FEDERAL HOUSE PUSHES ON WITH PLAN LEGISLATION

Late Sitting Passes General Proposals

CONVERSION LOAN BILL NOW

Debts to be Converted by July 31

Canberra, June 26.

By 41 votes to 15, the second reading of the Debt Conversion Agreement Bill was passed in the House of Representatives at 2 a.m. today. This Bill embraces the whole of the Rehabilitation Plan decided on at the Premiers' Conference. The Bill was taken into Committee and progress reported immediately, and the House adjourned at 2.15 a.m. until the afternoon.

When the House sat again the Treasurer (Mr. Theodore) introduced the Commonwealth Debt Conversion Bill, which provides for the conversion of the internal debt of the Commonwealth, amounting to £556,000,000.

Mr. Theodore explained that the Bill provided for a cut of 22½ per cent. in interest. July 31 is the date fixed for the conversion.

The voting on the Debt Conversion Agreement Bill was:—

For (41).—Bayley, Bell, Brennan, D. Cameron, M. Cameron, Chifley, Coleman, Corser, Crouch, Cunningham, Cusack, Fenton, Forde, Francis, Frost, Gardner, Gibbons, A. Green, R. Green, Gullett, Guy, Hunter, Jones, Killen, Lewis, Lyons, Mackay, Marks, Maxwell, McGrath, Parker Moloney, Morgan, Nairn, Parkhill, Paterson, Price, Prowse, Scullin, Thompson, Tully, White.

Against (15).—Anstey, Beasley, Culley, Curtin, Holloway, Keane, Lazzarini, Long, Maloney, Martens, Riley, sen., Riley, jun., Riordan, Rowe, Yates.

Pairs were as follow:—Marr with Eldridge, Latham with Ward, Gregory with Matthews, Theodore with Lacey.

Members Sleep Through Division

Comment has been occasioned by the number of Ministers and members who did not vote in the division on the Conversion Agreement Bill.

Apparently, several members were not awakened in time to come into the Chamber, and the Government Whip (Mr. Riley), who is an opponent of the Plan, has been criticised for lax whipping because the result was a foregone conclusion.

Those who did not vote included the Minister for Home Affairs (Mr. Blakeley), who was asleep in his office, Mr. Hughes and Messrs. Gabb, Hawker, Hill, Stewart and Watkins.

Mr. Hughes was annoyed because of the limitation of speeches to 30 minutes and refrained from speaking or voting.

Caucus Attitude

Some of the loud criticisms of the Melbourne rehabilitation plan are likely to die away when caucus meets next week, following on the disappointing result of the demonstrations against the Plan made by a section of the party and by some of the outside executives. Opponents of the Plan do not conceal their disappointment at the small vote against the second reading of the Conversion Agreement Bill.

Not only did the anti-Plan group fail to gain new adherents through the permission by the Federal Executive to caucus members to vote as they liked, despite the majority decision of caucus, but there were even one or two defections.

Government supporters, who include eight members outside the Ministry, feel heartened at the success of their bold tactics, and next week there will be much adverse comment in caucus about the manner in which some of the members who voted against the Plan deserted their leaders to shelter behind the party platform in order to safeguard their own interests.

The only hurdle to be surmounted by the Government now is the measure providing for pension cuts, but as the vote on the Conversion Agreement Bill represented the general view of the Plan as a whole, no greater trouble than has already been experienced is expected.

Despite the forecasts of those who have been predicting the early defeat of the Government, the vote today showed that the Ministry still has a majority in caucus, there being 20 for the Plan and 15 against.

by 101,000 stockholders. There were 189,000 owners of Commonwealth Treasury bonds whose bonds were lodged for safe custody with Savings Banks, while it was estimated that there were approximately 100,000 persons whose Commonwealth Treasury bonds were in their own hands.

There were 1,250 different classes of securities under the different interest rates and dates of maturity in the proposed conversion.

New Interest Rates

Mr. Theodore said the main portion of the aggregate internal Australian debt was in securities of 5¼, 5½, and 6 per cent. The average interest rate at present was £5 4/3 per cent. When reduced by 22½ per cent. the average rate would be £4 0/9—a saving of £1 3/6.

The Treasurer said the interest on Commonwealth Treasury bills held against Government overdrafts would come down from 6 to 4 per cent. The new rates of interest would be 4 per cent., 3½ per cent., and 3 per cent., according to the issue, except in the case of tax-free securities, Savings Bank holdings, and Commonwealth Treasury bills held by banks.

He said that the new rate of interest payable on the new securities will be—4 per cent. on securities exchanged for existing securities bearing interest of more than 5 per cent.; 3½ per cent. on securities issued in exchange for existing securities bearing interest at 5 per cent.; 3 per cent. on securities exchanged for existing securities bearing less than 5 per cent.

Distribution of Debt

Mr. Theodore said the total debt of £556,000,000 was distributed as follows:—

State Savings Banks, £83,000,000.
Commonwealth Bank, £65,000,000.
Joint stock banks, £20,000,000.
Superannuation funds, £9,000,000.
Other Government and semi-Governmental institutions, £12,000,000.
Insurance companies, £35,000,000.
Friendly societies, £3,000,000.
General public £329,000,000.

Mr. Theodore explained that the reason for the adoption of three varying new rates of interest was to overcome certain difficulties of trustee companies that held Government bonds. It was pointed out that their capital might be affected by the conversion, and it was necessary to protect them. The Commonwealth Parliament did not have full power to protect them, and therefore it was agreed at the Melbourne Premiers' Conference that each State Parliament should pass a Bill to protect trustees. A uniform Bill had been drafted by the Commonwealth and State legal authorities and had been accepted by all the States. This legislation would come into operation on the same day as the Commonwealth Debt Conversion Act.

Mr. Theodore said that arrangements had been made to preserve the existing date of maturity for securities held by State Savings Banks. The date of conversion was fixed for July 31. The time within which dissent from the conversion might be signified to the Treasurer was 14 days, and six weeks in the case of bondholders absent from Australia. In the case of any parti-

Conversion Loan Bill

Explaining the Commonwealth Debt Conversion Bill, Mr. Theodore said that new conversion loans would be known as the Australian Consolidated Inscribed Stock and the Australian Consolidated Bonds. The establishment of a permanent Government loan rate of 4 per cent. was one of the outstanding hopes of the conversion proposal. Steps would be taken to protect bondholders by maintaining the market, probably through the adoption of a sinking fund for the purchase of Government stock. Enormous sums would be required for this purpose, but he believed that it could be achieved by the co-operation of the Government with the banks and other financial institutions.

"Terrorism and brutal threats of compulsion are unnecessary as part of this plan," said Mr. Theodore. "I prefer to make this conversion one rather of agreement. Without this rehabilitation scheme bondholders may lose everything. By voluntarily converting they protect their own interests as well as assist the nation—surely an effective motive for conversion."

Colossal Undertaking

Mr. Theodore said that the conversion was the outstanding feature of the rehabilitation plan. It was a colossal undertaking. Rarely had it been exceeded in magnitude in any part of the world, and so far as the British Empire was concerned it was comparable with the British debt conversion scheme of 1888.

If the objects of this conversion were attained, the result would be not only to lighten the country's interest burdens, but also to produce a steady loan market and the ultimate improvement of the nation's credit.

"This Bill," Mr. Theodore said, "represents a part of a general scheme to pool the loss occasioned by the prevailing economic disturbance. The nation cannot get back to financial stability without readjustment and serious sacrifice. Adjustment of the interest burden is an inescapable part of the task.

"If the readjustment must involve reductions in Government wages, salaries and social services, it is only fair that those holding fixed money claims of all kinds should also be called upon to make sacrifices. The plan agreed upon is an indivisible plan, and the carrying out of any one part is dependent on the carrying out of all parts."

Conversion With One Object

The object to be achieved by the conversion, Mr. Theodore said, was a simple one—the reduction of interest rates by an average of 22½ per cent., and the establishment of a consolidated Australian Stock, generally speaking on a 4 per cent. basis. But the action involved in the conversion operation was far from simple. There were many difficulties and complications—difficulties enhanced because of the limited time.

He was greatly indebted to the Assistant Secretary to the Commonwealth Treasury (Mr. H. J. Sheehan) and the Under-Treasurer of the South Australian Government (Mr. Stuckey) for their assistance in connection with the scheme. Without their skilful help, he would not have been ready to present the Bill to Parliament today.

The Actual Debt

The total of the Commonwealth and State public debts domiciled in Australia, Mr. Theodore said, was £556,000,000, of which £222,930,000 represented debts actually incurred by the Commonwealth. The amount in Commonwealth securities was £400,467,000, including approximately £180,000,000, representing issues made by the Commonwealth for the States. The amount in State securities was £155,533,000. The approximate annual interest payable on the debt was £12,200,000 by the Commonwealth and £16,800,000 by the States.

The Commonwealth stock inscribed at the Commonwealth Bank was owned

cular bondholders, however the Treasurer reserved the right to allow such further time as circumstances warranted.

Holders of Bearer Bonds

Mr. Theodore said that the last provision was most essential. There had been considerable argument as to the right of Government or Parliaments to assume that persons who held State securities and offered no objection were agreeable to the terms of the conversion. Whether persons holding bearer bonds wished to convert or not they must surrender them and accept some form of inscribed stock in their place, except that if they signified a wish to convert the bonds could be retained.

Mr. Lyons—Only those who wish to convert can retain bearer bonds.

Mr. Theodore—Yes.

Mr. Yates—That is one of the bludgeons.

Mr. Parkhill—Will you be able to safeguard the evasion of taxation which now goes on under bearer bonds?

Mr. Theodore—No. There are too many difficulties.

Mr. Theodore added that in the present conversion proposals he was following on the lines adopted for the conversion of British loans. Britain retained the right to pay off dissentients and to determine the time and manner in which they should be paid off. This offered such unattractive possibilities to bondholders that they were practically forced to convert. Some people regarded this as a weapon, and the Chancellor of the Exchequer had been criticised for using it.

Consolidating Small Securities

The Treasurer said that there would be a consolidation of small securities up to £1,000 for payment at early maturity dates. Blocks of £100,000 worth of securities would be cut up into holdings of £10,000 and spread over ten years for repayment.

The costs of the loan, said Mr. Theodore, would be small. There was no brokerage or underwriting charges. The only cost involved was that of circularising bondholders and for advertising space in newspapers to make necessary explanations to the public.

Mr. Theodore said that the conversion plan might lead to a permanent reduction of interest on Government loans. The present plan did not guarantee that. If there continued a lack of confidence these securities might slump further. It might be regarded as unduly optimistic, he said, to suggest that a 4 per cent. Government loan rate would be established, but it was a rate that should be aimed at. The Government owed it to the bondholders, he said to support the market. There were no means of doing it at present, except by funds to purchase Government stock. During the war the Commonwealth had a fund for purchasing stock and maintaining the market. Something of the kind might be done here in the future, if the Government co-operated with banks and other financial institutions.

"We must take it up seriously to get a better stability for our loan market," he said.

The debate was adjourned.

How Victorian Wage Cuts Will Operate

Melbourne, June 26.

Final details of the legislation to be placed before the State Parliament to give effect to the Premiers' plan were completed by the State Cabinet today.

It is understood that the first measure will provide for percentage reductions in the wages of public servants. The reductions will range from 11½ per cent. to 30 per cent. The reductions of 11½ per cent. will apply to employes on the basic wage of £226 or less. From £226 there will be a graduated scale of reductions, ranging from 16½ per cent. to 30 per cent. on salaries up to £5,000.