is. I ask myself, is it a right thing for Members of Parliament to talk with civil servants upon these matters ?

Senator Sir Frederick Sargood

- It has been done recently.

Senator Sir William Zeal

- Supposing a nice-looking young lady were to come to them 1.

Senator DOBSON

- I know it has been done recently, and I may say that two very nice-looking young ladies interviewed me at four o'clock this afternoon. They could not see another senator, and that is why they sent for me. I told them they were breaking the rules of the civil service, but they said no, that they had inquired about that, and there were coming on behalf of a class - the ladies' class. They did manage to get in a few words for themselves. These ladies have served twelve and thirteen years respectively in a certain department. and they are getting £84 a year. They told me of One poor old lady, aged 61, whom I did not see, and she also was getting £84 a year, and this Bill provides that a girl of 16, who enters the department to-morrow, shall, when she is 21 years of age, get a minimum salary of £110 per year. Here there are women who have been half a lifetime in the employment of the State, and they are now getting £84 per year, and in some cases less, and it is unjust that almost immediately the minimum wage of a girl who may be living in her mother's house should now be fixed at £110 a year.

Senator Glassey

- But for these civil servants waiting upon the honorable and learned senator we would not have had this information.

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Senator DOBSON

- The honorable senator is wrong there, because I put my thinking cap on, and asked for the information which has been laid on the table.

I have information to show that lady typewriters in the service are getting £50, £60, and £70 a year, and even if they are shorthand writers also they only get £80, £90, and £100. Under this Bill girls coming into the service when they are over 21, if they get a certificate that they are competent, have behaved themselves, and are fairly efficient, are to get a rise of £20 a year until they get a salary of £110 a year. All I have to say is that the State of Tasmania cannot afford to pay young girls and lads of 21 at that rate.

Senator Drake

- Are these ladies in my department ?

Senator DOBSON

- I believe they are.

Senator Drake

- And the honorable and learned senator has been telling me all this. I am shocked. He is the last man I should have suspected.

Senator DOBSON

- They came on behalf of a class, and I have not been to the Minister to pull his coat-tails yet. This is a very serious subject to my mind, and all I have to say is that because civil servants, Members of Parliament, and Ministers are not going to do their duty in future, and do not know what their place is, this Bill is put before us. It is positively humiliating and irritating to have to deal with such a matter. . Let us see how it is to work out. The Postmaster-General, in answer to the criticisms of Senator Symon, has grossly overstated the power of the permanent head. I have a note of a number of important clauses here, in which the permanent head is absolutely ignored. Under clause 8, the inspectors, who I understand may not be more than three, have to inspect each and every department, to examine so far as is practicable the officers thereof, and ascertain their duties and the value of their services. I desire to state that that is an absolute impossibility. I will never consent to one of these inspectors being appointed if my voice or time can stop it. When they have done that, they are to furnish in writing a report to the commissioner as to their inspection, examination, and inquiry, setting forth the services of every officer - and there are 11,000 of them in the service, and if we deal only with the clerical officers the number will be 3,000 or 4,000.

Senator Sir Frederick Sargood

- The honorable and learned senator says that is impossible. It has been done in Victoria by three commissioners.

Senator DOBSON

- I shall point out by-and-by how I think a good deal of it has been done. Under sub-clause (2) of clause 8, after he has received the report of the examinations and inquiries by the inspectors, the commissioner is to make a report to the Governor-General. There is nothing whatever about the permanent head in the matter. The commissioner may propose to the Governor-General any particular disposition of offices and officers, the division and subdivision of classes, or the grade of every officer, and a re-arrangement or improved method of carrying out the work.

Senator Drake

- That is information. They are the eyes and ears of the commissioner.

Senator DOBSON

- The Governor-General is to consider and deal with the report, and there the Minister is put in his right position. If the Governor-General does not approve of any proposal, it is to be the duty of the commissioner, without any assistance from, or any knowledge on the part of, the permanent head, to reconsider the proposal and submit another, which will be considered and dealt with by the Governor-General. The inspectors have to examine every department, classify every officer, and estimate the value of his services, and the commissioner has to recommend the disposition of offices and the grading of officers to the Governor-General, who finally deals with the matter. I should like to know where there is any reference to the permanent head there.

Senator Drake

- That is only gathering information. Look at the provisions with regard to appointments and transfers.

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Senator DOBSON

- Let us go now to clause 9, under which the commissioner - shall determine the division, class,

subdivision of class or grade of every officer, and shall keep a record of all officers, showing with regard to each officer his age - and other particulars. Under this clause it is provided that the commissioner "shall determine" the division and grade of the officers, and the same thing is repeated' in clause 8, under which the Governor-General can object to the disposition of officers proposed by the commissioner. Clause 9, absolutely contradicting what the Governor-General may do under clause 8, says that the commissioner " shall determine " these matters, and there is no reference whatever to the permanent head in either clause.

When -we come to clause 20, in which there is a reference to salaries, we find that it says -
Notwithstanding anything contained in this Act the Governor-General may on the recommendation of the commissioner-

There is nothing here about the permanent head -

Aix the rate of salary to be paid to an officer occupying any particular office.

So that in the grading, classifying, and fixing of the salaries of officers in some cases the Governor-General acts on the recommendation of the commissioner, and in some cases the commissioner appears to be able to act alone, and there is not a single word mentioned about the permanent head I am, therefore, quite sure that Senator Symon is right when he points out how very little responsibility of any description the permanent head has in managing and controlling the officers of his department. Clause 11 provides that the commissioner shall furnish to the Minister for presentation to Parliament. at least once in each year, a report on the condition and efficiency of the service, and of the proceedings of the commissioner and the inspectors, and in such report there is to be set forth any changes deemed necessary for improving the working of the service insuring efficiency and economy. There is nothing at all about the permanent head there. I now come to clause 12, which deals with the permanent head, and let us see what he has to do. The clause says-

The persons for the time being holding the several offices specified in the Second Schedule to this Act or any office which may be prescribed either in addition to or in place of any such offices shall be permanent heads of departments.

The permanent head of a department shall be responsible for its general working, and for all the business thereof, and shall advise the Minister of such department in all matters relating thereto.

Senator Sir Josiah Symon

- Has the honorable and learned senator referred to sub-clauses (4), (5), and (6) of clause 8, under which the Governor-General may dismiss officers certified by the commissioner to be in excess, without any report from the permanent head ?

Senator DOBSON

- That is so, as the honorable and learned senator has said. Sub-clause (2) of clause 12, honorable senators will see, makes the permanent head responsible for the general working of all the business of his department, and it absolutely conflicts and is inconsistent with half-a-dozen other most important clauses. He is to be responsible for the proper working of his department, while a man above him can remove, control, get rid of, classify, grade, and fix the salaries of the officers of his department.

Senator Sir Josiah Symon

- And reduce them in number.

Senator Drake

- It is the Governor-General in Council who may do/that.

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Senator DOBSON

- Clause 16 says that the administrative division shall include all the permanent heads of departments and all chief officers of departments, and also all persons whose offices the Governor-General, on the recommendation of the commissioner, directs to be included in such divisions. There is nothing there about the permanent head either, so that the whole administrative department is to consist of senior officers and persons recommended by the commissioner to the Governor-General, and the permanent head has no say in it. There is provision for a similar recommendation by the commissioner in the constitution of the professional division. I do not know whether the permanent head should have a say in the constitution of the professional division, but I do not see why he should not, and he will know as much about it as the commissioner. Then it is provided that the clerical division shall include all officers whose

offices the Governor-General, on the recommendation of the commissioner, directs to be included, so that the whole clerical division may be framed and the officers named, and the permanent head has no voice in the matter in any way whatever. I have already referred to clause 20 dealing with the fixing of salaries. There is one officer in the State of Victoria who has been 39 years in the service, and yet a commissioner, who has yet to be appointed, is to recommend to the Governor-General what salary each officer is to get. Is it not a farce ? How can we possibly hope to have a service honestly and firmly regulated if we ignore the permanent head in that way ? Under sub-clause (3) of clause 21 it is provided - Every such officer shall thereafter be entitled, upon the certificate of the commissioner, to receive an increase of £20 per annum at the end of every succeeding twelve months until such salary has reached £100 per annum.

This is a most important clause. These boys and girls who get in the department at 16 or 17 years of age are to get the splendid increase of £20 a year, and at 21 they are to get not less than £110 a year. They only get these increases if the commissioner gives -a certificate that they are efficient and have conducted themselves properly. How is the commissioner, with his three inspectors, to keep his eye upon all the boys and girls entering the service in every part of the Commonwealth ?

Senator Higgs

- How would the Minister do it 1

Senator DOBSON

- The permanent head would do it. He would know from his own observation, by seeing their work, and by reports from the officers under him.

Senator Sir Josiah Symon

- Besides, he is responsible to Parliament if he does wrong. That is the safeguard.

Senator DOBSON

- Of course he is. Then sub-clause (4) of clause 21 provides that -

During the month of March in each year, the permanent head of each department shall furnish to the commissioner a report upon the conduct diligence and general efficiency of each officer in the fifth class of the clerical division.

Here is the first time we have come across the permanent head, and all he has to do is to make a report about officers in the 5th class of the clerical division only. Why has he not to report as to the 2nd, 3rd, and 4th classes ?

Senator Sir Frederick Sargood

- That is dealt with later on.

The CHAIRMAN

- I have no objection to the honorable senator illustrating his argument in this way, but I would ask honorable senators generally not to go into the details of a clause.

Senator Sir Frederick Sargood

- It is very difficult to deal with it otherwise.

The CHAIRMAN

- That is what I desire to be done.

Senator DOBSON

- In clause 31 the commissioner has to certify that in his opinion there is no available officer in the public service who is capable of filling a certain position. How can he certify to a thing of that sort 1 It can only be done by the permanent head, who during a service of from 20 to 40 years has been in touch with different members of the public service. To appoint a commissioner three months hence and to expect him then within twelve months to know all these things is absurd.

Senator Drake

- Clause 31 provides for a report from the permanent head.

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Senator DOBSON

- Senator Sargood, by an interjection, has said that in Victoria the commissioner and his inspectors go and make an examination, and estimate the* value of the services. I have inquired about that remark, and I got the answer which I expected - that in almost every case they take the advice and the report of the head of the department. What else could they do! Therefore, all the Governor-General has to do is to get

a report which, would be compiled almost absolutely on hearsay. If you have six inspectors galloping all over the Commonwealth, three-fourths of their reports would be nothing less than hearsay. They would go to the head of the department, the head accountant, and the head corresponding clerk, and get their information, and the whole of their report would be what we lawyers call "no evidence whatever," or secondary evidence at the best. It would be simply derived from hearsay. The Minister has very rightly challenged the critics of the Bill to suggest another system for this one. Let us do nothing for a few months. Let us lay the Bill aside this session, and pick it up next session, and if it is found that it is wanted - I do not think it will be wanted - I think the chief of the Customs department, the chief of the Postal department, and the chief of the Defence department, with the Auditor-General, might very well form a board of officers to advise the Governor-General as to the filling of vacancies, as to the increase of salaries, and as to the general efficiency of the officers. I think that if the civil servants only come to know that we are not going to set up a commissioner with an enormous salary, and six highly-paid officers outside the service managing that which we are incapable of looking after, they will all settle down, and there will be very little trouble in the future. Therefore, in order to test the matter, I move - That the clause be amended by the omission of the words "some fit and proper person to be public service commissioner," lines 2, 3, and 4.

I leave in the word "appoint," so that, if my amendment is carried, the Government may, if they think it necessary, appoint the heads of the departments as a board to advise in these matters. That would work admirably if the civil servants would only obey the regulations, and Members of Parliament and Ministers refused to listen to their complaints. If my amendment is defeated, I intend to ask the committee to omit the words "and not exceeding six fit and proper persons to be inspectors." If the commissioner is retained, it will give the committee an opportunity of dividing on the question of whether we shall have six inspectors or no inspectors, or, as the Minister for Home Affairs says, three inspectors.

Senator Sir William Zeal

- Better negative the clause.

Senator DOBSON

- I do not want to embarrass the Government. I only want to take the sense of the committee. I feel very strongly on the measure. I would rather kill this Bill than any Bill before Parliament.

Senator Charleston

- The honorable and learned senator will embarrass them very much by his amendment.

Senator DOBSON

- The Bill can be picked up next session if it is found that we are wrong. If we are to humiliate ourselves, and it is found that the public service cannot be carried on by Ministers, that they will not act up to their responsibility or exercise it properly, we must have a Bill.

Senator O'Connor

- You have got one in Tasmania.

Senator DOBSON

- We have just passed a Bill, but we got along through all those years without one, and I do not think it will be of the slightest use to us.

Senator PEARCE

- - It would have been a better way to test the feeling of the committee if Senator Dobson had contented himself with voting against the clause, because the Bill contains other provisions which would be very useful for the working of the various departments.

Senator Dobson

- I stopped at the word "appoint," so as to let them put in "a board."

Senator PEARCE

- I do not favour the creation of such a board, because I think it would be almost as bad as the proposal to appoint a commissioner and six inspectors. If we adopt the remaining portion of the Bill, and make the permanent head responsible to the Minister, and the Minister in his turn responsible to Parliament, we shall have an efficient method of managing and controlling public servants. We have to exercise great care in framing this legislation. The States have had similar legislation - in some cases, perhaps not quite so stringent, and not giving the commissioner quite so much power, but in other cases giving more power. It is stated in the press that the public service of Victoria is seething with discontent. Yet in this State I

believe a similar law is in force.

Senator Sir Frederick Sargood

- That arose from the Act in connexion with the reduction of salaries, not from the original Act.

Senator PEARCE

- Senator Drake has requested the critics of this proposal to suggest another system. Well, if we give to the heads of the various departments the powers to be exercised by the commissioner, all the ends which the Bill proposes to meet will be served. Under the Bill, as the Minister pointed out, the permanent head has to make a report as to any recommendation of an appointment. Why need we then call in the assistance of a commissioner to report on the report of the permanent head ? Surely the permanent head is better acquainted with the needs of the office, with the advisability and wisdom of the appointment. If any revision is needed, I should say that the revision of the Minister is quite sufficient; for he could get just as much information from the various departments as the commissioner could. The Postmaster-General, in reply to Senator Symon, said that we were practically saying this, that the commissioner, if he dealt with this matter as a commercial man would do, should have the right to dismiss the whole of the servants and take on a fresh batch.

Senator Drake

- Np ; I said that is what the argument as to Ministerial control would lead to.

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Senator PEARCE

- I would ask the Minister is it not right also to say that the same argument might apply to the appointment of another public service commissioner ? The first commissioner is to be appointed for seven years, and, if at the end of that term it is found necessary to change the commissioner, according to that argument a new man ought to have the right to say - " I am dissatisfied with the appointments made by my predecessor, and I want power to appoint a new set of officers." The same argument could be applied to both cases. I do not see that it- is. any argument against Ministerial control.

Senator Drake

- I am taking the system as a whole, which is proposed. Of course the commissioner is controlled by the provisions of the Bill.

Senator PEARCE

- Still we know that he has the power under sub-clause (6) of clause 8, to retire officers if he thinks that their services are unnecessary. The Bill certainly gives one the impression that the Ministry have no confidence in their own ability. Considering that it contains the leading administrators in the States for years past- some of the most able administrators, I may say - it certainly shows a want of confidence in themselves that they ask to be allowed to shift their own responsibility on to the shoulders of a commissioner and six inspectors. A commissioner must be a resident of some State, possibly a man who has been associated with either its public life or its civil service. He would be acquainted with the public officers of the State, and he would naturally favour the officers of that State. And, where the recommendation of an inspector clashes with the recommendation of a permanent head, I can quite understand the commissioner allowing his bias to decide the appointment, perhaps in a way which would be prejudicial to the interests of the Commonwealth. The commissioner must necessarily reside a large portion of his time at the seat of government. Therefore he will be under the influence of the press as well as the social influence of that particular quarter. That, I believe, will be a far more dangerous influence to be exercised on the public service than any political influence I could imagine.

Senator Sir Frederick Sargood

- He could not do it under the Bill.

Senator PEARCE

- He has the power under some clauses, if necessary, to make appointments without examination. For the Governor-General may, on the recommendation of the commissioner if he sees fit, set aside the provisions as to examinations. He may make special appointments. Under that system I contend he could allow social influence to override the justice of the appointment. In several States they have had an experience of railway commissioners. Under the various Acts the commissioners, when appointed, were given almost unlimited power. In what way did they use it? In some of the States the Acts have been amended or repealed, and the commissioners have been shorn of original powers.

Senator Drake

- In some of the States they still have one commissioner.

Senator PEARCE

- Not with anything approaching the powers which they used to exercise. While these Acts were designed to remove the railways from political control, from the influence of men with large wealth or social standing, in the debate on the Bills to repeal the Acts it was proved up to the hilt in numberless cases that those very men were just as open to another class of influence as ever Parliament was. Wherever political influence is used you have this safeguard, that the electors can bring to book at an election those who are responsible for misusing that influence. But where you have an inspector appointed for a term of years he is practically independent of Parliament. There has to be some very grave scandal indeed before you can get both Houses of Parliament to pass a resolution to remove a commissioner. We are told that a seven years' term of office will remove a public service commissioner from the influence of the Ministers, and that, therefore, he will not be their tool. But what will be his position near the close of his term of office ? He will be a very pliable officer in the hands of any Ministry, seeing that he has to look to them for his reappointment. I can imagine that he will practically do anything which is required of him by the Ministry.

Senator Sir Josiah Symon

- Does not the honorable senator think that that will affect him during the whole of his term of office?

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Senator PEARCE

- At any rate he will be very pliable to the Ministry which happens to be in power during the last six months of that term. If the clause is to remain in the Bill either the term should be lengthened or this gentleman, whom Senator Symon described as a despot, should be made a despot for life. We should look at this question, too, from the economical point of view, because that is a most important point of view. The people of Western Australia believed that in centralizing the administration of several large departments economies would be effected. But if we pass this provision we shall betray the people of Australia, and take away the economical administration which they believed they would gain when they accepted the Commonwealth Bill. Unless we can show that by centralizing these departments we are going to economize, I cannot see any reason why they should have been brought under one head. I cannot see any reason for federation, at any rate from the financial stand-point, unless by bringing these departments under one head we economize. Under sub-clause (1) of clause 5, the inspector is practically in the power of the commissioner, because it says -

Each inspector shall exercise during the pleasure of the commissioner such powers duties and authorities of the commissioner or inspectors as the commissioner thinks fit to assign to him.

If an inspector becomes obnoxious to a commissioner, he can be suspended. If he gives such information as will show that the commissioner's management or recommendations to the Minister of the department have been false or misleading, he will be quietly suspended because he is obnoxious to the commissioner. If it is necessary that the commissioner, who receives a report from an inspector, should only be removable at the will of Parliament, it is equally necessary that the inspector should only be removable at the will of Parliament, and not at the will of the commissioner. The permanent heads can exercise all the powers of appointment. They are the best fitted to exercise those powers. They can carry out the power of examination which the Bill proposes. If we strike out the clause which provides for the appointment of the commissioner and inspectors, and create a board to hear appeals from officers who were aggrieved either by an appointment or by their right of transfer or promotion being overlooked - a board of appeal such as has been suggested by Senator Staniforth Smith - we would have every safeguard that no undue influence with the Minister could be exercised to make wrong appointments, because every appointment which could not be justified by the provisions of the Act would naturally be brought before the board by those whose prospects or rights were injured. If the officer was appointed without sufficient reason over the heads of those entitled to the first promotion, he could, by using this board of appeal, bring before Parliament injustices of that description. There would thus be a more effective check on undue Ministerial influence than this Bill provides, where the commissioner is made practically the tool of the Minister. For these reasons I intend to vote, not for Senator Dobson's amendment - because I am afraid that that does not meet the case at all - but for striking out the clause

altogether. Then we can make arrangements for the appointment of a board of appeal, which will give us what is necessary to carry on the chief departments which the Federal Government has to manage.

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Senator EWING

- In criticising the provisions of this measure, I hope it will not be understood that I am opposed to passing a Civil Service Bill, or to the proper control of the civil service, or to any system by which it can be assured to civil servants that justice will be done to them. But it does seem to me that in bringing in a Bill of this kind the Ministry are proceeding upon a principle which we who believe in the theory of representative government should be slow to assent to. The object of the introduction of this measure is undoubtedly in order that the appointment of civil servants may be freed from the influences that have so often been brought to bear upon persons appointed. But does the Government for a moment mean to say that merely because the officer who appoints is called a commissioner instead of a Minister, he is necessarily further above Suspicion than a Minister would be? Can we, by altering the name of the person, bring about a revolution which will assure to persons seeking appointments that justice will be done to them? I believe that when we look at this matter and consider the step we are taking, it will be found that we are entering upon very debatable grounds. The Minister who appointed under the old system is responsible to Parliament. What have we so long been striving for? We have been striving for representative government - for the government of the people by Ministers responsible directly to Parliament and to the people. But under this Bill we are asked to hand over our affairs to persons, absolutely above the heads of Parliament for the time they are appointed, unless what it is practically impossible to prove can be proved against them. We are going to take away from the representatives of the people the control over the people's affairs and hand them over to persons holding office for a fixed term, and who within reasonable limits can do what they choose during the time of their appointment. It does seem to me that this is not at all consistent with the views that we have lately been developing in Australia. We have been crying out time after time for the control of this country by the people who live in the country. We have been crying out against autocracy and against government by irresponsible persons - persons whom the people cannot bring to book. What is proposed to be done here is to hand over to a gentleman appointed for a term of seven years the practical control of our civil service.

Senator Drake

- With a great number of safeguards.

Senator EWING

- No doubt with a great number of safeguards. But what greater safeguard and protection can the civil servants have than public opinion? Where is there a greater safeguard provided by this Bill than the lash that Parliament can lay upon the Minister where he does wrong? Where can you possibly get a greater protection to the public of this country than making Ministers directly responsible to Parliament for their policy? No doubt there are safeguards; but the Government are going to part with the safeguards that exist at the present time by handing enormous powers over to a commissioner who will be morally superior to the Minister for the time being. One of the greatest safeguards the public can have is that a Ministry can be turned out of office if it does wrong, whereas, under this Bill, if actual corruption cannot be proved against the commissioner, Parliament itself is absolutely powerless to interfere with his actions. I quite agree that the members of the civil service are entitled to something; but I believe that the utmost that a Civil Service Bill, as introduced in the early stages of this Parliament, should do, is to provide machinery to enable a civil servant to whom wrong is done to have his case tried in a proper way. This much, I think, is done by the Act of Western Australia. It is an extremely short and simple Act. It provides, amongst other things, that where a civil servant is suspended, or has any ground of complaint, or is dismissed by the Minister, he can demand the grounds of his dismissal or his suspension. The action of the Minister is therefore brought directly under the notice of Parliament, together with the reasons given by the Minister for his action, and Parliament becomes directly the arbiter as to the propriety of the Minister's action.

Senator Playford

- Does it go before a board of inquiry first?

Senator EWING

- Yes.

Senator Drake

- How are the reasons brought before Parliament?

Senator EWING

- Machinery is provided in the Act to give the man who is aggrieved an inquiry before the board. The action of the Minister is thereupon either upheld or condemned. Any Member of Parliament can take steps, if necessary, in extreme cases to challenge the action of the Minister. In case the board recommends the reinstatement of the officer, there are very few Ministers who would refuse to comply with it. If the board held that a man was wrongfully dismissed, and the Minister would not reinstate him, the matter would come before Parliament, which would in all probability order that he should be reinstated.

Senator Dobson

- The board recommends I understand, not decides permanently ?

Senator EWING

- The board only re commends.

Senator Dobson

- Then it comes before Parliament if that is desired?

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Senator EWING

- The main object we wish to achieve is to insure that injustice is not done to the civil servants. As to the reference made to the condition of the civil service in America, I would point out that there is no parallel at all. In America the Minister is absolutely above Parliament. Parliament cannot turn a Ministry out. The President and his Ministers remain in office during the term of the President's appointment. Parliament may refuse to grant supplies or to pass legislation; but it cannot deal with the Minister as we can deal with him. Therefore, the conditions in America and Australia are entirely different. Parliament, in this country, has to see that Ministers carry on their departments satisfactorily, and, in my opinion, with that object in view, the department is best left in the Minister's hands.

Senator Sir JOSIAHSYMON (South Australia). - I intend to support Senator Dobson's amendment. It will have the effect of enabling us to decide whether the system introduced in this Bill is one which we can approve of. It achieves that object by striking out the provision in regard to the commissioner. If those words were struck out it would be left to the committee to substitute whatever was desired in lieu of the system proposed in the Bill, If Senator Dobson's amendment is not carried we can deal with the question of the inspectors and finally settle the principle of the clause. I am very glad that Senator Drake has put the matter so clearly as he has done from the Government point of view. I am also glad that it has been recognised that this is not at all a party matter. It is controversial certainly, but honorable senators can discuss it freely without any question of party arising. My own view is that we should strike out the clauses from 5 to 11, leaving the system as it exists at present, without this cumbrous machinery for setting up a commissioner and six inspectors. At any rate, we may test the main principle upon Senator Dobson's amendment.

Senator Sir FREDERICK SARGOOD

- I propose to-morrow to go into the experience of Victoria for the last 20 years in regard to the civil service, and to show the reasons why the present Act was passed in that State. As to Senator Dobson's amendment, I am distinctly opposed to the continuance of what Senator Symon refers to as the existing condition of matters - Ministerial control and political influence. But I distinctly say that I am not in favour of a board consisting of one. commissioner. Therefore I feel bound to support the amendment of Senator Dobson, but I leave myself at liberty - to deal as I think proper with amendments which may subsequently be submitted to the committee as to the constitution of some board to deal with the public service as a whole.

Senator DRAKE

- I understand that several honorable senators desire to speak to the amendment, and therefore I shall consent to progress being reported. There appears to be some danger in adopting the course suggested by Senator Symon in regard to Senator Dobson's amendment. Some honorable members would evidently be glad to destroy the Bill as a whole, and wish to avail themselves of Senator Dobson's amendment to attain that object. Perhaps if we adjourn now an amendment may be framed in the meantime which may

prevent the conjunction of forces which really have not much in common.
Progress reported.
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21:32:00
Senate adjourned at 9.32 p.m.