

## LEGISLATIVE COUNCIL

Thursday, August 17, 1967

The PRESIDENT (Hon. Sir Lyell McEwin) took the Chair at 2.15 p.m. and read prayers.

### LOTTERY AND GAMING ACT AMENDMENT BILL (No. 2)

His Excellency the Governor, by message, intimated his assent to the Bill.

### QUESTION

#### REFLECTORIZED NUMBER PLATES

The Hon. R. C. DeGARIS: I ask leave to make a statement prior to asking a question of the Minister of Roads.

Leave granted.

The Hon. R. C. DeGARIS: In many parts of the world the use of reflectorized number plates is compulsory. In many of the reports I have read on this matter I have found that those associated with road safety have stressed that the reflectorized number plates are an assisting factor in road safety. Can the Minister say whether any investigations have been made into the use of these number plates in South Australia?

The Hon. S. C. BEVAN: An investigation was made some time ago into the use of these plates in this State. I made some inquiries into the usage of the plates and I inspected some that had been manufactured. The plates I saw were excellent; they were plain steel plates, and the numbers were painted on to the plate and the reflectorized material was added. I witnessed a demonstration of these plates. A plate was put on the floor and hit forcefully with a hammer, but no dent was made in it. Because the plates were luminous they were visible at night from a distance, and even when a vehicle was making an 85-degree turn the plate still attracted a person's attention; I admit that the number could not be read, but the plate itself was clearly visible to a following motorist and it would have warned him that something was ahead.

Cabinet directed that an investigation be made into the advisability or otherwise of making the use of these plates on motor vehicles compulsory in South Australia. After full consideration it was decided that this would be a drastic measure. There were many difficulties associated with it. It was suggested that the plates be distributed through the Motor Vehicles Department, but it would

be impossible to have one centralized distribution point for them so it was decided to leave it to the motorist to use them if he so desired.

These plates are available in the city of Adelaide for any honourable member or any other motorist who is interested in them, at a cost not much greater than that of the ordinary plates; however, I do not know the exact price. I believe that A. E. Lykke and Company manufactures and distributes them.

#### PUBLIC PURPOSES LOAN BILL

Adjourned debate on second reading.

(Continued from August 16. Page 1332.)

The Hon. C. R. STORY (Midland): I am disappointed at the sum of money that is provided in this Bill; it is the smallest contribution to the general well-being of this State that I can remember in this type of legislation in the 12 years in which I have been a member of this Council. The amount is to be distributed in very restricted areas. I was interested to hear the remarks of the Leader of the Opposition yesterday that the amount of money actually available for spending this year is slightly less than the amount that was available in the 1964-65 Loan Estimates, even though an extra \$13,000,000 is being made available by the Commonwealth Government this year.

In several debates in recent months we have heard explanations of this matter, and again yesterday afternoon we heard that the Government had balanced its Budget. Well, what a magnificent thing it is to be able to hoodwink some people that the Budget has been balanced, when, in fact, the purchasing power in the Loan Account has deteriorated! Although an extra \$13,000,000 is available from the Commonwealth this year, spending has deteriorated to a point below that of the 1964-65 Loan Estimates. This is not balancing the Budget at all. It is hornswoggling the people, and this, I believe, is not a good thing.

One of the things the Labor Administration made very clear in its policy speech was that it would present the accounts of the State to the people clearly so that they could see them and know what expenditures had been made. If ever there has been in the history of the State a better example of something being put over the people than the way that the accounts are being presented and have

been presented over the last two years, I should be glad if honourable members, particularly those opposite, could show me one.

We have heard a great deal from the Treasurer of this State about how this Government is getting this facet and that facet of the economy going. Well, those are brave words. The Treasurer is the gentleman who has prepared this Parliamentary Paper for presentation to Parliament. I presume that the Treasurer, whom I imagine to be a gentleman of letters, would have read Kipling's *If*, and if he has not read it I would commend it to him, because he is a master of the "ifs" and "buts". We all know what would have happened to the rabbit if the dog had not stopped to have a look at the tree.

These "ifs" are wonderful things. The Treasurer is fond of saying, "If the obstructive Legislative Council had not done this" or "If the Commonwealth Government, that Liberal-dominated House in Canberra, had not done that". The Treasurer has from time to time attempted to bring the Legislative Council into disrepute in the eyes of the public. He is always saying that if those things had not happened we would be sitting rosy in South Australia. Well, my only comment is that if there had not been a change of Government in 1965 we would not have these problems at all and we would not have any "ifs" and "buts" at the present time.

The Hon. D. H. L. Banfield: Is that why Victoria is in a similar position?

The Hon. C. R. STORY: Victoria is not in a similar position. The honourable member would know that, if he studied the position. I was in Melbourne last Sunday and Monday.

The Hon. D. H. L. Banfield: The two Leaders went over there a couple of months before.

The Hon. A. F. Kneebone: It is no use going there on a Sunday: it is all closed up then.

The Hon. C. R. STORY: I had a room that overlooked a sizable part of the city, and I was truly amazed at the number of cranes working on buildings very much larger than the one now being built opposite our Parliament House. Those cranes were at least as big as the one that operates on that one major building being constructed in Adelaide at present. I do not recollect seeing that the building trade in Victoria is in difficulties, nor do I remember reading that the plasterers and

bricklayers unions are complaining about the Victorian Liberal Government in the way they have been complaining here about a Labor Government.

The Hon. D. H. L. Banfield: They complained, but it was not printed.

The Hon. C. R. STORY: The honourable member once again puts out his cranium. Victoria has newspapers that follow the persuasion of the honourable member's Party, perhaps very much more so than he would realize, and I have no doubt at all that the daily press in Victoria would print (and be very anxious to print) the Opposition feelings on these matters, because that is why the newspapers are there.

The Hon. D. H. L. Banfield: We know what their business is—monkey business.

The Hon. C. R. STORY: It is not much use using these "ifs" and "buts". The Government has spent more money than it has available and there is too much working on a sort of hire-purchase arrangement. Many people know to their own hurt what happens if they spend more money than they have. I believe that that is the position in which the Government finds itself at present. It is no use trying to blame it on to somebody else. It is good-oh if one happens to be a small school-boy with a peak cap. He can say, "Oh, but it is not my fault; you told me to do it." This is supposed to be a responsible Administration and it is no use the Government blaming other people. We have to make the best of what we have. Other States seem to be able to get money from the Commonwealth.

The Hon. Sir Norman Jude: You meant "irresponsible Administration", didn't you?

The Hon. C. R. STORY: It is irresponsible in the way that the honourable member raises it, but this is supposed to be a responsible Government, not a mob of schoolboys trying to push it off on to somebody else. The other States appear to be doing quite well. They submit their schemes to the Commonwealth for additional money for specific projects, and they seem to get it. I read of Queensland getting more money for beef roads and I believe that special items in Western Australia are being considered, but we just do not seem to have done well at all.

The Hon. S. C. Bevan: I have just been successful in getting \$1,000,000 from the Commonwealth for beef roads in this State.

The Hon. C. R. STORY: But the Minister is a wizard. He got money from the Highways Fund to put money back into general revenue. He is good at this sort of thing.

The Hon. S. C. Bevan: The previous Government made representations but was not successful in getting the money.

The Hon. C. R. STORY: Anything the Minister gets from the Commonwealth will only replace what was grabbed from the Highways Fund by an avaricious Government to balance the Budget, as the Government calls it.

The Hon. S. C. Bevan: This has to be spent specifically on beef roads.

The Hon. C. R. STORY: I would not blame the Commonwealth for putting tags on to anything that South Australia was given; otherwise, it would not know what had happened to it. It has seen what has happened to the money made available by the people who pay road taxes.

The Hon. A. J. Shard: Don't you think that bridgework has anything to do with roads?

The Hon. C. R. STORY: The Chief Secretary is way ahead of me, because I have not mentioned bridges yet.

The Hon. A. J. Shard: That is why the money was taken—what's the difference?

The Hon. C. R. STORY: I am still dealing with roads.

The Hon. D. H. L. Banfield: When you come to the river you will not get across it.

The Hon. C. R. STORY: When members opposite get into difficulties, they start to bellow.

The Hon. A. J. Shard: I would like to see you walk across the river.

The Hon. C. R. STORY: I do not have delusions of grandeur that I can walk across the water—but I know that some people have such delusions. I want now to raise some matters because they deal specifically with matters of great importance to the development and the getting on with the job about which we hear so much. I am interested in the Loans to Producers Fund, a fund set aside by Statute for the financing of the various co-operatives in South Australia. I fear that we have not enough money on the Loan Estimates this year to carry out the works that should be carried out. If one looks at the position as it was in 1964-65, one finds that the estimated payments that had to be provided amounted to \$440,000, which left that fund with a credit of \$40,000. The way in which this fund functions is that moneys are made available to the various institutions

eligible under the Industrial and Provident Societies Act, and over a period of years (usually 18) the money is repaid to this fund. I notice that this year an amount of \$750,000 has been made available on the Loan Estimates. That amount would be sufficient if it could be related to the position that existed in the period 1964-65. However, I suspect that funds available to the Government are less than it would like to provide assistance to industries such as canning, wine, fish, dried fruit and various other co-operative enterprises. Therefore, the Government is faced with the position that in 1964-65 it was necessary for a co-operative to find one-quarter but now it must find one-third of the total sum required. That is, if a co-operative in 1964-65 raised one-quarter of the total sum then it could borrow the remaining three-quarters. Last year, however, for no good reason that I can find, except a shortage of money, the co-operative's proportion was raised to one-third. That is a big jump.

The Hon. C. D. Rowe: Does that refer only to co-operatives?

The Hon. C. R. STORY: Yes. If a company wanted to borrow \$100,000, one-quarter of the amount would not be difficult to find by levying growers or using money held in reserve, but if it were necessary to raise one-third of the total amount (and that sum has to be spent before the remainder could be received) then it would be a hardship on many co-operatives.

The Hon. S. C. Bevan: If you get short I will lend it to you.

The Hon. C. R. STORY: The Minister is always generous to me; however, I am not sure that he has been here long enough or viewed private enterprise enough to reach the point where he can make that kind gesture. However, I accept it. The necessity for a co-operative to find one-third of the total amount required is making great inroads into development of some of the industries mentioned. I cannot see how South Australia can progress in that way. The recent report on the citrus industry indicated that it was necessary that South Australia should provide more money for co-operatives, thus enabling them to bring plant and equipment up to a standard necessary to compete on world markets. I notice that the fund last year showed a surplus of \$100,000, and that seems strange. That is the amount carried over to this financial year, and I can only think the reason is that some company was unable to raise the necessary matching money. Unless such marginal industries are

kept going and helped to become efficient exporters, difficulty will be experienced in the next few years in competing on world markets. The companies will not be able to find the necessary liquidity to enable them to carry on. I suggest that the Government recast its thinking on this matter.

I now turn to a matter that has been discussed at length in the last few days: the Chowilla dam. There is no doubt that seven years ago the word Chowilla was practically unknown outside the actual locality of the Upper Murray, whereas today it is probably one of the words most used by people not only in this State but in the whole of the Commonwealth. The sum of \$2,800,000 has been allocated in the Loan Estimates for major works on the Murray River. In his explanation of the Loan Estimates the Treasurer said:

Provision is made for a State contribution of \$2,800,000 towards the cost of capital works being undertaken in terms of the River Murray Waters Agreement. The cost of such works is shared equally by the Commonwealth and the States of New South Wales, Victoria and South Australia. The major part of the costs in 1966-67 and in prospect for the future are, of course, associated with the Chowilla dam. The total cost incurred last year in respect of the dam was almost \$1,500,000, the major payments being for a railway from Paringa to the dam site to carry stone. Work also progressed on field investigations and in the establishment of a camp at Paringa. The tenders received for the construction of the dam wall and associated works have proved to be higher than the estimate, and arising from this the River Murray Commission decided to re-examine the benefits expected to result from the scheme. The commission has asked the Engineering and Water Supply Department as constructing agent to explore any possible modification of the scheme that may lead to reductions in cost.

This is rather remarkable to me. It is almost inconceivable that after that many years of investigation (since 1962) further indecision has arisen. When this matter was investigated we were told that full investigations had been made by the commission. We know that a good deal of money has been paid to experts from the United Kingdom and France. We know, too, that the experience gained from the Snowy Mountains scheme has been used, and we have used our own Engineering and Water Supply Department very extensively. To be told at this stage that one of the problems is the increasing evaporation that may take place in the dam, and that a further investigation is necessary to see

whether South Australia's benefits are commensurate with the price, seems almost inconceivable.

The evaporation rates in the area in which the dam is to be built were established very many years ago, and they have not altered in the last 10 years. So far as the benefit to South Australia is concerned, it has increased. The matter has been aggravated in the last four or five years by the increased salinity that has been introduced into the river in Victoria and New South Wales. If ever the time was ripe for the building of a water storage, to which South Australia could have access for flushing and expansion purposes, it is now—not after many more years of investigation. The generous offer to give us a portion of the water in the Buffalo dam in Victoria, which is envisaged in the headwaters, would be very welcome if there were somewhere to store it when it got here. It is little use spending vast sums of money, as in the Snowy Mountains and in the Australian Alps, if when the water is released and it reaches the South Australian border it has already been polluted to the extent of some 300 or 400 parts of salt a million, because it is coming through an area in Victoria and New South Wales where the people are not taking nearly enough care in the disposal of saline water. When it gets to the South Australian border the water runs pleasantly on until it gets into the lakes and finally out to the sea. This appears to be a gross wastage of money, unless some major dam is supplied in between, and I believe that that dam is the Chowilla dam. As procrastination is the thief of time, and time is money, it will cost plenty of money if the dam is deferred. It must come.

The next point I wish to raise is the matter of water diversion licences, of which we are quite conscious in this Council, because a report was tabled very recently from an *ad hoc* committee of departmental officers that had been set up to report on further diversions from the Murray River. The committee comprised Mr. Ligertwood (of the Engineering and Water Supply Department), Mr. Dunsford (the Director of Lands) and Mr. Miller (the Chief Horticulturist). I do not reflect on either the report or the gentlemen who were responsible for it, but I am very critical of the fact that it took the Government from January, when the last licence was issued, until last month for the committee to be set up and any kind of report to be brought down. In the meantime, the wheels of industry have stopped

turning—not just for the man who wants to plant a few trees along the river, but for many people in Elizabeth engaged in pipe manufacture, the people who cart the pipes, the people who are engaged in the installation of the pipes, and the pump makers. When the wheels of industry stop turning, it takes a long while to get them going again.

From reading the report one would have considered that any person who had made a commitment in the past would at least have been given the opportunity of completing that portion of the work for which he had been committed, but I find that this is not so. Tomorrow, the committee will hear appeals from about 19 licensees, and there must be hundreds of people involved in this matter of further licences. The people who are being interviewed at present are very big operators, some with international connections, and the committee is to interview them to see how much, if any, licensing they will get, but there are dozens of small people who have battled along and bought 20 or 30 acres of land along the river and installed a pump and a main line large enough to irrigate the whole of their particular areas. They have been cut off from an extension of their water licences, and they are committed to this extra expenditure in the ground. I shall quote the statements of one or two people who have been in touch with me on this matter, and I think their statements are typical. I suggest that the Government set up another committee or use the present committee, provided it releases the members of the present committee from their present positions. I believe it is loading too much on to departmental officers if they are made members of full-time committees. Here we have a case of an appeal from Caesar to Caesar. If this question of appeals is to be proceeded with, we will have to make provisions similar to those in the Underground Waters Preservation Act. One person who contacted me has stated:

In respect of water licence No. 177 issued to us I would like to re-apply for a licence to water an additional seven acres of land.

The use of water from the river for an additional seven acres of land would not make the slightest difference at present, because this State is using less than half of the water allocated to it. Consequently, it seems to me that we are not handling our business very well. The person to whom I earlier referred continued:

On re-applying for the licence last time, apparently it was overlooked that I had asked for the additional seven acres.

In due course he received a reply which was signed by the Engineer for Irrigation which stated (and this is disturbing):

In reply to your letter of July 24, 1967, it is advised that no extensions to existing licences are being issued at present and consideration cannot be given to any extensions until a detailed survey of all irrigation along the Murray River in South Australia is undertaken. However, present indications are that the State is already over-committed on water diversions, and extensions in future are unlikely.

It amazes me when I read statements in the newspapers that there is no need to panic and that fruitgrowers along the river will be all right if they have faith in the Government's policy, provided the Government can obtain assurances from the other States that South Australia will get enough water in dry years. This is not good enough and, if what I have heard is true, South Australia has reached the end of its development if we sit down and let this state of affairs continue. Water is running out to the sea which people could use for other purposes; we are not using 50 per cent of our water. I admit that we are using the available water at certain times of the year, but we do need the Chowilla dam and there is no alternative but to go ahead with it. Once again I say to the Government that it is absolutely essential that a committee be set up to investigate the question of water licences. People are being grossly inconvenienced and put to great hardship.

I now turn to the Woods and Forests Department, and I notice that a larger sum of money is being allocated to this department than was allocated in the past. Once, this department was always a revenue-earning department. I hope there is a very good reason for the amount of assistance the Government is giving in financing this department. I have searched my records in connection with this matter, and I find that the Hon. Mr. Kemp and I had a hand in this matter. On August 19, 1965, not very long after the change of Government, we convened a meeting in this building of users of timber and of people engaged in box making and in other uses of pinus timber. The Hon. Mr. Hart had raised this matter of tomato cases. We were interested in obtaining sufficient pinus timber for the fruit and vegetable industries; we represented districts where this industry was important. We gathered 14 responsible people together who were leaders of the fruit and vegetable industries. We worked out the usage of pinus timber that would be required in these industries over the next five years.

Having collated the information we made arrangements for a deputation to wait upon the Minister of Forests, the Hon. G. A. Bywaters, to apprise him of our requirements. It was stated that the box shortage in 1965 was 60,000 to 70,000 cases a year for export citrus and an indefinite number of second-grade boxes. It was also stated that the future needs of this industry would be 5,000,000 boxes for export and local use. The future type of package for the tomato industry was uncertain at that time but the pinus half-case was being used, and it was considered then that 1,000,000 cases were required and that this figure would rise to 1,500,000 in four or five years.

The Hon. L. R. Hart: These were for export out of the State.

The Hon. C. R. STORY: Yes; mainly for the Melbourne and Sydney markets. It was pointed out that the pinus half-case was the container that the tomato industry wished to use because of its durability from the viewpoints of both the growers and the markets. The cucumber industry required 100,000 half-cases and some bushel cases. Also, the deputation mentioned sweat boxes used in the dried fruit industry, pear export boxes, and bulk containers for the apple industry. We put forward a really strong case for additional timber from the Woods and Forests Department and we told the Minister that it would be necessary in future for us to have a clear indication of where we were going, particularly in the citrus and tomato industries.

Present during the interview were the Chairman of the Forestry Board and the Conservator of Forests, and I distinctly remember that we were told we could have 1,000,000 cases for export of citrus products. Our demands at that time were greatly in excess of that figure for the home and export markets. During last season, which was a very light one, we exported 750,000 cases. We were told we would have to make our own arrangements for the marketing of our fruit on the Australian market.

With the passing of the legislation to set up the Citrus Organization Committee, one of the first problems the committee grappled with was the question of a suitable container both for export and the home market. At present we are looking for about 3,000,000 to 3,500,000 containers. It is essential that when we put in new and up-to-date plant we can standardize on some type of container that does not necessitate the operation being stopped

to alter the machinery to pack in certain counts into one container and then into another. This has to be a continuous job. At the Renmark Co-operative we have put in at great expense a plant that will save up to 10c a container if we can stick with one container for the whole day.

The C.O.C., a Statutory body, made a decision that as there would be a shortage of pinus timber we should standardize upon the Bruce box for the export of our fruit—up to 1,000,000 or more of these Bruce boxes. The Bruce box is a wire-bound box similar to a butter box. However, it is made of imported timber. It has very fine laminated sides and is very light. As a result of this decision, the whole of the South Australian citrus export at present is going to the traditional markets of New Zealand, Singapore, Hong Kong and even to France in the Bruce box. Internally, there is a dual usage: either fibre cartons or Bruce boxes. There is a resistance by the merchants in the Adelaide market to the use of either the carton or the Bruce box, and the Canadian dump bushel case is mainly being used in that market, although there is some use of the Bruce box.

I have a letter from the Minister telling me and other members of the position as it stood at September, 1965. The industry geared up for an alternative container when it could not be assured of sufficient pinus cases. That is the true situation. The Victorian and New South Wales growers took the same attitude as the South Australian growers and they, too, changed their type of container. I was reading in a newspaper circulating in the South-East of this State a report of comments attributed to the honourable member for Mount Gambier (Mr. Burdon). Following a speech that he made about afforestation in the Loan Estimates debate, he made a statement to the newspaper outside Parliament.

The Hon. D. H. L. Banfield: Is that one of the daily newspapers?

The Hon. C. R. STORY: This is a newspaper that circulates three times a week in the Mount Gambier area. The report states:

"We must have the latest know-how and technical knowledge and, if we are to progress, our officers must gather that knowledge from New Zealand, America or the Scandinavian countries," Mr. Burdon said. He warned that no one should be complacent about afforestation, because we are facing big problems.

Mr. Burdon then went on to talk about the case trade. He said that fruitgrowers in the Murray River centres and in the Murrumbidgee Irrigation Area had changed over from

the wooden packing case to the Bruce box which, with cartons, had made inroads into the traditional case trade, and he went on to say:

We are in a changing phase in sawmilling today, because we are moving away from wooden cases to cardboard cartons. As so often happens in a transitional stage, this is creating some problems. Unfortunately there is today a fair amount of stock on hand. I know that the officers of the department and everybody else would like to see these stocks diminish as soon as possible, because they are tying up badly needed revenue that this Government (and indeed any Government) would like to get its hands on.

I do not doubt for one moment that any Government would like to have its hands on this badly tied up money. I think the State would like to have its hands on some of it, because obviously much of this money that is being appropriated today in the Loan Estimates is tied up in stock in the forest areas of the South-East of this State. I doubt whether that stock would have been held up there if we had not got the reply we did in September, 1965.

Our industry was not in favour of changing over; all it wanted was a guaranteed supply of one type of container. Certainly, using the Bruce box and the carton is cheaper than using the pinus box. However, we had to go and sell to our customers overseas the idea of changing from the South Australian white box that they liked very much. This resulted in a great deal of negotiation, and in fact France is still not absolutely happy about the changeover.

It is necessary to standardize upon something. We could get no guarantee in 1965 that this industry could get sufficient boxes; in fact, we were told we could not. Therefore, if there are surpluses in the South-East, if much capital is tied up there, and if there is unemployment as a result, surely the fruit industries cannot be blamed; the blame should be laid squarely at the door where it belongs.

The Hon. L. R. Hart: The tomato case-maker is still being told that he can't have all the supplies he requires.

The Hon. C. R. STORY: He cannot get it in the way he wants it; he wants timber in a certain way and in certain proportions and he cannot get it. I do not doubt that in time all this timber will be used in the pulp industry. However, this action of saying that we in the citrus and dried fruit industries could not have sufficient cases has resulted

in the tap being turned off too suddenly. Instead of this being a tapering off process, it has come to an absolute halt. As a result, people are leaving the industry and expensive machinery owned by the Government is lying idle.

The Hon. H. K. Kemp: And money is going out of Australia.

The Hon. C. R. STORY: Yes, the timber for Bruce boxes is coming from Manila and the royalties on the machine operating in Adelaide is going to the parent company in America for the patent rights; but the citrus industry and the industries to which I have referred can in no way be blamed for the present position any more than the Commonwealth Government can be blamed for the State's present position, as it is being blamed by these words—"they could be related to the credit squeezes by the Commonwealth Government".

The Hon. R. C. DeGaris: This is the build-up of stock?

The Hon. C. R. STORY: Yes. Mr. Burdon continued:

He knew there was a hold-up in the sale of some products from certain mills, and this occurs in cycles. They could be related to the credit squeezes by the Commonwealth Government.

Returning to the "ifs" and "buts", there is always an inference that there is no problem at all to work out. What happened to the timber industry in the South-East? There is no need for one to search further for the reason as far as the case market is concerned.

I round off what I have to say by referring to one other matter—education, and the recent approaches to the Education Department on technical high schools and technical colleges. This matter should be considered. I am pleased that the Director-General of Education has forwarded to me a copy of a special syllabus to be put into operation at Urrbrae later this year. This scheme appeals to me, and I recommend to the Government that it proceed forthwith with what I believe to be a useful and necessary adjunct to Roseworthy Agricultural College, which has made its standard much higher than it was when some honourable members present today attended that college 30 years ago. With its entrance qualifications, it has now reached the stage where it precludes many boys from gaining admission, and it now could not accommodate any more boys, even if it wanted to.

This type of course, a two-year certificate course, is ideal for boys intending to return home and go on the land, or boys who want a short apprenticeship course in conjunction with something else they will do later (perhaps working for various types of manufacturer) in order to have a rudimentary knowledge of practical farming—although it is not so much merely practical farming as a very good course. The Government should investigate the money made available by the Commonwealth. Certain moneys have been made available by it, as a matter of fact to the tune of \$1,700,000. That is now available. So perhaps this is an occasion when the Treasurer can get hold of some of that money that he is always craving from the Commonwealth and saying he is being jilted out of. I do not think we have taken full advantage of this money so far but I know of an area where they are keen to have this type of course, which embraces both dry land farming and horticulture—Loxton. I commend the committee that has worked so hard to try to get an agricultural college established at Loxton. I know that the South-East and Kangaroo Island, too, are interested in this type of course, and I have no doubt that on the West Coast the people of Eyre Peninsula would be interested as well.

I bring to the Government's notice this money that is available and ask it to take advantage of it, because there will be no catch in it: no matching money will be required. There would be no problem there and the Government could go straight ahead with the project. During the year we have seen something that has given immense pleasure to the members for Midland—a re-examination of Giles Point as a deepsea port. This project has previously been given the unanimous approval of the Public Works Committee. I believe it will in time prove to be a great asset to South Australia. This project was approved during the time of the Playford Government but, unfortunately, when a change of Government occurred the new Government decided that this project should be reappraised, and the matter was referred back to the Public Works Committee. As a matter of fact, the scheme will now be a little better than its original concept: it will cater for very large vessels, as large as any that will come to South Australia for some considerable time.

The Hon. A. F. Kneebone: Then we did some good in delaying the scheme.

The Hon. C. R. STORY: I am glad the Minister has raised the point, because I am paying the Government a great compliment

in saying that I think the new scheme will be even better than the original one was. However, there is one catch in it at the moment: we want to ensure that we get the money for it; that is all-important. The South Australian Bulk Handling Co-operative Limited is ready to go ahead with its part of the installation. I am merely reminding the Government that, although we have the approval of the Public Works Committee and the blessing of the Minister in charge, we must ensure that nothing goes wrong and that the money is available. I commend these few points to the Government for consideration and I support the second reading.

The Hon. C. M. HILL (Central No. 2): I confine my remarks to matters relating to the building industry and housing in this State. I quote two sentences from the Treasurer's statement:

Thirdly, the amount of expenditure which the Government is undertaking in the construction and financing of housing is not only a record for this State in this particular field but involves a provision at low interest rates of a far greater proportion of governmental Loan funds for housing than is provided in any other State of Australia. This will importantly contribute to employment in the building and construction industry of the State.

First, the point is made that we are receiving from the Commonwealth a proportionately greater allocation of Loan funds for housing in South Australia than is being received in any other State. We know that there is a need for the maximum amount of funds for use in housing in South Australia but we also know that, because of the down-turn in the building industry in this State compared with the other States, a large amount of building finance is being used in the building industry in other States, too.

That means that a considerable portion of building finance in the other States comes from the private money sector: private financing, such as banks, building societies, lodges, and many other institutions that lend money on mortgage for house purchase. That is not a position relative to this year in this State, but it is a general picture that shows that over a considerable period the building industry here has not attracted (and indeed has been unable to attract) sufficient money from the private financing sector—and by this I mean that sector as opposed to the Government sector.

A great need exists for this money to be channelled into the building industry in South Australia if private enterprise can be given



sufficient attraction for that to be done. As I said once before, liquidity in the building industry is held by many people to be the root of the whole problem of building in South Australia.

The Hon. C. D. Rowe: Do you think it is liquidity, or a lack of demand?

The Hon. C. M. HILL: The demand is there and it still exists. People are still getting married and they still want houses, but if they cannot borrow money to buy a house they may be forced into the peculiar situation of agreeing to buy and then waiting for 18 months for a loan. They hesitate to decide whether to purchase the house or not, and this affects the general buyers' market. The question of finance still comes down to the matter of liquidity.

My second point concerning the sentences I have just read deals with the contribution that the Government hopes will improve employment in the building industry. It is not sufficient simply to allocate money to the building sector and from there to channel it into the Government sector: it is vital that the money be used effectively to assist the building trade. I want to explain that point later.

Although the Government claims (and I am not disputing this) that a far greater proportion of Loan moneys in this State as compared with other States is going into the housing sector, it is interesting to analyse the proportion of money that comes under the heading of Commonwealth-State housing loans: that is, to compare the amount of money in proportion to the amount of total Loan funds over recent years.

There is a down-turn in the percentage of total Loan funds allotted to housing in South Australia. Indeed, in 1963-64 the proportion of Loan funds granted to housing amounted to 25.9 per cent; in 1964-65 it was 25.8 per cent; in 1965-66 it was 23.5 per cent; in 1966-67 it was 23.5 per cent; and this year, as the Estimates show, it is 22.6 per cent of the whole. Proportionate to the whole of the Loan funds, money from the Government for housing is actually decreasing.

The main point I wish to mention is the effective use of funds in hand. I think that this form of criticism is constructive because it is not saying, "We have not got enough money and we need more to come into the State"; it is simply saying, "We have this money coming to the State. Are we using it effectively?"

In the Estimates it is proposed that the same pattern be used in 1967-68 as was used in the past in splitting up Commonwealth-State housing money between the South Australian Housing Trust and the private sector through the Home Builders' Account. Of \$21,000,000 appropriated for Commonwealth-State housing funds, \$10,150,000 is allotted to the trust and \$10,850,000 to the Home Builders' Account.

I do not need to emphasize further the unfortunate position of the building industry in this State, because it has been mentioned many times in this Chamber during the past few weeks. I shall take another series of statistics concerning the commencement of houses: in March, 1965, a total of 874 houses was commenced whilst two years later, in March, 1967, a total of 564 houses was commenced—representing a drop of 34 per cent.

That brings about a commensurate drop in employment in the building industry. If it were possible for a Government (it is now impossible for the present Government) in future years to redistribute the total Commonwealth-State housing money so that the private sector received a greater share, the problem in the building trade could be overcome.

The Government has taken the view that it has done its best by putting this money (that is, about \$10,000,000 or \$11,000,000) into the trust and into the Government sector each year it has been in office, and that is the best it can do. Indeed, I recall the Chief Secretary in this Chamber in March, 1967, making it clear that the Government was doing its best in building so many houses through the trust and spending so much money in the Public Buildings Department. At that time he said:

The Government gets the blame for the downward trend in the building industry, but it is not the Government's fault, it is the private sector.

But is the money used for building construction in the Government sector, relative to housing, being used effectively? Members were told in this Chamber that on June 15, 1967, houses owned by the trust and still unsold totalled 517. That number must represent a total value of more than \$4,000,000.

In considering these Estimates little change can be seen in the pattern of the Housing Trust programme. For example, on June 30, 1967, the trust still had under construction at Elizabeth a total of 593 houses.

It had more houses under construction there than the 488 it had under construction in what it calls the metropolitan area. It had 115 under construction in the Christies Beach area and 866 under construction in the country. But what is the good of continuing to build houses at Elizabeth, of taking this housing money for that purpose, when there are houses at Elizabeth that cannot be sold?

People engaged in the business of selling houses know that there are literally hundreds of empty houses in the northern outer suburbs stretching from Salisbury and Para Hills farther on to the Elizabeth area. These houses have been occupied, but they are now empty and cannot be sold. On the trust's own figures, it has 517 houses in that area, but it is proceeding to build more houses there.

The construction of these houses is absorbing money that is badly needed to revitalize the building industry in this State. Private enterprise, if given the opportunity, could revitalize our building industry. The speculative builders, who have practically gone out of business in the metropolitan area now, would begin building again if they could sell their wares and obtain payment for them.

The position arose a year or two ago when they built houses for sale and people came along and wanted to buy them. Many of them entered into contracts to do this but, as I said in reply to an interjection by the Hon. Mr. Rowe, they could not obtain mortgage finance from institutions such as the State Bank, and so the builders were in the predicament that they had to come to some arrangement to carry finance themselves, and the whole industry in this particular area came to a standstill.

If these people could borrow that money within a reasonable time (four to six weeks), provided all their other abilities, such as the amount of deposit and their income, were reasonable, speculative building could begin immediately. This is the position in other States. People there do not have to wait for 12 to 18 months; this position is peculiar to South Australia. This Government has missed its opportunity, and this is the last opportunity it will have, because it is a programme set forth for the whole of the coming financial year.

It missed its opportunity to give this liquidity in this respect. There is a list of people who want to form this demand to buy houses, who want the builders to build

them, and who want to generate all that means with regard to manufacturing, distribution and employment, but they have to be able to borrow mortgage money for this purpose. I repeat that the trust's programme need not suffer as a result of this. The trust is able to stand on its own feet and borrow its own money; indeed, in this year it will borrow \$4,100,000 from various lending institutions.

It is interesting to see in the Treasurer's statement that the trust also has \$13,370,000 of its own internal funds for use this year. In addition to the two sums I have mentioned, there must be added the \$10,150,000 from the Commonwealth-State Housing Agreement. The trust will use \$27,620,000 this year on its general housing programme. It is the figure of \$10,150,000 that I am concerned about, as I felt previously (and still feel) that that item should be allocated to the private sector.

To give a further example as to how this money, once it has been channelled into the Housing Trust, becomes tied up with the question of liquidity, it is interesting to see that the trust's programme for this year envisages the building of rental-purchase houses to the value of \$6,640,000 and houses for sale to the value of \$10,755,000.

Once this money becomes invested in this kind of operation it becomes tied up for a great period of time. The rental-purchase houses are sold on \$100 deposit and all the repayments are made to the trust, which thereby becomes the financing body as well as the builder.

Regarding the group of houses being built for sale, in many instances the borrowers, after having obtained a first mortgage, turn to the trust for a second mortgage, and so the trust acts as financier as well as builder. This is how this money becomes tied up in that way.

I will compare the private builders with those under this arrangement. First, the private builder builds with his own money or money borrowed from the private sector; this is an entirely different approach from that of the trust. When the private builder sells he obtains his sale proceeds, and the purchaser puts about 30 per cent of the purchase price from the private sector into that purchase.

Perhaps \$7,000 might come from the State Bank. That same sum comes in many instances from the State Bank when the trust buyer obtains his first mortgage from that bank. In my view, and in the view of many other people connected with the building

industry, if more money had been put into the private sector we would have had a much greater improvement than we are going to have in the coming financial year.

I stress again that private enterprise would not have continued to build houses at Elizabeth. It would not have had 593 houses under construction as at June 30. Private enterprise builds houses where people want them. It must do this. This is the sort of research it makes, and it is an integral part of its planning.

Similarly, building contract work would improve if owners of land and those wishing to build houses generally knew they could borrow money to pay to the builder by way of draws. This is quite a normal procedure, but, when the loan money is not available, people are reluctant to move, although they might want to change to new houses and move from one suburb to another.

The activity we want to generate becomes restricted when money cannot easily be borrowed on first mortgage. This can be done in other States at present but not here. I criticize the efforts of the Government so far to try to improve the unfortunate position in the building trade at present.

In a speech that the Treasurer made at a building industry association dinner a month or so ago, he said he would instigate some inquiry within the Housing Trust between builders and subcontractors to see whether there were any unreasonable dealings between the groups of building trades associated with the trust. However, that does not really affect the employment position in the building industry. He also stated that he would restrict the trust to low-cost housing, and I think his statement was welcomed by the building industry.

Also, a few days ago he stated in the press that he would introduce legislation providing for the registration of builders in this State; the press report stated that this measure would assist the building industry. I agree that it will do so in respect of standards of construction. However, will it assist the industry in respect of employment? I very much doubt that it will. Once the building industry gets into the doldrums a depressing influence permeates the State's commercial activities. This State depends very much on the building industry for its welfare. I do not think there will be any improvement in the industry this year but I hope that in future, no matter what Government is in office in the years to come, the whole question of liquidity in South Australia's building industry will receive far closer attention than it has received in the past.

The Hon. L. R. HART secured the adjournment of the debate.

#### STATE GOVERNMENT INSURANCE COMMISSION BILL

Adjourned debate on second reading.

(Continued from August 16. Page 1346.)

The Hon. Sir ARTHUR RYMILL (Central No. 2): This is a Bill to authorize the Government to enter the insurance business. It is couched in the widest terms and would enable the present or any future Government to embark on any type of insurance that it chose to embark on: life, fire, marine, or accident insurance—anything. It is curious that we should be presented with such a wide Bill when there has never in the history of this State been any power of any sort vested in the State Government to participate in the insurance business. However, we are presented with this Bill as a business proposition, and I propose to treat it as such.

Using business parlance, where is the prospectus for this proposed business? I suppose one can say that it is the Minister's second reading explanation, because that is all we have had (except the Hon. Mr. Banfield's stirring address yesterday afternoon). So, I shall take the Minister's explanation as the prospectus for this business, because that is all I can do. I must view it as such because this is all we are told in justification of the Government's entry into the insurance business.

First, a prospectus gives a financial forecast (or it should) and if it were a company prospectus it would be obliged to do so. It would be obliged to give two sorts of financial forecast: it would be obliged to set out the position of the proposed capitalization of the business and to set out some appreciation of the revenue, expenditure, anticipated profits and so on of the business. Now, where is the capital outlay referred to? The answer is that it is not referred to. Where is there any estimate of the revenue, expenditure, and anticipated profit? There is no such estimate. Where are the reports of expert investigations by accountants, lawyers and so on that are attached to a prospectus? The answer, of course, again is that there are not any.

This Bill was introduced in another place in the previous session but it was not proceeded with. However, it was resuscitated this session and the present Premier has pressed on with it. On being pressed, he admitted that he had had no financial investigation made by any business people at all. No-one has ever asked what the profits (or losses) are likely to

be or what capitalization is likely to be involved. The Premier said that he had had some sort of investigation made by research students. I ask you, Mr. President: what do research students know about the hard facts of business and what does the Government (from the Premier downwards) know about the insurance business? I imagine that their knowledge of insurance business is no more than that of the ordinary man in the street.

If this prospectus, as I have called it, had been issued in accordance with the terms of the Companies Act (about which the Premier and Attorney-General is so keen—he is always trying to tighten its requirements concerning disclosures by directors and so on, for the protection of the public) there would be a dozen offences for which the Government would be liable to prosecution. The Companies Act is supposed to protect the public, and honourable members of this Council are also expected to do so, and we are entitled to ask, and even to demand, that we get proper information concerning what public moneys are to be expended on this proposition and what is likely to happen to the venture itself. Yet the Government proposes to expend public moneys on a venture that it itself admits has never been explored in any way by any competent business person.

I have here a report by an accountant on the proposal, and I shall read it a little later. This accountant has investigated the position; he is a person who is used to looking into such matters, because he is normally employed by companies to investigate propositions of this nature. I think that members on this side of the Council will discover that his findings concur very much with their own findings. Some very good addresses have been made on this matter and it is obvious that honourable members have looked into it very carefully; I think they have made a very good appreciation of it. As far as I can see, the Government has merely looked at the past profitability of insurance ventures and has had no regard to the present situation. In other words, it is working on out-of-date figures, and this is not a very good way to enter a business venture.

I shall give some up-to-date figures when I read the report I have referred to. In the meantime, I have other figures here relating to claims and expenses of insurance companies in the general field in Australia; they were extracted from a book, published in 1966, entitled *Insurance in Australasia*. At page 24

there are set out details of the fire, accident, marine and general insurance business in Australia and the underwriting experience at five-yearly intervals. I shall give the figures of the percentage of claims to premiums. In 1954-55 this was 57.94 per cent; in 1959-60 (the first five-year interval) it was 59.62 per cent; and in 1964-65 it was 64.92 per cent.

I have been a director of a fire insurance company myself. I am not a director now, for I retired from the board because I could see that I was getting into a conflict of interests which, of course, would be wrong. I should state my present position. I am a director of Australia's biggest life assurance company, which has a fire subsidiary, but I am not on the board of the fire subsidiary. However, I have had experience as a director of a fire insurance company over a number of years, and thus I know that a rough working rule of fire and general companies is that their break-even point of claims in relation to premiums is about 65 per cent; that is, when they get to about a 65 per cent claim ratio then in normality, taking into account their expenses and so on, they are getting close to the situation where they make no profit. This is the stage the companies have arrived at in 1964-65. The percentages I gave show that the companies are getting very near to my break-even figure.

On the same page, this is rather borne out, because it then gives a break-down of the expenses as a percentage of premiums. I will put it in figures without going into the fractions. Those figures are as follows: claims paid and outstanding, 64 per cent of premiums; contributions to fire brigades, 2½ per cent; commission and agents' charges, 9 per cent; expenses of management, 16 per cent; income tax, licence fees, etc., 2½ per cent; and unexpired risks provision, 4 per cent. The last item, the important one, is estimated underwriting surplus of the total premium, 1.14 per cent. In other words, that is the profit that the whole of the insurance companies in Australia made on their premiums, against a pay-out of claims of 64 per cent of the same premiums.

The Hon. C. D. Rowe: Is that the tariff companies but not including the Government offices?

The Hon. Sir ARTHUR RYMILL: I think so, although I cannot answer that question specifically. However, the honourable member can find it in the book. I am posing this, of course, as an example of where underwriting has got to in recent years and how the profitability has gone out of it. As I say, this

accountant's report will give some more of these figures in relation to world-wide affairs, and of course Australia's insurance experiences are very similar to those in other parts of the world. The Government has given certain reasons why it wishes to enter the insurance field. It said on the hustings at the last election that because of workmen's compensation and third party motor car bodily injury policies being compulsory it proposed—

The Hon. A. J. Shard: Read the full paragraph.

The Hon. Sir ARTHUR RYMILL: It said:

It will be required that our policy consider the establishment of a State insurance scheme.

The Hon. M. B. Dawkins: The word "consider" is the operative word, is it not?

The Hon. Sir ARTHUR RYMILL: Very much so. Of course, the Chief Secretary has this paragraph off by heart.

The Hon. A. J. Shard: Yes, and I have something else in addition. There is no doubt about our policy on this one.

The Hon. Sir ARTHUR RYMILL: There is no doubt whatever about the Government's policy on this one. That policy was that if elected it would consider the establishment of a State insurance scheme. Those were the words in the Government's policy speech, and as a result it now claims that this constitutes a mandate.

The Hon. A. J. Shard: Our policy goes further than that.

The Hon. Sir ARTHUR RYMILL: Some honourable members have been generous enough to say that the Government may have a mandate for workmen's compensation and motor vehicle third party bodily injury insurance. I say quite categorically that it has no mandate of any sort. The Government merely told the public that it was proposing to consider the establishment of a State Insurance Office; it did not say whether it would establish such an office, and it did not say that it would not do so: it said it would consider it if it was elected. It might just as well say it would consider doing anything it thinks fit in the interests of the public and then claim a mandate for everything.

The Hon. S. C. Bevan: We said we would do everything that was in the best interests of the public.

The Hon. Sir ARTHUR RYMILL: In those circumstances, I presume the Minister would claim a mandate for anything.

The Hon. A. J. Shard: I thought you read our policy and our platform from a book.

The Hon. C. D. Rowe: Do you mean last month's book?

The Hon. A. J. Shard: You could not be funny if you tried.

The Hon. Sir ARTHUR RYMILL: It is perfectly clear that as a House of Review we have no obligation in this matter, and we should adopt the line of doing what we consider to be in the best interests of the people of this State.

The Hon. A. J. Shard: No-one has ever denied you that right.

The Hon. Sir ARTHUR RYMILL: Let us have a look at what the Government has claimed in the second reading explanation as the reasons for the proposed establishment of this insurance office. The main reason given was "to ensure by competition that adequate service is given to the public". Mr. President, this is just laughable. The insurance business is the most competitive business, I imagine, of any. Honourable members could not find a business in which there is greater competition.

Figures have been quoted showing that there are no fewer than 170 companies operating in South Australia at present. Surely those companies are going to give some competition to each other, especially when they are not very profitable at present. Surely they are doing their best to run their businesses in competition. There is no need for any competition, because it is there. These insurance companies are not all members of one group: there are several groups, and there are independent companies as well. In other words, there is real competition.

What a Government office, starting this year, can do in the way of competition with companies that have been established for decades and even centuries is beyond my comprehension. It can only be a puny establishment for a start. Whether or not the Hon. Mr. Hill's amendment is accepted, such an office must have very humble origins, except for such insurance as the Government can push its way out of its own resources, which it has already got anyhow without having an insurance company. Therefore, what on earth a new Government insurance company can do for the public by way of stimulating competition in this already, one might say, almost over-competitive field I do not know.

The Hon. S. C. Bevan: What are you afraid of?

The Hon. Sir ARTHUR RYMILL: I am not afraid of anything. It is kind of the Minister to interpret for me what I am trying

to say, but I am not saying this at all. I am not afraid of the insurance companies: they can look after themselves; they are perfectly capable of looking after themselves. If I am afraid of anything, I am afraid of the interests of the public of South Australia. I am not in the least afraid of the insurance companies. They have been competing for centuries and will continue to compete. As far as I am concerned, I do not mind this, provided there is fair and reasonable competition and there are not stand-over tactics when a Government Insurance Office is established.

The Hon. A. J. Shard: They do not stand over in the other States; they compete on a reasonable basis.

The Hon. Sir ARTHUR RYMILL: I am afraid I do not agree with that statement. That is not the case. That is dealt with in the report that I have, which is not very long. I will read it and answer the Chief Secretary then. It has been stressed by the Government that this Bill ensures fair competition. I do not know what is meant by that, because I have read the Bill several times and can find no mention of any protection of "fair competition". I do not know what that means. I think the Hon. Mr. Banfield said something about there being nothing in the Bill about compulsion to insure with a Government Insurance Office, and that that meant "fair competition". There is nothing in the Bill about compulsion but there are many ways in which a Government can compel people to insure with a Government Insurance Office without having it written into an Act of Parliament. This is already being done in at least one of the other States.

Honourable members have expressed the fear that this may lead to a Government monopoly, at least in certain fields of insurance. The words used in Mr. Walsh's policy speech do not inspire me to feel otherwise than that this is at least a possibility, when he refers to compulsory workmen's compensation insurance and compulsory third party insurance. Does not the fact that he refers to these varieties of insurance as being compulsory for the individual suggest that at some time sooner or later some compulsion will be exerted?

The Hon. A. J. Shard: No; it does not imply that at all.

The Hon. Sir ARTHUR RYMILL: It is compulsory to insure with some companies now.

The Hon. A. J. Shard: We do not think they are getting a fair crack of the whip from insurance companies because it is compulsory. That is what is meant.

The Hon. Sir ARTHUR RYMILL: That is what is said.

The Hon. A. J. Shard: Yes.

The Hon. Sir ARTHUR RYMILL: It is reasonable enough to extend that and say that, if that is the attitude of the Government, it may well be that a little later it will say that it is compulsory not merely to insure but to insure with the Government Insurance Office.

The Hon. A. J. Shard: No.

The Hon. Sir ARTHUR RYMILL: If this happens, of course, there is the corresponding danger that premiums will become elevated for the purpose of seeing that the Government Insurance Office is profitable.

The Hon. A. J. Shard: It is not often that you and I disagree, but we disagree violently on that.

The Hon. Sir ARTHUR RYMILL: It is for me to examine this Bill and see what I think may arise from it. This is my view, because this has happened elsewhere. I am not just plucking this from the air. Compulsion was one reason given when the Bill was introduced. The Government now seems to be shying away from the idea that it is trying to establish this office merely for the purpose of making profits, although during the Hon. Mr. Banfield's speech yesterday certain interjections were made about profits that suggested to me that the Government would not be averse to making some profit.

The Hon. A. J. Shard: It has got to be made to pay. There is no suggestion anywhere that it will be paid for out of revenue.

The Hon. Sir ARTHUR RYMILL: That is what worries me. I am afraid it will not pay its way and that the public will have to pay either by way of general revenue or by way of increased premiums.

The Hon. A. J. Shard: If either of those two things happened, it would not last long.

The Hon. Sir ARTHUR RYMILL: That may be a prophetic statement by the Chief Secretary.

The Hon. A. J. Shard: I am a realist; I want to be fair. The office has to pay its way or it will not function.

The Hon. Sir ARTHUR RYMILL: Another point in this respect is that, while the Government instances motor vehicle third party insurance and compensation, there are committees that fix the amount of the premiums payable. The Government says that it wants the public to insure with the lowest possible premiums being paid. As I say, there are already in

existence committees fixing the amounts of premiums, so what more can the Government want, unless something unfair is going to be done? There is nothing better than an independent committee to fix premiums; there is nothing better that can be done for the public in this regard. That is one point I make.

Another point was the question of complaints. Honourable members on the Government side in promoting this Bill are hanging their hats on the fact that various people have complained from time to time about the treatment they have received from existing insurance companies. Of course they have received complaints—it would not be human if they did not; there have been plenty of complaints, but does it mean there is anything wrong because an individual thinks he has been badly treated and has not been paid every cent he thinks he deserves? Does that mean there is something wrong with the business? I have heard very few complaints.

I have been associated with the business for a long time and my experience of reputable insurance companies (of course, there are a few black sheep in every fold) has been that most of them are generous payers, far more generous than a Government department could be, because a private insurance company or a public company dealing in insurance can make *ex gratia* payments. It can make generous payments, but a Government Insurance Office has to flourish the rule book; it cannot do otherwise, for it has the Auditor-General on top of it. A Government Insurance Office cannot do other than pay merely the amount of a claim that a person is making in respect of injury or damage that he can prove he has actually suffered.

The Hon. S. C. Bevan: What about comprehensive insurance? On one occasion my car was parked at the back of Parliament House and someone was kind enough to put his car alongside it. It cost \$40 to get that fixed up. If I had put in a claim to the insurance company, I would have lost \$38. That is not good business, in my book.

The Hon. Sir ARTHUR RYMILL: I do not know with which company the Minister deals but I know that my insurance company would not treat me like that.

The Hon. A. J. Shard: Tell me the name of your company, because I am looking for a new one.

The Hon. Sir ARTHUR RYMILL: When I was a director of that company, it paid at least one claim where the person making the claim was not insured against the

thing that happened. He had no policy at all, but he satisfied the company that he thought he had insured against this risk. The company was satisfied that he was genuine and made an *ex gratia* payment of the full amount of his claim. That is the way good insurance companies operate.

The Hon. A. F. Kneebone: There are very few of them, I think.

The Hon. Sir ARTHUR RYMILL: No, there are plenty of them, and that is why certain insurance companies have such a good name. That is also a reason (with no disrespect to the way a Government Insurance Office would run) why a Government office could not do anything like that, because it would not be permitted to do so. It could not do so by its very nature.

The Hon. A. J. Shard: I agree in the main that the honourable member is right, but there are such things, even in the Government, as *ex gratia* payments.

The Hon. Sir ARTHUR RYMILL: I do not think a Government Insurance Office could do it unless something in the Bill authorized it.

The Hon. A. J. Shard: There must be something in other Acts, because *ex gratia* payments have been made at times.

The Hon. Sir ARTHUR RYMILL: There is nothing in this Bill. I have from time to time been asked for advice on insurance matters, particularly when I was in legal practice, and the first thing I advised people to do (and I still do) is to choose their company; that is, a good payer. If a person wanted a good payer he would not go to a company that would chisel down premiums, because they have to get their money anyhow, but he would go to a company that charged a reasonable premium and had a good reputation.

I know the tendency of modern legislation is to try and protect people against themselves, but that cannot be done in all cases. With an insurance contract the individual must know what he is taking on, as indeed he must when making any other contract, such as the purchase of a motor car or a house or anything else. He must look after himself. If he goes to an insurance company that is not a good payer then he has not been prudent. Such things will still happen, whether the Government sets up an insurance office or not. I suggest that the two elements of reasons the Government has given for setting up an insurance office are specious. I think they are the only two reasons given because I cannot find any others.

Why does the Government want to set up such an office? I think I can answer that question. The excuse for doing so is that every other State has a Government Insurance Office, although at least the Victorian one is fairly limited. However, I think the real reason is that it is a political manoeuvre. I think it was put in the policy speech, as other things were put in that speech, because it had to have some sort of policy and had to put in that sort of thing. Now, the previous Premier having gone cold on the plan, the new Premier has revived it. I confess (and I have no doubt of this from remarks of his published in the press) that if he gets this Bill through and establishes a Government Insurance Office he can say that it is another remarkable achievement, such as he said when speaking of balancing the Budget. But this is a two-way bet, for if he does not get this Bill through then he will be able to say, "The Legislative Council frustrated the Government's wonderful intentions and it is their fault that you do not have a Government Insurance Office." In other words, the thing is perfectly doctrinaire, in my opinion.

I have waited patiently for the Government to support its second reading explanation. It was a most unsatisfactory one because it told us nothing of the things we wanted to know and ought to know. I had to wait until yesterday for any elaboration of the speech, and I am afraid that I am not much more enlightened because the honourable member who spoke did not, in my opinion, seem to have much knowledge of the insurance business. I do not want to take it any further than that, but I was looking for a supplementation of the second reading explanation; I have not got it up to date, but I hope that the Chief Secretary in reply will present some facts and figures, particularly the latter, to support the Government's claim of the right to establish an insurance office. I am going to read a comparatively brief memorandum given to me by an investigating accountant. It is headed "Proposal to Establish a South Australian Government Insurance Office". It states:

1. The Labor Party seems to have assumed:
  - (a) That there is a *need* for a State Government Insurance Office in South Australia, and
  - (b) That a State Government Insurance Office will—
    - (i) Make profits for the State, and
    - (ii) Eliminate certain undesirable features of insurance practice in South Australia.

2. As to the first assumption, the facts show that there is no *need* for a Government Insurance Office in South Australia. Any South Australian wishing to do insurance business has the choice of doing this business with a great many *highly competitive* overseas and Australian companies, some of which belong to what is known as "The Tariff" and some of which are known as "Non-Tariff" companies.

These companies have given the South Australian community a first class insurance service; they have never defaulted in relation to claims made against them for losses, which, as a practice, they have settled promptly, and in many cases, on a footing generous to the insured; at all times they have co-operated freely with the Government of the day; and finally they have been large employers of labour and very big investors indeed in this State. When I refer to "The Tariff" and the "Non-Tariff" companies, I am referring to the organizations which, by their financial strength and good business dealings, have justifiably earned a high reputation for service and integrity in the community of South Australia. The fact that one or two small companies of limited financial means and doubtful insurance practices, have entered the field of insurance in South Australia during the post-war years, and have failed, cannot, in any way, be used by the Government as a basis for criticizing the behaviour and reputation of the established companies which have provided an exceptionally fine insurance service in this State.

3. The second assumption that a State Government Insurance Office will make profits for the State, is open to very serious doubt indeed, unless of course, the Labor Party proposes to take a monopoly in certain areas of insurance as has been done in some other States.

And this is the answer to the Chief Secretary's interjection:

For example, in Queensland the Government has a monopoly of workers' compensation; and in New South Wales the Government has a virtual monopoly of compulsory third party.

They say that the premiums are high enough, and if members look at the documents it appears that they are making quite good profits from it. However, Queensland is the only office in Australia doing so. Do we want this in South Australia? There is only one answer to the fact that Queensland is making a profit where nobody else is able to do so. In addition, the Queensland office has a monopoly of third party insurance. The memorandum continues:

If the South Australian Labor Government hopes to make profits out of insurance, then I suggest that it will have to take a statutory monopoly in certain fields where it will be free from competition; where the Government rates will be under no control and where, therefore, the profit will be made at the expense of the insured. It is clear beyond any doubt that the Government has little or no chance whatsoever of making worth while profits by setting up a State Government Insurance



Office to conduct a business under existing economic conditions and under the existing competitive state of the insurance market.

There is a popular misconception that insurance companies make large profits out of the underwriting of insurance business. Many years ago this used to be the case. It is not so today and the sooner the promoters of the South Australian Government's Insurance Office understand this elementary fact, the better. Profitability out of underwriting, for a number of reasons which I need not presently elaborate, is now very difficult to achieve and, as I shall demonstrate, this is the experience not only of private insurance companies but Government Insurance Offices as well. I set out below the underwriting results for the past five years of the two largest insurance groups in the United Kingdom, namely the Commercial Union Group and the Royal Group. I also set out the underwriting results of the New South Wales and Victorian Government Insurance Offices for the same period:

Royal Group

Year		£ (Sterling)
1961	Profit	2,400,000
1962	Profit	100,000
1963	Loss	2,500,000
1964	Loss	800,000
1965	Loss	1,500,000

The 1966 figures of Royal Group are not available.

Private Companies

Commercial Union Group

Year		£ (Sterling)
1962	Loss	4,466,000
1963	Loss	7,285,000
1964	Loss	2,984,000
1965	Loss	1,830,000
1966	Loss	1,075,000

The Hon. S. C. Bevan: If they're losing all that, who is underwriting them?

The Hon. D. H. L. Banfield: How are they carrying on?

The Hon. Sir ARTHUR RYMILL: Because of their investment income. These are their underwriting results. The honourable member can check my figures, because the figures are all from published profit and loss accounts and are quite factual.

The Hon. D. H. L. Banfield: I didn't suggest they were not.

The Hon. Sir ARTHUR RYMILL: The report continues:

STATE OFFICES

Year	New South Wales		Victoria	
	\$		\$	
1962	Profit,	311,000	Profit,	450,000
1963	Profit,	129,000	Profit,	1,145,000
1964	Loss,	166,000	Profit,	728,000
1965	Loss,	706,000	Loss,	316,000
1966	Profit,	416,000	Loss,	240,000

These are companies that have been established for many years; they have very valuable insurance connections that they have developed over the years.

The Hon. S. C. Bevan: Is this a reduction in the profit from the previous year? They didn't make as much profit in one year as the other; therefore, they lose?

The Hon. Sir ARTHUR RYMILL: I should like to be able to help the Minister in that regard, but I am unable to do so. These are the results for each of the years, irrespective of any other years. The report continues:

The insurance offices in other States, as has been the case with the large private insurance organizations, whilst underwriting was highly profitable, as it was in the past, were able to build up substantial reserves out of their underwriting surpluses, which in turn created substantial annual investment incomes resulting from the investment of the underwriting surpluses. No new insurance organization, whether Government or private, starting in business today, would have any prospects of developing an investment income out of accumulated underwriting surpluses. And as most State Government Insurance Offices and private insurance companies rely very heavily on their investments and their investment income to give financial strength for insurance business undertaken and to provide the main part of their net profits, it necessarily follows that a State Government Insurance Office, which lacks an investment portfolio and an investment income, if it is to do its business under competitive conditions, and not monopoly conditions, will find it extremely difficult to show a net profit.

It should also be said that the accounts of some of the Australian State Government Insurance Offices do not fairly present the results of the operations in a way which renders reliable comparison with the accounts of private insurance companies possible. With respect to the third assumption, if, as a fact, the Government is satisfied that there is a need, in the public interest, to deal with any specific insurance practices that cannot be justified, then surely the appropriate Government action must lie in some form of statutory restraint, with suitable penalties in cases of disobedience; and not by claiming that a Government Insurance Office will be an answer to the complaints about alleged bad practices on the part of certain unnamed insurance companies.

The Hon. S. C. Bevan: What are you so concerned about?

The Hon. Sir ARTHUR RYMILL: I am concerned about the welfare of South Australia and its people, and I am giving facts and figures, which the Government is not prepared to do. Someone has to supply them. I have just supplied them, but the Government does not like them.

The Hon. A. J. Shard: You tell all your story. We have no objection. You're doing a very good job from your point of view, but it won't alter the result.

The Hon. Sir ARTHUR RYMILL: The following report appears in the *Australian Financial Review* of August 9:

**LLOYD'S OF LONDON FEELING THE PINCH**  
Lloyd's underwriters are now seriously worried about the fall in membership applications and the problems of attracting new members over the next two years. . . . The final results for 1964, to be released shortly, could well show an overall loss. But the worst year was 1965 with hurricane Betsy, and members will not have to pay out the full losses until early next year.

The article then refers to current losses. The decline in underwriting is general: it is not confined to only one or two countries. In the face of all that, should one conscientiously be able to support the Government in establishing a State Government Insurance Office when one feels so positively convinced that such an office can run only at a loss, unless something happens that dramatically alters the current situation? What is the reason for establishing such an office in the face of all these facts and figures, and what advantage will it be to anyone? One must discard the reason of competition with 170 companies already competing and the matter of complaints, because very few complaints have been mentioned—surprisingly few, in view of the tremendous volume of business done in this field.

I suggest it would be much better for the Government to worry a little more about the State's finances in a positive way and go ahead with really balancing the Budget. I say that because the Budget has only a balancing figure in it; it is not a balanced Budget, as everyone understands the meaning of the words "balanced Budget". There must be a balancing figure in any accounting. A balanced Budget means that the Government has broken even with its revenue in relation to expenditure, but we all know that

the Government has not done that. It should go ahead with works instead of hand-outs, and concentrate on things like the Chowilla dam (which is presenting real problems), the restoration of proper roadworks and other works, and the need to get the economy moving again—instead of our hearing just words, words, words. I propose to support the second reading of this Bill but I shall reserve my final vote until the Committee stage.

The Hon. C. R. STORY secured the adjournment of the debate.

#### SITTINGS

The Hon. A. J. SHARD (Chief Secretary): I think I should intimate that, if a certain rather lengthy Bill reaches this Council next week, evening sittings may be necessary later. I do not think there will be any value in having evening sittings next week but they may be necessary during the following week. I am informing honourable members of this so that they will not say that they had not been warned.

#### CLERK OF THE COUNCIL

The PRESIDENT: Before the Council adjourns I should like to refer to the departure of our Clerk who earlier in the session was granted leave of absence to attend the conference of the Commonwealth Parliamentary Association in Uganda. Mr. Ball will be accompanying the delegation there and, in accordance with Standing Orders, his place at the table will be taken by Mr. Drummond, who will be assisted by Mr. Mertin. I am sure the Council would like me to extend to Mr. Ball congratulations on his selection to accompany the delegation and to extend to him best wishes for a happy and successful trip.

#### ADJOURNMENT

At 4.32 p.m. the Council adjourned until Tuesday, August 22, at 2.15 p.m.