

DEBT ADJUSTMENT BILL

Second reading.

The TREASURER (Hon. R. L. Butler)—
This Bill is introduced to provide a measure of relief to farmers who are in financial difficulties, primarily owing to the adverse seasons this State has experienced, and who, but for some such measure, would be liable to be put through the Bankruptcy Court, and possibly go out of business altogether as primary producers. If a primary producer, who has spent practically the whole of his life on the land, through no fault of his own should be forced to sacrifice his holding (entailing as it does in many cases the work of a lifetime) it would be a calamity, not only to the individual concerned, but to the State. My Government have urged upon the primary producers during the last two years the necessity for increasing production, but unfortunately their efforts, great as they were, were nullified by a lack of rainfall in most parts of the State. The present financial and industrial position of Australia demands that we must not relax our efforts in this direction, and it is vital in the interests of the whole community that we should again encourage the farmers of this State to place under crop as large an area as possible. If a farmer has the fear of bankruptcy hanging over his head he is not likely to increase his efforts to put under crop a larger area.

Mr. Anthoney—That applies to many other things.

The TREASURER—It may, but perhaps the honorable member does not sufficiently realise how important primary production is to South Australia.

Mr. Anthoney—I do.

The TREASURER—It is the wealth from the land that enables the Government to carry on public works and helps industry to expand.

Mr. R. S. Richards—All wealth comes from the land, does it not?

The TREASURER—Yes, and it is that wealth we are dependent upon at present. If we save our primary industries we shall save other industries. To do this we must, so far as it is possible and practicable, remove the possibilities of producers being forced off the land. I have on more than one occasion in the House this year stressed the importance of the primary industries to Australia. It is from the wealth created from the land that we can meet our obligations overseas, and what is perhaps more important still, although some people do not sufficiently realise it, it is by such wealth that our local industries are able not only to continue but to expand. Further, we have reached a stage in our history when the various Governments of Australia have difficulty in borrowing money for the carrying out of public works for developmental and other purposes. This may be only temporary, but even if that is so I think most members will agree that it is a safer and better policy to borrow locally if we can do so without restricting private enterprise. In the first place, the interest is distributed in our own country, and secondly, it would tend to encourage the manufacture of our own requirements in our own country. We can provide the wealth required for this purpose mainly by increasing primary production. I think this House will realise that the borrowing of money locally is a safer policy than borrowing overseas. By borrowing locally we tend to encourage the further expansion of our old industries and the establishment of new.

Mr. Reidy—If you had a limited amount of money you might take it all away from industry and put it into Government securities.

The TREASURER—The point I am making is that it is a better policy to borrow locally than overseas if we can do so without affecting private industry. Every time we borrow money overseas we have either to purchase goods or sell goods in order to redeem that liability, and

the more self-supporting we are in that direction so far as borrowed money is concerned the more likely are we to encourage manufacturing in our own State. Everyone is convinced to-day that it is an infinitely better policy, and I think we can borrow money for all our requirements if we can increase the production of this country to provide sufficient money for public works.

Mr. R. S. Richards—But your efforts to increase production should not be confined to one particular avenue.

The TREASURER—It is the only avenue from which the wealth is drawn that is necessary to establish other industries. The ultimate effect of the fostering of primary industries must be the betterment of other industries. The primary cause of the industrial depression prevailing to-day is to be found in the lower prices for wool and wheat and the falling off in our stock owing to adverse seasons.

The Hon. T. Butterfield—The fall took place before that happened. It was immediately after you came into office.

The TREASURER—People are not likely to be led astray by political clap-trap of that sort. The only thing some members opposite can tell the public outside is that it is not going to rain with the present Government in office. Before Mr. Butterfield left office there were 1,200 unemployed in this State in spite of the profitable seasons through which we had passed. I would not think of blaming the honorable member for that, but when he desires to be funny and tries to make the people of this State believe that the only solution of their problems is a change of Government, then he is treading on very slippery ground. Glorious rains have fallen notwithstanding the fact that there is a Liberal Government in power and we can all rejoice, as the people of the northern areas are rejoicing to-day in the belief that perhaps the most serious drought South Australia has ever experienced has come to an end. Surely members of the Opposition have something bigger and better to put forward to the people of this country than telling them that a change of Government might bring rain. That has been used on every platform, quite humorously perhaps, but it is intended as a slogan and it is the only slogan the Opposition have got in trying to induce people to support them. This is one of the most important pieces of legislation

that has been introduced into this House for many years.

Mr. Crosby—There is a lot of danger in it.

The TREASURER—No; it is going to give general relief to the people of this State. It is not a new idea. It is a measure which has been tried in other countries, more particularly Alberta, in Canada, and has worked most successfully.

The Hon. W. J. Denny—It is a moratorium.

The TREASURER—It is not in any sense of the word. If members will only wait until I explain the Bill they will realise that.

The Hon. W. J. Denny—I said it is a kind of moratorium.

The TREASURER—The Bill will certainly provide some measure of relief, but it does not solve many of the problems which the farmer has to contend with, viz., the ever-increasing cost of production, due to the effect of the tariff and the Arbitration Courts of Australia. Professor Brigden, perhaps the ablest economist we have in Australia, has pointed out the reduction in the national income of Australia this year, mainly owing to the fall in the price of wool and wheat, together with smaller returns and adverse seasons. The greater part of this reduction can possibly be recovered by increasing primary production, especially in our settled areas, and the balance of the deficiency, as the professor points out, can be made up by an increased output per man on the various industries of Australia. He pointed out first of all that there is the possibility of the national income being reduced by £60,000,000 this year, of which £30,000,000 will be due to the fall in the price of wool and wheat. He went on to deal with the indirect effect of the fall in national production and national wealth due to the falling off in various other industries. He points out most effectively that this great deficiency in manufacturing industries can be made up by increased output per man, which would be infinitely preferable to reducing wages.

The Hon. T. Butterfield—Let him take on an uncleared mallee block. No one could work harder than that.

The TREASURER—I have worked as hard on the land as the honorable member, far harder, possibly. The honorable member is everlastingly talking in that strain and one would think he is the only person who is in sympathy with the people on the land or knows anything about primary production. The legislation

which my Government have enacted and the provision we have made for helping farmers in bad times, together with the administration thereof, have been based on sound and definite principles. We have not introduced any wild cat legislation or any scheme which would make the economic position worse. It is to be hoped that the Federal Government, in view of the evidence which they now have before them, as to the effect of the tariff and arbitration on primary production, will have immediate investigations made with a view to giving some relief to individual land settlers and assist in putting the industry on a more stable basis.

Mr. Reidy—The measure may have the effect of restricting advances to farmers.

The TREASURER—It may have the opposite effect. I think that the position of the primary producers of this State to-day is such that they cannot obtain further advances unless legislation of this character is enacted.

Mr. Sutton—And when they get it they can walk off their farms.

The TREASURER—This Bill will not encourage them to walk off their farms. It is for the purpose of keeping them on. It frequently happens at present that when a farmer is financially embarrassed a majority of his creditors is quite willing to give him further credit, but one or two creditors insist on their legal rights, put the farmer through the bankruptcy court, and have his property realised for the benefit of the creditors. Thus a primary producer may be lost to the State.

Mr. Sutton—The poor country storekeeper will suffer.

The TREASURER—No. We all realise that no one does more to help the primary producer than the local storekeeper. These local storekeepers have been trying to keep these men on the land by giving them credit year after year, but what is their position to-day. Machinery, bag, super, wheat, and other merchants or men with hire agreements come in and get preference over them. Where then are these storekeepers?

The Hon. W. J. Denny—The storekeepers are more likely to get their money if the farmers are kept on the land.

The TREASURER—Of course. The Bill is intended to assist farmers in such circumstances. It will be seen from the definition of the term "farmer" in clause 2 that the Bill applies to an individual farmer engaged in the occupation of a grazier, but will not include a company. A precedent for the Bill will be found in an

Act of the province of Alberta, Canada, known as the Debt Adjustment Act. This Act has been in force since 1923, and, according to reports in the possession of the Government, has been availed of to a considerable extent, and has provided means whereby many producers have been extricated from their financial difficulties and enabled to remain on the land. There are really two schemes in the Bill. One provides machinery whereby the financially embarrassed farmer may obtain assistance in arranging his affairs without the imposition of any compulsory restraint on his creditors. That is to say, a farmer would approach the Director under the Bill, who would call the creditors together and make voluntary arrangements which would permit the farmer to carry on.

Mr. H. C. Richards—I do not think there will be many creditors.

The TREASURER—This is being done at present by the State Bank in many instances. The Board has called meetings of creditors and told them that, although the Government had a preferential claim, they did not desire to seek any advantage over another creditor. They were told the Government were prepared to make drought relief available for another year provided they would stay their hand. The result has been that in many instances the merchants and storekeepers have been agreeable to the arrangements made. In Alberta many such arrangements are made, and in many cases all the creditors are prepared to reduce their claims, as they realise that if they force the farmer through the Insolvency Court they would perhaps get nothing, or else very little, but if they carried him on it might be possible to get 10s. or 15s. in the pound, and they therefore reduce their claims accordingly. I have a report from the Minister in charge of the Alberta measure and he gives a great number of instances where this has occurred. I am sure most business people will look at the question in the proper light and see that ultimately it will benefit them as well as the farmer.

Mr. Sutton—They will cut out the hire agreements with the farmers because they will be too risky.

The TREASURER—Of course there will be some cases where even this Bill will not be a protection, but they will be few, as I believe that with a return of good seasons most farmers, although their financial position to-day is very serious, will be able to pull through,

provided they get a reasonable time in which to liquidate their liabilities. In all cases the director will act merely as a receiver, seeing that no creditor gets preference. The claim of each creditor will be considered on its merits. The other scheme provides for protecting the farmer by prohibiting creditors from using their legal remedies against him except by leave of the Court or the Director of Debt Adjustment. The details of these schemes will appear from the following explanation of the clauses of the Bill. By clauses 3, 4, and 5 the Governor is empowered to appoint a Director of Debt Adjustment to administer the Bill, the necessary Assistant Directors and other officials. I might point out here that it is not the intention of the Government to set up a new department. We are considering whether the administration of this legislation could not be placed under the control of the State Bank Board or some other Government department. Personally I believe that the State Bank Board, which has been dealing with this matter so long, is the best body to administer the Act. The principal functions of the Director are set out in clauses 6 and 7. Clause 6 contains the provision enabling a farmer to apply for the help of the Director to arrange an amicable settlement of the farmer's debts without recourse to legal proceedings. Under this clause no compulsory restraint will be laid upon creditors to prevent them pushing their claim. The efforts of the Director will be directed solely towards the object of attaining a voluntary settlement. Under clause 7, however, a different procedure is adopted. Any farmer who is unable to meet his commitments may apply to the Director for protection. If the Director considers it in the interest of the applicant and his creditors to do so he may issue to the farmer a protection certificate. Notice of the certificate will be published in the "Gazette," and as from the date of publication the creditors of the farmers are prohibited from commencing or continuing any proceedings of any kind, whether in a court or introductory, which may lead to the sale or seizure of the farmer's property, except by leave of the Director, a special magistrate, or Local Court Judge. By clause 8 creditors are given the right to apply to a magistrate or Local Court Judge for leave to proceed against a farmer in whose favor a protection certificate has been issued. In the first place a farmer

applies for a certificate, and the Director decides whether or not it shall be issued. The issue of that certificate, however, does not preclude a creditor from applying to the court to declare the debtor insolvent.

Mr. McInnes—In effect it creates a moratorium.

The TREASURER—It does not. A moratorium protects any person from the payment of principal, but, as I have explained, this measure will not prevent any creditor from applying to the court to declare a debtor insolvent. In such a case, however, the court will have the opportunity to hear the evidence of the Director as to why the debtor should be carried on.

The Hon. W. J. Denny—Subject to that, it stops a creditor from taking action.

The TREASURER—Yes, but I think the honorable member will agree with the Bill.

The Hon. W. J. Denny—I entirely agree with it.

The TREASURER—All members will agree with it. The trouble in the past was that persons were forced into the Insolvency Court because a small creditor pressed for his money, when the big firms were prepared to let a man carry on. When a creditor applies to the court the judge or magistrate must consider the circumstances of the farmer and the creditors, and whether it is in the best interests of all parties concerned for the creditors to proceed. If the Judge or magistrate thinks that the farmer should continue to be protected he may refuse the creditors leave to proceed, but may require the farmer to deal with any property which he has in such way as the Judge or magistrate thinks fit. For example, he may require the farmer to sell some of his assets and pay something off his debts. Again, the Judge or special magistrate may give the creditors leave to proceed, but may protect some of the property of the farmer, e.g., his farm and machinery, from seizure or sale, or the applicant creditor may get leave to proceed on terms that the certificate be cancelled so that all other creditors will have the like opportunity to proceed.

The Hon. W. J. Denny—In all probability the farmer would be ordered to sell his pianola, motor car, etc.

The TREASURER—In some cases the judge may find that a motor car is necessary to work the property. All these things would be taken

into consideration. By clause 10 the director is empowered to cancel any certificate if any creditor convinces him that it is expedient to do so. This power will be exercised when the farmer's affairs are settled on a sound basis or if for any reason it would be unfair to the creditors to hold them up any longer. If a certificate is cancelled notice of the cancellation will be published in the "Gazette," and legal proceedings may be commenced or continued against the farmer in the ordinary way. The remaining clauses of the Bill contain the necessary machinery to give effect to the objects of the Bill. Clause 12 imposes on the farmer the duty to deliver up his certificate when cancelled. Clause 13 contains provisions to ensure that the property of a farmer who is protected by a protection certificate under the Bill shall not be taken in execution or sold. If the property is in jeopardy, the director may authorise a bailiff to seize and hold the property on his behalf and deal with it in accordance with his directions. Clauses 14 and 15 require every farmer protected by a certificate to obey all directions given by the director as to the disposal of his property.

The Hon. W. J. Denny—Have you any person in mind for the position of director?

The TREASURER—No. I have discussed the matter with the State Bank Board, and after due consideration I think it will be necessary to appoint a director and deputy director. The director should be a business man and his deputy should have a thorough knowledge of the agricultural parts of the State. In the appointments we must get business experience combined with a practical knowledge of the land.

The Hon. W. J. Denny—Neither will be a Government servant.

The TREASURER—Both may be members of the Public Service, but the probability is that one will be a Government servant and the other will not be. Clause 16 empowers the director and any special magistrate to summon witnesses and take evidence. The remaining clauses are the usual ancillary provisions and need no special comment. We have had this Bill under consideration more than a year. Some time ago it was brought under our notice that a similar Act was in operation in Alberta, Canada. We set inquiries on foot and they showed that the legislation had worked most satisfactorily.

Mr. Blackwell—The conditions may be different there.

The TREASURER—No; during the last five years the Canadian farmers have passed through a most critical period, and the Alberta measure was passed for precisely the reasons that we are introducing this one. It has been suggested from many sources that the Government should declare a moratorium, but a moratorium is a two-edged sword. While it certainly gives some protection to the farmer in the payment of principal, it has a damaging effect not only upon the credit of the farmer, but upon the credit of the State generally. I do not think there could be any worse position than that we should be forced to declare a moratorium in South Australia at the present time. It would have a most damaging effect not only on the money market here, but overseas, whereas I venture to say that this measure which I am introducing will be most favorably received. It is very much more satisfactory and I am sure will be viewed favorably by the financial and business people of the State, who, realising the importance of the industry, would no doubt be prepared to co-operate with the State Bank Board in their endeavor to assist the man on the land who is at present passing through such trying and critical times.

Mr. Carter—Do you intend to make this a permanent institution?

The TREASURER—No; it will remain on the Statute Book for as long as it is required. We are dealing to-day with special circumstances due to conditions which are not altogether confined to this State. It will be for Parliament to decide in the future whether the Act should be continued. Many farmers have stressed to me the fact that owing to the difficulty of disposing of their assets many creditors are not pushing at the present time, but with the first good season, creditors would endeavor to obtain the proceeds of the harvest. I agree that it will be at such a time that the farmer will require the protection which this Bill will undoubtedly give him. We all realise that with the return of good seasons certain creditors will be rushing in and endeavoring to get control of the farmers' crops, or in other words they will endeavor to grab preference, and if they get it other creditors will be left in the lurch and will be compelled to take action. It will be on a return to good seasons that this measure will be most required. Further, the farmer knowing that he has such protection, will put in as large an area as possible, because he knows he will get the full reward of his labors. Person-

ally I am optimistic as regards the future of agriculture in this State. The farmers are not only hard-working and industrious, but their methods of farming are better than they were previously. They realised that by the application of science to agriculture they were better able to combat adverse seasons and their life was less arduous. South Australia has always been proud of the fact that her farmers possess those characteristics of self-reliance which have in the past, and will again in the future, enable them to triumph over adversity. I have more confidence in the future of agriculture in this State than in any other part of the Commonwealth. I had the pleasure of meeting the Director of Agriculture and officers who came here with the Better Farming Train and they assured me that the methods adopted by South Australian farmers generally were not excelled elsewhere. Our farmers still have that reputation for thoroughness and ability which has been the means of developing other parts of Australia. This is a measure much to be preferred to anything in the shape of a moratorium. The partial moratorium in Victoria has had a most serious effect on the districts in which it is applied. This Bill possesses none of the dangerous elements which the partial moratorium in Victoria does, but at the same time it gives protection to farmers and others.

Mr. Crosby—I think that it will seriously affect the credit of farmers in South Australia.

The TREASURER—I cannot just follow the honorable member. Perhaps he does not quite realise the position as we do, who have had an opportunity of investigating the position of thousands of farmers who have had to apply for drought relief or who have asked for extensions of time to pay their taxes, motor car fees and so on. Members do not realise the precarious financial position which these farmers are in, and I say unhesitatingly that unless we give them protection some thousand or two thousand of them will be forced off the land. Whilst the majority of their creditors realise, as we do, that it is essential to keep these men on the land, where they have had the experience of a lifetime, rather than force them off and put someone in their place possessing neither the industry nor the experience, there are always some creditors who are not prepared to wait. Under the Bill we are only giving that protection which the courts of this land say is necessary to pull these men through. There are

some cases which the Bill will not protect, as it would be only putting a further millstone round the neck of the man concerned. The majority of those applying for drought relief are men who have acquired land from the Government at a low price, and we say quite definitely that provided other creditors are prepared to wait, and the Government, who are preferential creditors, will do the same, we ought to be able to pull these men through without any trouble. On the experience of the past there is not the slightest doubt that the seasons are going to break, and with two or three good seasons, men who have purchased land from the Government at 10s. an acre and cleared it at a cost of perhaps another £2 or £3, and who have had the experience of a lifetime on the land, ought not to be thrown off their holdings in order to satisfy a few creditors who cannot wait. There are some cases where men have given £15 or £16 an acre for land which has not that productive value at the present time who are not going to be given protection under this Bill, and after all, it would only be postponing the day of their going insolvent.

Mr. Anthoney—If creditors are prepared to wait where is the necessity for the Bill?

The TREASURER—Whilst the majority of creditors are prepared to wait it must be realised that one creditor has power to declare a man insolvent, and I know of one case where a man who had a debt of £10 forced another man through the Insolvency Court, although there were others with amounts of £200 or £300 due to them who were prepared to carry him on. I am certain that this Bill is not only in the interest of individual farmers but in the interests of the community and the State. It is necessary that we should protect the experienced landholder so that he can go on helping to increase production of the State and to put it in a satisfactory financial and economic position. The Bill aims to protect men who, through no fault of their own but owing to the adverse seasons, are in such a position to-day that the present law of the land will not give them sufficient protection and who are likely, unless some additional measure is taken, to be forced off their holdings and out of production.

Mr. McMillan—Does clause 2, "Interpretation," apply to share-farmers?

The TREASURER—Yes, I understand so.

Mr. R. S. RICHARDS secured the adjournment of the debate until November 20.