PRIMARY PRODUCERS’ DEBTS BILL 1935

Legislative Assembly, 13 February 1935, page 141

Second reading

The Hon. R. L. BUTLER—I have introduced the Bill for one particular reason—that it is of the greatest consequence and importance not only to honourable members, but to various associations outside the House. By moving the- second reading to-day members will have an opportunity to review it over the week end, and be in a position to speak on it on Tuesday next. Of all the Bills to be introduced in this special session this is relatively the most important. I said previously, and I emphasise it with even greater force to-day, that the only solution of our unemployment problem lies in making agriculture profitable. There is no hope for providing work for the vast army of the workless unless we put our agricultural industries on a more stable basis. Some attempt must be made to restore industries which are of such magnitude and vital importance to South Australia. I am convinced that if we can restore reasonable prosperity to our agricultural industries and enable them to carry on at a profit instead of a loss year after year, there is nothing that will result more in employment being stimulated in various directions. Unemployment today is largely due to a substantial shrinking in the value of our produce, resulting in a considerable curtailment of the money circulated throughout the country. If an opportunity is given each primary producer to employ perhaps only one other person it will result in a greater, circulation of money among the whole com­munity.

In considering the measure, I would ask members to look at it not only from the point of view of individual farmers, but as a question which concerns the whole State. There should be no necessity for me to reiterate the difficulties farmers have had to face during the last few years. It is no use blaming the farmers for their precarious financial position, which is primarily due to three or four successive years of drought, including one of the worst known in the history of the white man in South Australia. Following on that there was a colossal fall in world prices. I admit that other sections of the community have suffered in consequence. It is not a matter of trying to save an individual farmer, but an industry on which the State so vitally depends. We have to look at the question in the broadest aspect. Anyone knowing anything about the farming industry must have been convinced that in the last few years it has been impossible for farmers to carry on under the low prices which have ruled. The evidence of that is shown by the advances under the Farmers’ Relief Act totalling, I think, over £1,000,000. The actual loss to the State, over the three years, will amount to about £700,000. Despite the fact that the board has taken the whole of the proceeds of the farmers under its jurisdiction they have still been unable to carry on under reasonable conditions, and the loss on last year’s transaction alone will amount to between £250,000 and £300,000.

Mr. Stott—That refers only to those under the Act.

The Hon. R. L. BUTLER—Yes, and I am referring only to those because their expenditure has been controlled—very rigidly in many cases—and despite that efficient control the operations of those farmers, approximately 3,000 of them, have resulted in that huge loss.

The Hon. G. F. Jenkins—That loss is not irrecoverable.

The Hon. R. L. BUTLER—I think it is. At one time we took security over the land, but now we take security only over the current crop, and if the proceeds are insufficient to repay the advance we come in only as unsecured creditors for any further amounts.

The -Hon. R. S. Richards—You eventually write it off?

The Hon. R. L. BUTLER—I think, under the Bill I am introducing, most of it will be written off.

The Hon. R S. Richards—Then why not write off arrears on State Bank homes?

The Hon. R. L. BUTLER—The owners of State Bank homes have suffered as a consequence of the deplorable condition of the agricultural industry, but if that industry can be restored, I do not think that, when they can get a job at a reasonable wage, they will have any difficulty in meeting their commitments.

The Hon. J. Mclnnes—They may be able to meet current commitments, but they can never pick-up arrears.

The Hon. R. L. BUTLER—The honourable member is probably right and I have no doubt that the Government will eventually have to write off considerable arrears on advances for homes. Under the Act of last year we gave authority for the writing off of irrecoverable amounts. No one likes introducing legislation of this kind, but it becomes essential, because it is useless advancing thousands of pounds each year if the farmer is to continue making losses without improving his position one iota. We therefore have to consider what means we can adopt to restore his position. Those who have analysed the position of the farmers can have reached no other conclusion than that, if there is to be a restoration of the agricultural industry, two things are essential. First, the farmer must be secured a payable price for his wheat, by an excise duty on flour, or by some other means. It is useless talking of adjustment of debts now, if we ask the farmer to continue to grow wheat at 2s. 2d. a bushel, because he will only create more debts which will have to be written off again later. We have pointed out to the Prime Minister, on more than one occasion, the futility of introducing legislation to authorise the writing off of debts unless the Commonwealth gives a definite guarantee that it will, by an excise duty on flour or by some other means, give to the farmer at least 3s. a bushel. That is not asking too much. We have adopted a protectionist policy in Australia whereby we can increase the price of products out of all reason. That is economically unsound, but in times of crises we are perfectly justified in asking the people of Australia to pay a slightly higher price for their bread so that the farmer may be assured of at least a decent living.

Mr. J. A. Lyons—They will still be getting it at the world’s lowest price.

The Hon. R. L. BUTLER—-Yes. When we talk of the standards of living, we often overlook the necessity of providing the farmer with a reasonable wage. The man outback on the land, without the amenities of city life, suffering all kinds of difficulties and hardships, is at least entitled to the same standard of living as the man in the city.

The Hon. J. Mclnnes—They are living on a much higher standard than many hundreds of the unemployed.

The Hon. R. L. BUTLER—I say definitely that the standard of living of a vast number of farmers is very little better than that of the unemployed in the metropolitan area. I will go further. In thousands of cases they are infinitely worse off. I could take my honourable friend through the mallee and show him instances where the class of house and the conditions under which they are living are not even comparable with those of the unemployed.

The Hon. G. F. Jenkins—There would be a public outcry if the unemployed had to live under the same conditions.

The Hon. J. Mclnnes—Come down to Bowden and Brompton and see some of the hovels in which the poor unfortunate unemployed live.

The Hon. R. L. BUTLER—I know all that, but when we talk of standards members should realise that those who went back into the mallee areas have suffered difficulties which no person in the city can understand or appreciate.

Mr. Lacey—Although that may not be denied, I do not think they are suffering to the same extent as the unemployed.

The Hon. R. L. BUTLER—I agree to the extent that the farmers still have a job to do; something with which to occupy their minds, still some faint hope that something would be done to enable them to carry on.

Mr. Lacey—That means a lot.

The Hon. R. L. BUTLER—I agree that there is nothing worse that could happen to any man in this country than to be denied the opportunity of doing something useful. I am only trying to point out the necessity for introducing a measure of some kind. The second thing we must do—and it will be done some day, whatever we do, and perhaps in a way that will drive 90 per cent of our farmers off the land, which no one desires—is to effect an adjustment of those, debts which have been accruing for six or seven years, first because of drought, and later, because of exceptionally low prices. We have reached a stage when it. is generally admitted that there must be a. writing off.

Mr. Blackwell—Where is the end of it!

The Hon. R. L. BUTLER-—I hope that this Bill will be the end of it. I know that my friends opposite will say that we are always, trying to do something for the primary producer.

The Hon. B. S. Richards—They are all affected by it.

The Hon. R. L. BUTLER—They are. I am certain that if we can right our primary in­dustries the position of those other people who are suffering will right itself.

The Hon. B. S. Richards—Why should the Government want to right one section of the community and not another?

The Hon. R. L. BUTLER—Because by righting that section it will enable the other man’s position to right itself.

The Hon. B. S. Richards—The Government is giving those men concessions while other men are suffering.

The Hon. R. L. BUTLER—What concessions are the Government giving to men practically insolvent?

The Hon. B. S. Richards—That, is the position of the unemployed and of owners of State Bank homes to-day.

The Hon. R. L. BUTLER—We are enabling these men to carry on. Members realise that the Opposition will demand that this should be made general throughout the community.

Mr. Blackwell—What about the storekeepers and business people generally?

The Hon. R. L. BUTLER—The object of this Bill really is debt adjustment.

Mr. Pattinson—Is it not a question of community sacrifice?

The Hon. R. L. BUTLER—It will be community sacrifice. The Bill makes no provision for the compulsory writing down of secured debts and it will not be out of place for me to make a few comments in this connection. The basis upon which all advances are made is that of trust and confidence. Without such trust, no advances would be made. It would be impossible to interfere with the accepted status in this regard without serious repercussions, which would undermine the foundations upon which. credit has been established. Among those who have lent money to primary producers are many who have lent in their capacity as trustees. The duties and obligations of trustees in lending trust moneys are clearly defined by law, and if a trustee has lent money, after taking due precaution, as prescribed by law, there can be no warrant for introducing into the present Bill clauses which would take away from any trustee the legal rights under which he has acted in the past. It should also be pointed out that the moneys to be provided for debt adjustment under the Bill will be furnished by the Commonwealth out of moneys which it will borrow on the credit of the nation as a whole. It will be abundantly clear that unless the Commonwealth can establish those principles of trust and confidence to which I have already referred, it will not be able to raise the moneys whichit will hand to the States so as to make the debt adjustment scheme operative. That is the whole crux of the question. The Commonwealth proposes to advance £12,000,000 to help these people. If we pass legislation which takes away from the mortgagee the security on which he lent his money we will find that when the Government goes on the market for money it will not be subscribed.

Mr. Stott—In many cases to-day the security is not there.

The Hon. R. L. BUTLER-—Mr. Stott should study the ethics. of this question. Under the circumstances mentioned, it was realised that the scheme to be submitted by South Australia must relate to unsecured debts only, and the Bill has been drafted accordingly, although provision has been made for any secured creditor to value his security, and, if he desires, he can voluntarily agree to transfer a portion of his secured debt to the unsecured category and then rank for dividend on that portion of his debt which he elects to make unsecured.

Mr. Thompson—Does the Premier include machinery merchants in that as secured or unsecured creditors?

The Hon. R. L. BUTLER—They will be secured. They can come in as unsecured creditors if they wish. There is a difference of opinion whether legislation should be introduced to compulsorily write down secured debts. We have to realise that the mortgagee is the owner of the land until it is paid for. If we automatically write down secured debts it will, in effect, be taking away a man’s property without compensating him.

Mr. Blackwell—Nature is doing the writing down now.

The Hon. R. L. BUTLER—That is so. My remarks will, no doubt, help members to understand the Bill generally. It embodies a scheme for utilising the moneys which the Commonwealth has promised to grant to the State for the rehabilitation of primary producers. The Commonwealth has, within certain limits, given the States a free hand to use this money as they think fit, the only conditions being those set out in a lettergram sent to the Government on the 1st February. This lettergram is as follows:—

Rural Rehabilitation:—Cabinet decided to-day that, subject to the following conditions, the State may undertake distribution Commonwealth fund without necessity for State schemes being approved by Commonwealth—

1. The Commonwealth will make available to the State Governments, by way of grant, a total sum of up to £12,000,000 over a period of years, for the purpose of assisting the States to deal with the debt position of the farmers.
2. The total of the Commonwealth assistance will be strictly limited to the sum of £12,000,000.
3. The money advanced by the Commonwealth is to be made available only in respect of farmers who have a reasonable prospect of ultimately rehabilitating their financial position.
4. The money shall be allocated to the States as follows:—
5. As regards the amount of £1,500,000, estimated to be required up to June 30, 1935, on basis agreed at Canberra Conference, December last.
6. The Commonwealth Statistician, after conferring with the State Statisticians, will be asked to recommend to the Commonwealth Government a basis for the allocation of the full amount, having regard to all relevant factors, including the rural debt situation in each State.
7. The Commonwealth shall have full discretion in regard to the amount of money to be made available to the States in each year.
8. (a) No portion of the money so advanced by the Commonwealth shall be used for the satisfaction or reduction of any debts due to the Commonwealth or a State or to a Governmental authority.

That is a fairly wide term and, in effect, means that in the distribution of money under this scheme no Commonwealth or State debts shall be taken into account, and no bank which is guaranteed or financed by the Government shall come under it. I understand, also, that is will not include any local governing bodies. In none of these eases will any dividends be paid out of the Commonwealth money. All the dividends will go to other creditors. They can be made subject to adjustment.

The Hon. G. F. Jenkins—There will be no assistance in respect of secured debts at all?

The Hon. R. L. BUTLER—Only if the secured creditor agrees to come in as an ordin­ary creditor.

The Hon. G. F. Jenkins—What about those companies which have written amounts off years ago?

The Hon. R. L. BUTLER—The position will have to be watched. I have made inquiries on this particular point, and any amounts which have been written off and taxation benefits received cannot be revived for the purpose of obtaining a dividend.

The Hon. G. F. Jenkins—The amounts, so far as individuals are concerned, will not be shown on the taxation returns.

The Hon. R. L. BUTLER—If Judge Paine ascertains that any company had written off debts, and had received benefits in taxation, they cannot be revived in order to obtain a dividend. We will be quite definite on that point. The lettergram further states:—

1. (b) For thepurposes of this clause the expression “Governmental authority” includes any body, corporate or unincorporate, constituted by or under the law of the Commonwealth or of a State whose funds have been provided wholly or in part by the Commonwealth or by a State.
2. Should any portion of the money so advanced by the Commonwealth be used by any State by way of loan to a farmer, and should any total or partial repayment of such loan be made to such State by such farmer, the moneys so repaid shall be again used for the purposes of this scheme, and shall be subject to the conditions set out in paragraphs 3 and6 and otherwise be regarded as moneys advanced by the Commonwealth to the State.

Instead of making a straight-out gift as a dividend to creditors, it is proposed to make advances to farmers repayable over five to ten years. The Commonwealth Government has intimated that if the money is repaid it must be used again in the interests of the farming community. No money is repaid to the Commonwealth. It was agreed that the Commonwealth money should be used as a dividend, and should not be recoverable. The lettergram proceeds:—

1. On or before the first day of January and the first day of July in each calendar year there shall be presented to the Commonwealth in respect of each State to which money has been so advanced by the Commonwealth a certificate by the Commonwealth Auditor-General and the Auditor-General of that State stating whether or not in respect of the half-year covered by such certificate there has been any breach by such State of the conditions aforesaid, and, if any such breach has occurred, specifying details thereof. If there has been any breach by a State of such conditions, the Commonwealth may, having regard to such breach, make such adjustment or variation as it thinks fit of the amount allocated to such State out of the sum to be made available under clause 1.
2. Subject to the above conditions the States, are to undertake the complete administration and distribution of the fund.

That is the Commonwealth Government’s decision in regard to the money which it has made available for the purpose of assisting farmers. It is clearly set out for the information of members. It appears that in all a sum in the nature of £1,800,000 is likely to be made available by the State. Such a sum, of course, would not go far if it were utilised towards payment in full of any debts owing by farmers. Judge Paine estimates that, without taking in Crown debts, the £1,800,000 will liquidate debts amounting to over £8,000,000. If, however, it can be used for payment of cash compositions of a moderate amount in. the pound it would be the means of relieving the farmers from debts amounting to several millions of pounds, and the Government has decided that in all the circumstances this is the best use to make of the money. The basic principle of the Bill is, therefore, to empower the Farmers Assistance Board to formulate schemes for satisfaction of farmers’ debts wholly or in part by payment of a cash composition out of moneys provided by the Commonwealth. The Bill contains provisions which are in addition to and not in substitution for any of the provisions of the Farmers Assistance Acts which have been previously passed by this Parliament. Those who were under the old Acts will, of course, be entitled to come under the new scheme, but other persons also will be so entitled.

Mr. Blackwell—Is the State Bank on the same level as the other creditors?

The Hon. R. L. BUTLER—No. The State Bank cannot obtain a dividend. The definition of "Primary Producers” in clause 2 sets out what persons are entitled to benefit under the Bill. These persons are graziers, pastoralists, dairy farmers, fruitgrowers, vegetable growers and producers of other primary products not being metals, minerals or fish. In view of the possibility that there may be some borderline cases in which it is difficult to determine whether a man is a primary producer within the meaning of the definition or not, a provision has been inserted giving the board power to decide any question whether a man is a primary producer within the meaning of the Bill. Clause 3 provides that the Bill will be administered by the present Farmers Assistance Board. The staff of the board may have to be increased for the purposes of the Bill and this is provided for in clause 4. Clause 5 provides that the board may delegate its duties under the Bill, and obviously a good deal of delegation will be necessary because many meetings of creditors will have to be held at which the board will have to be represented by the chairman.

It is the intention of the board to appoint someone accustomed to dealing with insolvency law to hold meetings so that many cases can be heard at one time, thus obviating any unnecessary delay. Clause 6 provides that expenses of administering the Bill are to be paid out of moneys voted by Parliament, but the dividends to creditors are to be paid out of moneys provided by the Commonwealth. Clause 7 provides that any primary producer can apply for debt adjustment, and clause 8 provides that applications must be made within twelve months from the commencement of the Bill, unless the board decides to extend the period. It will, however, not be possible to keep the time for applications open indefinitely, since the board will have to obtain as early as possible some idea of the total amount of debts involved in all the applications so that it can apportion the Commonwealth moneys equitably. Clause 10 places an obligation on applicants to furnish the board with all information required by it for the purposes of dealing with applications. Clause 11 provides that section 25 of the Farmers Assistance Act will apply to applicants under the Bill. Section 25 is the section which protects applicants against their creditors. It will be obvious that it would not be worthwhile for the board to proceed with any application, do all the work, and make all the arrangements with a view to securing adjustment of the applicant’s debts if it were open at any time, whilst the board is so engaged, to any creditor to take proceedings and make the applicant bankrupt.

Mr. Perry—Is there a time limit on that?

The Hon. R. L. BUTLER—No. It applies only when the case is being heard. Clause 11 also provides that an applicant, whilst he is protected, is not to dispose of his assets without leave of the board and must give the board information as to his affairs. A farmer may have an amount of 17s. in the pound written off, which would leave him 3s. to pay. As a creditor may endeavour to obtain a portion of that 3s. the board considers that the farmer should have protection. If he is given protection, the only control the board will have over him is that he will not be able to sell his assets, and must submit to the board half-yearly or yearly a statement of his affairs. It will be noticed that this provision is much less stringent than the control exercised over applicants for assistance under the Farmers Assistance Act.

The Government has endeavoured to place applicants under this Bill under a minimum of restrictions, but it will be realised that the Bill could not with justice protect a man against his creditors and at the same time leave him free to dispose of his assets and the proceeds of such disposal in any way he likes. Clause 12 provides that on receipt of an application the board must decide whether the applicant has a reasonable chance of financial rehabilitation, and unless he has such a chance his application cannot be proceeded with. The Government is bound to include this provision in the Bill as it is a condition of the Commonwealth grant that it shall only be used for applicants who have some prospect of ultimate rehabilitation. This is not going to be an easy matter for the board to decide. Before it can be decided whether a farmer can be financially restored it will have to be ascertained whether he is to receive a payable price for his wheat, whether his land is suitable for wheat growing, and whether his area is large enough. I hope the South-Eastern development scheme can be used for shifting some of the farmers on doubtful areas or land unsuitable for wheat growing into a more suitable district where they can make a fresh start. The Public Works Standing Committee stated that the blocks north of Kimba, for instance, were too small.

The Hon. R. S. Richards—They nearly “pinched” me for suggesting that when I went over there.

The Hon. R. L. BUTLER—It has been definitely proved that those areas are too small, and perhaps it may be necessary to remove every other settler. We have to decide what is to be done with the man who has been battling along for 11 or 12 years. We have to consider whether we cannot remove him to an area where he can carry on more successfully.

Mr. J. A. Lyons—What about reducing his rent?

The Hon. E. L. BUTLER—That would amountto practically nothing.

Mr. Abbott-—What about the farmer who is incompetent?

The Hon. E. L. BUTLER—Wide discretion will have to be given to the board in that regard. In every avocation there are many failures. We have 3,000 cases before the board to-day. They have been reviewed over and over again, and the board knows the men who are incompetent.

Mr. Pattinson—The board did not deal with one case of debt adjustment last year.

The Hon. E. L. BUTLER—The board knows the position of the farmers to whom it has made advances, and that will be a very good guide. Clause 13 provides that upon deciding to proceed with an application the board must value the assets of the applicant. The valuation of any wheat lands is to be made on the assumption that the price of wheat likely to be realised is 3s. a bushel at main shipping ports. It is wrong to revalue land at present prices. In making a valuation of farmers’ assets, secured and unsecured, the valuations will be based on the assumption of wheat at about 3s. a bushel.

The Hon. E. S. Richards—What is the right time to make a valuation?

The Hon. E. L. BUTLER—I think it is now. We will take the price of wheat not at present value, which is 2s. 2d. or 2s. 3d. a bushel at country sidings, but at about 3s. a bushel. That will be the basis of calculation, and is the only one on which we can work at present. If, after a valuation of the applicant's assets has been made, the board then comes to the decision that he has no prospect of financial rehabilitation, it may then decline to proceed any further with the application. Clause 15 is a machinery clause providing for records of applications and subsequent proceedings to be kept in the board’s office. Clause 16 provides that the first duty of a board after it decides to proceed with an application is to endeavour to secure unanimous agreement amongst creditors for adjusting his debts. If such an agreement is not come to, the board must call a meeting of the applicant’s creditors. Clause 18 is the usual provision as to meetings of creditors, while clause 19 provides that a creditor whose unsecured debt does not exceed £50 shall be reckoned in value, but not in number.

Clause 20 regulates the voting by secured creditors. Under the Bill it is not proposed to reduce the principal debt of any secured creditor unless he elects to become an unsecured creditor as regards the whole or any part of his debt and thus rank for a dividend in respect of that amount. If a secured creditor decides to become an unsecured creditor he can vote in respect of the amount of his debt which he treats as unsecured and thereafter cannot rely on his security for that amount. Apart from this provision, a secured creditor will not have any right to vote on schemes. At a meeting the applicant or any creditor or the board or a chairman of the meeting may submit a scheme for the adjustment of the applicant’s debts. The provisions which can be included in schemes are very similar to those which can be included in schemes under the Farmers Assistance Act, 1933, with the addition that a scheme may provide for payment of a cash dividend of an amount not exceeding 5s. in the £ on the unsecured debts of the applicant. No dividend, however, can be paid on any debt due to the State or the Commonwealth or a State or Commonwealth governmental authority. In many of these accounts the Government is the first mortgagee, and there is not the slightest doubt that the other mortgagees, realising this, will be prepared to adopt a reasonable attitude. In 90 per cent, of the cases it will be found that the mortgagees, in their own interests, will be prepared to enter into compositions. It may be necessary for them to write off interest or give the farmers extended terms of mortgage. When it is realised that the Crown debts amount to over £2,000,000, and that the Crown is a first preference creditor in most of these cases, it will be seen that we will be able to induce creditors to become amenable to reason when it is in their own interests to make some reduction, especially when the value of the security is very much less than the amount of the mortgage. Although the Bill does not compulsorily write down secured debts, it will be found that when the Crown supersedes creditors, in many instances they will take a reasonable attitude. I know many farms today which, if sold, would not realise the value of the mortgage.

Mr. H. W. Lyons—You will have some recalcitrants who will not make any sacrifices.

The Hon. R. L. BUTLER—If we find that some mortgagees are determined to get their pound of flesh at any cost Parliament can deal with them. Let us give the scheme a reasonable chance. Judge Paine has very definite views on this matter, and he expects the mortgagees to play the game in these compositions.

Mr. Blackwell—He has a handful in carrying out this job.

The Hon. R. L. BUTLER—Yes. I am glad we have a man of his ability to attend to the work. We have a very competent board administering the Act. Some of the criticism from certain quarters has been grossly unfair.

Mr. Petherick—Are the other States introducing similar legislation?

The Hon. R. L. BUTLER—They all have different views on the matter. I think that Victoria and Western Australia are taking action on similar lines to South Australia. New South Wales has a Bill which, in my opinion, is not half as good as ours. The position in Western Australia is different from that in this State, due to the failure of the Agricultural Bank, in which the farmers were the chief creditors. We have arrived at a scheme which will provide the only way to deal adequately with the problem. In connection with writing down debts due to the State, there is provision for dealing with both secured and unsecured debts in this connection and both accruing and accrued debts, but it is provided that no accruing debt is to be written down under a scheme except with the approval of the Minister in charge of the department which would normally recover the debt. It is considered inadvisable that the creditors or the board should have power to deal with debts such as the purchase money under a Crown agreement independently of the Minister and the Land Board, which deals with this purchase money on uniform principles throughout the whole State. If a debtor is a Crown tenant, the value of his block and the amount he shall pay will be fixed by the Land Board. Before the board, which will be placed in control under this Bill, can write down the value of a property it must obtain the consent of the Commissioner of Crown Lands or the landholder, as the case may be. The board will report to the Crown Lands Department. In order to become operative schemes require both the approval of the board and the assent of the creditors. The majorities of creditors required to assent to a scheme depend upon the contents of the scheme.

If the scheme provides for what I might term the "maximum cash dividend” to creditors it will be sufficient if 50 per cent of the creditors attending personally or by proxy at a meeting vote in favour of it. If the scheme does not provide for the maximum cash dividend to creditors or provides for any dividend less than the maximum a 75 per cent, majority of the creditors must vote in favour of it. The maximum cash dividend for the purposes of the Bill will be ascertained as follows:—

The amount in the pound representing the proportion between the applicant’s unencumbered assets and his unsecured debts will be ascertained. Supposing that the assets are enough to pay 8s. in the pound that will be the proportion. In such a case the cash dividend of 5s. in the pound would be the maximum, and the applicant would still remain liable for 3s. in the pound on his debt, and 12s. in the pound would be written off.

Mr. Lacey—The pound becomes 3s.

The Hon. R. L. BUTLER—The total debt he will have to pay will amount to 3s. in the pound—that is, he will have had 17s. written off. Suppose, however, that the assets were insufficient to pay 5s. in the pound and were only equivalent to, say, 2s. 6d. in the pound of the applicant’s debts, in that ease the maximum dividend which could be paid would be 2s. 6d. in the pound, and the balance of 17s. 6d. would be written off the applicant’s debts. Take the case of a man who had £1,800 of unsecured debts, and £600 of unencumbered assets. In the Insolvency Court he would pay 6s. 8d. in the pound. The point is that although the farmer would get most of his debts written off under this Bill, he would still retain his £600 unencumbered assets to enable him to carry on.

Mr. Crosby—He has struck an “El Dorado.’’

The Hon. R. L. BUTLER—He will be free of his debts except for about Is. 8d. in the pound, and he will retain the value of his unencumbered assets—the plant with which he will be able to carry on.

Mr. Thompson—Who will finance him in the coming year?

The Hon. K. L. BUTLER—A man in that position should have no difficulty in getting finance anywhere. The Government has no desire to finance farmers who do not need it, and it has no desire to control them in any way. All the Government desires is that after an adjustmentof debts has been made it should be able to say to them, “You have had your debts adjusted for the first and last time, and you must now paddle your own canoe, independent of the Government.’’ It may be ascertained that some good farmers cannot pay 3s. in the pound. They may not have had all the luck in the good years. In such cases the best thing will be to have all their debts wiped off and not pay anyone a dividend. If the Crown had sufficient confidence in them, it might be well to allow them to go on again, and give them another start. I believe that Judge Paine is of opinion that in such cases, instead of the creditors being paid a dividend, the farmer should be enabled to use the money to purchase plant, which they can repay over a period of years.

Mr. J. A. Lyons—Is there anything in the Bill regarding long term mortgages and rates of interest?

The Hon. K. L. BUTLER—I think that what will become vitally necessary is that instead of the State Bank entering into ordinary banking business it should confine itself to long dated mortgages at low rates of interest. It would give greater benefit to the farming industry than anything else. The farming industry cannot be operated on an overdraft basis.

Mr. Crosby—Where will the Bank get the capital for advances?

The Hon. R. L. BUTLER—I think that the time will come when the Government will have to make finance available to the State Bank for that purpose. The first function of the Bank was to lend money on long dated mortgages. In that particular branch I understand that a profit of £500,000 was made.

Mr. Blackwell—That was in the good years.

The Hon. R. L. BUTLER—No, for all years. The Bank went through some exceptionally bad years. Because of its operations in connection with long dated mortgages it was enabled to get through a few years of bad seasons without failure. The pity of it is that we, by legislation, gave the Bank opportunity to become an ordinary trading bank, as the result of which I think it has lost more than the profits made in connection with its mortgage operations.

Mr. J. A. Lyons—Can the Government make sufficient money available to the Bank?

The Hon. R. L. BUTLER—I do not think that anyone will object if the money can be made available on long-dated terms at a reasonable rate of interest. That is the next step the Government will have to take. It will be seen that the underlying principle of the dividend referred to earlier is to give to the creditors, either by way of a cash payment or a reserve liability on the part of the applicant, the same amount as they would be able to get if the applicant were made bankrupt and his estate divided up among the creditors. The object of setting out at length the meaning of what I have called the “maximum dividend” is merely to make clear the circumstances under which a scheme can be carried by a bare majority of the creditors in number and value.

Clause 25 contains a provision explaining that “unencumbered assets” includes the excess amount of the value of any unencumbered asset over the amount of the debt for which it is security. Clause 26 declares that debts under agreements for the sale and purchase of land and hire-purchase agreements are to be treated as secured debts, and clause 27 empowers the chairman of a meeting to determine any question of the amount of any debt. Clause 28 sets out that the moneys paid on behalf of an applicant as a dividend to his creditors will be in the nature of a gift and the applicant will not be liable to repayment.

Clause 29 provides that trustees can become parties to schemes without being chargeable with breach of trust. Clause 30 penalises false statements made by any person in an application or other document under the Bill. Clause 31 gives the board power to make necessary inquiries when requiring information as to any matter in connection with the administration of the Bill, and clause 32 contains the usual regulation making power.

When the Farmers Relief Bill was before the House there was a discussion as to what the Government should do in regard to drought relief for farmers who did not come under the debt adjustment scheme or under the provisions of the Farmers Relief Act. In view of the circumstances, I am convinced that provision must be made in this Bill to give the board power to write off portion or the whole of drought relief where the position warrants it. There are cases where men, after holding properties for as long as eight years, have eventually handed them back. I know of one in which a property fell back on the mortgagee’s hands with £1,500 worth of Crown debts. The purchaser had paid no interest or any capital off the mortgage for three years. The owner of the property has now to stand up to a debt he never incurred. In this particular case the person is quite reasonable and states that if the Crown will write off part of the liability, he will agree to pay the other part in five or ten years, but there is no power under the existing law to enable that to be done. I therefore propose inserting a clause providing that, where conditions warrant it, the board shall have power to write off amounts owing for drought relief, even to persons not at present eligible for such assistance under existing Acts. I also know of people in Adelaide who have had houses come back on their hands with as much as £200 owing for water rates.

The Hon. R. S. Richards—Will you write that off as well?

The Hon. R. L. BUTLER—I think that even in such cases as those we may have to do something eventually. After all they are Crown debts for which the present occupant is not responsible, and which, in many cases, he can never meet. It is only reasonable, therefore, that some part should be written off and time given for the payment of the balance. I know there may be differences of opinion on this measure. I do not assume that the Bill is perfect, and will be only too pleased to listen to suggestions for improving it.

Mr. H. W. Lyons—In respect of secured debts, is there any provision whereby the mortgagee might be induced to accept a composition?

The Hon. R. L. BUTLER—I think the powers are there and that every inducement will be given, especially where the Crown is the creditor.

Mr. H. W. Lyons—I was not referring to Crown debts, but to the other portion of the Bill.

The Hon. R. L. BUTLER—I think every inducement will be given. Much will depend on the value of the securities. I do not think that mortgagees have been unreasonable.

Mr. Pattinson—Most of them have been very reasonable.

The Hon. R. L. BUTLER—After months of consideration we have decided on this scheme, but if the Bill is lacking in any respect, I shall welcome any amendments which will improve it. I move the second reading.

Mr. LACEY secured the adjournment of the debate.