

COMMONWEALTH FINANCE.

SECTION XIX.

COMMONWEALTH FINANCE.

§ 1. General.

1. **Financial Provisions of the Constitution.**—The main provisions of the Constitution relating to the initiation and development of the financial system of the Commonwealth are those contained in Chapter IV., "Finance and Trade," being sections 81 to 105 of the Constitution Act. Two other sections which have a most important bearing on questions of Commonwealth finance are sections 69 and 51.

2. **Departments Transferred or Transferable under Constitution.**—In section 69 it is provided that the Departments of Customs and Excise in each State should become transferred to the Commonwealth on its establishment, and that on a date or dates to be proclaimed by the Governor-General after the establishment of the Commonwealth the following departments should become transferred:—

- (i.) Posts, telegraphs, and telephones.
- (ii.) Naval and military defence.
- (iii.) Lighthouses, lightships, beacons and buoys.
- (iv.) Quarantine.

Under proclamation dated 12th February, 1901, and published in the Commonwealth *Gazette* of the 14th of that month, the Departments of Posts, Telegraphs, and Telephones in each State became transferred to the Commonwealth as from the 1st March, 1901, while under a similar proclamation dated 19th February, 1901, and gazetted on the 20th, the Departments of Naval and Military Defence in each State also became transferred to the Commonwealth as from 1st March, 1901. In the case of Quarantine, an Act (No. 3 of 1908) has been passed and control has tentatively been assumed by the Commonwealth.

The requisite proclamation of transfer has not yet been made in the case of departments dealing with "Lighthouses, lightships, beacons, and buoys," nor has any legislation relative thereto been passed by the Federal Parliament, although the matter was before the legislature, in the form of a bill, during the sessions of 1909 and 1910. These departments, therefore, still remain under State control.

3. **Departments Transferable by Means of Commonwealth Legislation.**—In addition to the departments here mentioned which pass to the Commonwealth either automatically or by proclamation, there are several others whose duties the Commonwealth is empowered to undertake after the passing by the Commonwealth of the legislation necessary to authorise the assumption of such duties. These are referred to in section 51 of the Constitution, which contains a statement of all matters respecting which power is (subject to the Constitution) conferred on Parliament "to make laws for the peace, order and good government of the Commonwealth." The matters contained in this

section include those already mentioned as being covered by section 69. The principal matters involving for the due performance of the duties connected therewith the creation or transfer of departments of the Public Service are:—

- (i.) Trade and commerce.
- (ii.) Taxation.
- (iii.) Bounties on production or export of goods.
- (iv.) Postal, telegraphic, telephonic, and other like services.
- (v.) Naval and military defence.
- (vi.) Lighthouses, lightships, beacons, and buoys.
- (vii.) Astronomical and meteorological.
- (viii.) Quarantine.
- (ix.) Census and statistics.
- (x.) Bankruptcy and insolvency.
- (xi.) Copyrights, patents, and trade marks.
- (xii.) Naturalisation and aliens.
- (xiii.) Marriage.
- (xiv.) Divorce and matrimonial causes.
- (xv.) Invalid and old-age pensions.
- (xvi.) Immigration and emigration.
- (xvii.) Conciliation and arbitration.

4. Commonwealth Departments.—As a result of legislation passed from time to time in accordance with section 51, various departments and sub-departments have been transferred from the States to the Commonwealth, whilst other departments necessary for the due performance of the Commonwealth functions have been brought into existence. In the former class are such departments as those of Patents, Trade Marks, Copyrights, Designs, Naturalisation and Meteorology, while in the latter are the Ministerial Departments of External Affairs, Home Affairs, Treasury, Trade and Customs, Defence, Attorney-General and Postmaster-General, as well as such general departments as Public Service Commissioner's Office, Treasury, Audit Department, Crown Law Department, Bureau of Census and Statistics, and Federal Land Tax Office. It may, therefore, be said that, so far as its financial aspect is concerned, the effect of Federation up to the present time has been the transfer from States to Commonwealth of the revenue obtainable from the great revenue-producing Departments of Customs and Excise, and of the expenditure connected with various departments whose number is gradually increasing, and that, in addition, the various functions of the Commonwealth have necessitated further new expenditure.

5. Adjustment of Accounts between Commonwealth and States.—The fact that the Departments of Customs and Excise were responsible in the several States for the production of a very large proportion of the total revenues of the States, and that the financial relief afforded to the States by means of the transfer of expenditure to the Commonwealth would not, at least initially, be at all commensurate with this transfer of revenue, naturally led to the inclusion in the Constitution of a provision for the repayment to the States of surplus Commonwealth revenue. The means to be adopted for securing an equitable allocation of such repayment amongst the several States received very extensive consideration at the several conventions at which the framing of the Constitution took place, and the basis ultimately agreed upon was that involving for at least ten years after the establishment of the Commonwealth the provisions of what is generally known as the Braddon clause (section 87), and for at least five years after the imposition of uniform duties of Customs, the scheme of allocation which has become known as the "*book-keeping system.*" (Sections 89 and 93.)

6. The "Braddon" Clause.—This clause (section 87 of the Constitution) is so called after Sir Edward Braddon, a Tasmanian delegate to the Federal Convention of 1897 and

1898, by whom it was introduced. In its original form the clause provided that for all time the Commonwealth should return to the States not less than three-fourths of the net revenue of the Commonwealth from duties of Customs and Excise, not prescribing, however, what should be returned to *each* State. At the Melbourne session of the Federal Convention, held in 1898, provision was made that surplus revenue, instead of being returned to a State, might be applied towards the payment of interest on debts of that State taken over by the Commonwealth, and at the Premiers' Conference, held in Melbourne in 1899, a further amendment of the clause was effected by limiting its operations to a "period of ten years after the establishment of the Commonwealth, and thereafter until Parliament otherwise provides." The provisions of this clause *per se* were held to be complied with if the total amount returned to the States as a whole was not less than three-fourths of the total net revenue from Customs and Excise, and the Commonwealth was not under an obligation to return to each State three-fourths of the net Customs and Excise revenue collected in respect thereof. Thus, since the establishment of Federation, although the total amount of surplus Commonwealth revenue distributed amongst the States has in every year except 1907-8, 1908-9, and 1909-10 largely exceeded three-fourths of the total net revenue from Customs and Excise, the amount paid to one of the States, viz., Queensland, has in several of these years fallen short of three-fourths of the net Customs and Excise revenue collected in respect of that State. This occurred in the years 1901-2, 1903-4, 1904-5, 1907-8, 1908-9, and 1909-10, and was due in a large measure to the heavy expense involved in working the Commonwealth departments in that State. The amount returned to Tasmania for 1907-8, 1908-9, and 1909-10, also fell short of three-fourths of the net Customs and Excise Revenue collected in respect of that State, while a similar shortage occurred in the two latter years in Victoria and Western Australia.

7. **The "Book-keeping System."**—The scheme set forth in the Constitution for determining the amount to be paid to the several States is contained in sections 89 and 93, the former of which relates to the period prior to the imposition of uniform duties of Customs, the latter to the first five years after the imposition of such duties, and thereafter "until Parliament otherwise provides." The principle involved in this scheme is that of crediting each State with the Commonwealth revenue collected in respect of that State, and of debiting it with the expenditure incurred on its behalf in connection with transferred departments, as well as its share on a *per capita* basis of the new expenditure of the Commonwealth. On this account the method of allocation provided by the Constitution became very generally known as the "*book-keeping system*." As the imposition of uniform duties of Customs and Excise took place throughout the Commonwealth on 9th October, 1901, the five years provided for in section 93 expired on 8th October, 1906, and consequently the "*book-keeping system*," though remaining in force until 30th June, 1910, was liable to be changed at any time by the Commonwealth Parliament. In section 93 provision was made that the duties chargeable on goods imported into one State and consumed in another should be credited to the consuming State, the evident intention being that of safeguarding the interests of such States by allowing to each the revenue which its citizens actually contributed, since presumably the duty ultimately falls upon the consumer. The balance in favour of any State was payable monthly by the Commonwealth.

8. **Western Australian Sliding Scale.**—Owing to the exceptional circumstances of Western Australia, and the fact that the immediate introduction of interstate freetrade would seriously interfere with the development of the State, through the diminution in the funds at the disposal of its Treasurer, provision was made in section 95 of the Constitution for the retention of interstate duties by Western Australia during the five years after the imposition of uniform duties, such duties to be collected by the Commonwealth. It was stipulated that during the first of these years the duty so imposed on any goods should not exceed the duty chargeable on the goods under the law of Western Australia in force at the imposition of uniform duties, and that during the succeeding

years the amount imposed should not exceed four-fifths, three-fifths, two-fifths, and one-fifth respectively, and should cease at the expiration of the fifth year. This special concession to Western Australia, known as the "*Western Australian special tariff*," came to an end on 8th October, 1906, since when trade between all the States has been free. The amount collected under this special tariff during the five years of its operation from 9th October, 1901, to 8th October, 1906, was as follows:—

DUTY COLLECTED UNDER W.A. SPECIAL TARIFF, 1901-2 to 1906-7.

Year	...	...	1901-2.	1902-3.	1903-4.	1904-5.	1905-6.	1906-7.	Total.
Amount	...	£	201,569	233,467	196,936	142,549	77,666	16,776	868,963

9. Special Assistance.—A clause (section 96 of the Constitution) which has a very important bearing on the financial relations of the States and the Commonwealth was inserted by the Premiers' Conference of 1899. This clause provides that the Commonwealth Parliament may grant financial assistance to any State on such terms and conditions as the Parliament thinks fit. It is said to have been introduced with the object of rendering the Constitution more elastic in the matter of aid to the States than would be possible if the Braddon clause and the book-keeping system were rigidly adhered to. No claim for such special assistance has yet been made on the part of any of the States, although it appears that the framers of the clause anticipated that it might be required during the early years of Federation.

10. Transfer and Consolidation of State Debts.—Under section 105 of the Constitution power is given to the Commonwealth Parliament to take over from the States either the whole of the public debts of the States as existing at the establishment of the Commonwealth, or a proportion of those debts calculated on a population basis, and to defray the interest payable in respect of such debts from the portions of the surplus revenue of the Commonwealth payable to the several States. The prospective savings in the matter of interest to be effected by means of the consolidation of the State debts formed a strong argument in pre-federal days for those supporting the federal movement. A drawback to the scheme provided for in the Constitution lay in the fact that under it the maximum amount of debt which could be assumed by the Commonwealth was slightly more than two hundred millions, as existing at the establishment of the Commonwealth, whereas since that date an addition of upwards of fifty millions had been made to the debts of the States. A "proposed law" to provide for an amendment of the Constitution, allowing the Commonwealth unlimited power to assume States debts, was passed by the Federal Parliament in the session of 1909, and the requisite referendum in connection with the amendment took place at the General Elections on 13th April, 1910, when the proposed law received the endorsement of the electorate.

11. Disadvantages of the Book-keeping System.—Under the book-keeping system of regulating the financial relations of the States and Commonwealth an endeavour was made to distribute the surplus revenue in the exact proportion in which it had been contributed by the several States. If these be regarded as States which had merely transferred some of their ordinary functions to the Commonwealth, the crediting each with the revenue received in respect to itself, and debiting it with the expenditure which the administration of Commonwealth affairs on its behalf had occasioned, might be deemed to be as equitable as any method that could be suggested. There were, however, certain practical objections to such a system, which may be summarised as follows:—

- (i.) The trouble and expense which the necessary record entailed.
- (ii.) The practical impossibility of ensuring that in every case a consuming State would be duly credited with revenue collected on its behalf in a distributing State.
- (iii.) The difficulty involved in equitably determining the amount to be debited to the several States in respect of general Commonwealth expenses.
- (iv.) The uncertainty on the part of the State Governments as to the amount which would become available.
- (v.) The impossibility of securing independent State and Commonwealth finance.

12. **Proposals to Modify Book-keeping System.**—Various proposals were from time to time made for modifying the "book-keeping" system in such a manner as to obviate certain of its inherent disadvantages. The principal of these proposals were those which may be classified under the following heads:—

- (i.) A *per capita* distribution of surplus.
- (ii.) Payment of a fixed annual sum.
- (iii.) Payment of a fixed annual amount per head.
- (iv.) Increase in liability transferred to Commonwealth.

Some of the proposals that were made involved features of more than one of the systems here specified, and in certain cases combined them with those of the book-keeping system. A dissertation on the merits and demerits of any of the proposals would be beyond the scope of the present publication, but it may be noted that the scheme put forward by Sir George Turner when Commonwealth Treasurer was based on an increase in the liability transferred to the Commonwealth; that the scheme of Sir John Forrest and that of Sir William Lyne were based mainly on the payment of a fixed annual sum; while the scheme agreed to by the Commonwealth and State authorities in conference in 1909 and subsequently approved by the Federal Parliament was based on the payment of a fixed annual amount (25s.) per head of population. The scheme finally adopted by Mr. Fisher and ultimately assented to on 2nd September, 1910, retains this fixed annual payment of 25s. per head of population for a period of ten years.

13. **Interstate Conferences.**—Since the establishment of the Commonwealth, conferences of State Ministers have been held from time to time, at which proposals for adjusting the financial relations between the States and the Commonwealth have been considered. At the conference held in Melbourne in October, 1906, and that held in Brisbane in May, 1907, the scheme put forward by Sir John Forrest was very fully discussed, and, in so far as the proposals for the allocation of surplus Commonwealth revenue are concerned, was, with some minor amendments, agreed to. The proposals made by Sir John Forrest for the transfer of State debts did not, however, meet with the approval of the conferences. After the retirement of Sir John Forrest from the Commonwealth Ministry, his scheme was abandoned by the Commonwealth Government. A fresh proposal by Sir William Lyne was substituted for it, and was considered by the Conference of Premiers held in Melbourne in 1908, who expressed their dissent from its provisions. A further Conference of Premiers was held in Hobart in March, 1909, at which a scheme was drawn up providing for the unlimited extension of the Braddon clause in an amended form, the amount returnable to the States to be not less than three-fifths of the gross revenue from Customs and Excise nor less than £6,750,000 in any one year, and a special concession to be made in the case of Western Australia. In August, 1909, a conference between Commonwealth and State authorities was held in Melbourne at which an agreement was arrived at between the Prime Minister of the Commonwealth and the Premiers of the several States. This Agreement was subsequently made the basis of a proposed law for amending the Federal Constitution, which, during the session of 1909, was passed by the statutory majority in both Houses of the Federal Parliament. It is not necessary to reproduce the exact provisions of the Agree-

ment, which were given *in extenso* in the third issue of the Year Book. The proposed law was submitted to a referendum at the elections of 13th April, 1910, and rejected.

14. Financial Arrangement between Commonwealth and States.—The financial relations between Commonwealth and States are now regulated by the "Surplus Revenue Act 1910," which amended the "Surplus Revenue Act 1908." The most important sections are given hereunder in full:—

3. "From and after 31st December, 1910, section 87 of the Constitution shall cease to have effect, so far as it affects the power of the Commonwealth to apply any portion of the net revenue of customs and excise towards its expenditure, and so far as it affects the payment of any balance by the Commonwealth to the several States, or the application of such balance towards the payment of interest on the debts of the several States taken over by the Commonwealth."
4. (a) "The Commonwealth shall during the period of ten years beginning on 1st July, 1910, and thereafter until the Parliament otherwise provides, pay to each State by monthly instalments, or apply to the payment of interest on debts of the State taken over by the Commonwealth, an annual sum amounting to twenty-five shillings per head of the number of the people of the State:

Provided that in the six months ending the 30th June, 1911, the Commonwealth may deduct from the amounts payable in pursuance of this section the amounts set out in the Schedule."

- (b) "If in order to comply with section 87 of the Constitution the sums paid and applied under this section during the six months ending on 31st December, 1910, amount to more than twelve shillings and sixpence per head of the number of the people of the several States, the amounts paid and applied under this section during the next six months shall be correspondingly reduced, so that the amounts so paid and applied during the whole of the financial year ending on 30th June, 1911, shall not amount to more than twenty-five shillings per head of the number of the people of the several States, less the deductions provided for in the proviso to the last subsection."
5. (a) "The Commonwealth shall during the period of ten years beginning on the 1st July, 1910, and thereafter until Parliament otherwise provides, pay to the State of Western Australia, by monthly instalments, an annual sum which in the first year shall be two hundred and fifty thousand pounds, and in each subsequent year shall be progressively diminished by the sum of ten thousand pounds.
- (b) One-half of the amount of the payments so made shall be debited to all the States (including the State of Western Australia) in proportion to the number of their people, and any sum so debited to a State may be deducted by the Commonwealth from any amount payable to the State in pursuance of this Act."

Section 6 provides for the final payment of any surplus revenue there may be to the States "in proportion to the number of their people."

Section 7 provides that "the number of the people" in any financial year shall be deemed for the purposes of this Act to be the number estimated by the Commonwealth Statistician as existing on the 31st December falling in that financial year.

The Schedule referred to in section 4, sub-section (a) is as follows :—

THE SCHEDULE.

Amounts to be deducted from payments to the States in the financial year ending 30th June, 1911.

New South Wales	...	...	...	£178,973
Victoria	...	...	...	143,092
Queensland	...	...	...	63,788
South Australia	...	...	...	30,529
Western Australia	...	...	...	20,113
Tasmania	...	...	...	13,505
				£450,000

§ 2. Consolidated Revenue Fund.

(A) Nature of Fund.

The provisions made for the formation of a Commonwealth Consolidated Revenue Fund, and the means to be adopted for operating on that fund, are contained in sections 81, 82, and 83 of the Constitution. In section 81 it is provided that "All revenues or moneys raised or received by the Executive Government of the Commonwealth shall form one Consolidated Revenue Fund, to be appropriated for the purposes of the Commonwealth in the manner and subject to the charges and liabilities imposed by this Constitution." A strictly literal interpretation of this section would appear to require all loan and trust moneys received by the Commonwealth Executive to be paid to Consolidated Revenue. It is, however, held by Quick and Garran, in their "Annotated Constitution," that the "generic word *moneys* must be controlled by the preceding specific word *revenues*, and limited to moneys in the nature of revenue." This is the view of the matter which has been adopted by the Commonwealth Treasury in the preparation of its accounts. At present the Commonwealth has no Loan Account, but certain moneys received, which are not of the nature of revenue, are paid to Trust Account. As regards expenditure from the Consolidated Revenue Fund, section 82 provides that the costs, charges, and expenses incident to the collection, management, and receipt of the Consolidated Revenue Fund should form the first charge thereon, while section 83 stipulates that "no money shall be drawn from the Treasury of the Commonwealth except under appropriation made by law." Such appropriations are either special, and as such are provided for by means of a permanent Act, or are annual, and provided for in an annual Appropriation Act.

(B) Revenue.

1. **Total Collections.**—The consolidated revenue of the Commonwealth, which in 1901-2, the first complete financial year under the new regime, amounted to £11,296,985, had, in 1909-10, reached a total of £15,540,669, an increase in eight years of £4,243,684.

Particulars concerning the total amount of revenue collected by the Commonwealth Government and credited to the several States from 1st July, 1905, to 30th June, 1910, are contained in the following table:—

CONSOLIDATED REVENUE OF THE COMMONWEALTH, 1905-6 to 1909-10.

State to which Credited.	1905-6.	1906-7.	1907-8.	1908-9.	1909-10.
	£	£	£	£	£
New South Wales ...	4,814,829	4,782,122	5,816,755	5,621,958	6,017,118
Victoria ...	3,292,885	3,537,602	4,063,736	3,750,161	4,054,761
Queensland ...	1,550,360	1,707,136	1,967,618	1,989,540	2,144,538
South Australia ...	987,792	1,113,450	1,355,751	1,307,621	1,482,547
Western Australia ...	1,237,103	1,216,415	1,270,732	1,166,126	1,292,568
Tasmania ...	448,955	476,165	544,442	515,387	549,137
Commonwealth ...	11,881,924	12,832,891	15,019,034	14,350,793	15,540,669

The revenue collected by the Commonwealth during the financial year 1907-8 was, in all the States except Western Australia, higher than in any preceding year, the large increase being mainly due to the additional revenue collected in connection with the new tariff introduced on the 8th August, 1907. In the case of Western Australia the year in which the maximum collection of Commonwealth revenue took place was 1902-3, a continuous decline having been experienced from that year until 1906-7, and a slight rise for 1907-8. For 1908-9 the revenue in all the States except Queensland was lower than that for the preceding year, but the total for the Commonwealth shews a substantial excess over any year prior to 1907-8. For 1909-10 the revenue in all the States shewed a marked increase, and the total for the Commonwealth was the largest ever collected.

2. **Collections per Head.**—In the table given hereunder particulars are furnished of the amount of Commonwealth revenue per head of population collected in respect of each State for the last five years:—

COMMONWEALTH REVENUE PER HEAD OF POPULATION, 1905-6 to 1909-10.

State to which Credited.	1905-6.	1906-7.	1907-8.	1908-9.	1909-10.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
New South Wales ...	2 17 10	3 2 8	3 14 2	3 10 8	3 14 2
Victoria ...	2 14 1	2 17 5	3 5 1	2 19 0	3 2 1
Queensland ...	2 18 9	3 3 10	3 12 8	3 12 0	3 14 11
South Australia ...	2 12 3	2 18 0	3 9 1	3 4 3	3 11 3
Western Australia ...	5 1 0	4 12 11	4 17 2	4 7 4	4 14 6
Tasmania ...	2 9 7	2 12 10	2 19 2	2 15 6	2 18 9
Commonwealth ...	2 18 8	3 2 4	3 11 7	3 7 2	3 11 0

In four of the States, viz., Western Australia, Queensland, New South Wales, and South Australia, the revenue per head for 1909-10 exceeded the average for the Commonwealth. Throughout the period under review the revenue per head has been highest in Western Australia and lowest in Tasmania, with a distinct tendency in evidence for the former to diminish and the latter to increase.

3. **Proportions Collected in respect of the several States.**—In the following table particulars are given of the percentage which each State's contribution for the several years was on the total Commonwealth revenue:—

PROPORTION OF REVENUE COLLECTED IN RESPECT OF EACH STATE,

1905-6 TO 1909-10.

State.	1905-6.	1906-7.	1907-8.	1908-9.	1909-10.
	%	%	%	%	%
New South Wales	36.31	37.26	38.73	39.18	38.72
Victoria	27.71	27.57	27.06	26.13	26.09
Queensland	13.05	13.30	13.10	13.86	13.80
South Australia	8.32	8.68	9.03	9.11	9.54
Western Australia	10.83	9.48	8.46	8.13	8.32
Tasmania	3.78	3.71	3.62	3.59	3.53
Commonwealth	100.00	100.00	100.00	100.00	100.00

A comparison of the percentages for 1909-10 with those for 1905-6 reveals the fact that, whilst the proportion of the Commonwealth revenue contributed by New South Wales has during the period increased considerably and the proportions contributed by Queensland and South Australia have increased moderately, those for Victoria, Western Australia, and Tasmania exhibit decreases, the extent of the decrease being most marked in the case of Western Australia, where a fall in percentage took place from 10.83 in 1905-6 to 8.32 in 1909-10. This rapid decline in Western Australia is due to a variety of causes, the three most important being:—(i.) The abolition of interstate duties, (ii.) the increase in interstate trade, and (iii.) the gradual tendency to equalisation of conditions with those existing in the eastern States.

In view of the various proposals for adjusting the financial relations of the Commonwealth and the States on a *per capita* basis, the following comparison of the proportion of Commonwealth revenue collected in respect of each State with that State's proportion of the total Commonwealth population is of considerable interest:—

COMPARISON OF REVENUE AND POPULATION PROPORTIONS, 1909-10.

Particulars.	N.S.W.	Vic.	Q'land.	S.A.	W.A.	Tas.	Cwith.
Percentage on Commonwealth revenue	36.72	26.09	13.80	9.54	8.32	3.53	100.00
“ “ “ population	37.07	29.80	13.09	9.51	6.25	4.28	100.00

In the case of New South Wales, Queensland, Western Australia, and South Australia the revenue percentage is higher than the population percentage, while in Victoria and Tasmania the population percentage is the higher. The most extensive proportionate divergences occur in the cases of Western Australia and Tasmania.

4. Details of Revenue, 1909-10.—The principal revenue-producing departments of the Commonwealth are the Customs, Excise, and Postal, the Customs collections for 1909-10 representing more than 60 per cent. of the total revenue, Excise about 13½ per cent., and Postal about 24 per cent. Details of the Commonwealth revenue collected in respect of each State for the year 1909-10 are given in the following table:—

COMMONWEALTH REVENUE, 1909-10.

Source of Revenue.	Revenue Collected in respect of—						Total Revenue Collected by C'wealth Govt.
	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tasmania.	
	£	£	£	£	£	£	£
Customs ...	3,789,515	2,366,701	1,243,512	942,972	824,477	338,678	9,505,855
Excise ...	706,035	682,310	342,764	142,749	160,938	52,514	2,087,310
Postal ...	1,437,748	937,820	531,593	381,013	293,680	149,887	3,731,741
Defence ...	7,942	8,048	2,986	1,085	767	1,019	21,847
Patents ...	5,493	4,707	2,400	1,577	1,339	1,128	16,644
Trade Marks, Copyrights and Designs	1,774	1,428	626	455	303	204	4,790
Quarantine ...	2,331	1,125	567	72	592	37	4,724
Coinage ...	25,821	20,752	9,118	6,624	4,356	2,975	69,646
New revenue...	23,384	18,795	8,258	6,000	3,944	2,695	63,076
Public Service Pension Funds, Re-payments and Transfers	17,075	13,075	2,714	...	2,172	...	35,036
Total ...	6,017,118	4,054,761	2,144,538	1,482,547	1,292,568	549,137	15,540,669

5. Sources of Revenue.—The following table furnishes particulars concerning the Commonwealth revenue derived from each source during the years 1905-6 to 1909-10:—

SOURCES OF COMMONWEALTH REVENUE, 1905-6 to 1909-10.

Sources of Revenue.	1905-6.	1906-7.	1907-8.	1908-9.	1909-10.
	£	£	£	£	£
Customs ...	7,089,379	7,660,874	9,341,108	8,626,521	9,505,855
Excise ...	1,910,106	1,987,682	2,304,244	2,217,546	2,087,310
Postal ...	2,824,348	3,128,574	3,300,096	3,409,426	3,731,741
Defence ...	8,106	5,112	13,565	5,024	21,847
Patents ...	23,936	18,017	17,421	15,367	16,644
Trade Marks, Copyrights, and Designs	...	6,390	8,657	6,110	4,790
Quarantine ...	...	...	...	...	4,724
Coinage ...	...	...	...	...	69,646
New revenue ...	11,854	12,529	25,837	35,978	63,076
Miscellaneous	14,196	13,713	8,106	...	...
Public Service Pension Funds, Re-payments and Transfers	...	...	...	34,821	35,036
Total ...	11,881,925	12,832,891	15,019,034	14,350,793	15,540,669

The maximum annual collection of Customs revenue during the period was the total of £9,505,854 obtained during 1909-10, the nearest approach to this figure being that of £9,341,108 obtained during the financial year 1907-8. The Customs revenue for 1906-7 was practically identical with that for 1901-2. The minimum annual collection was £7,089,379 in 1905-6. In the case of Excise a maximum for the period was attained in 1907-8, followed by marked decreases in subsequent years, for which a falling off in the excise revenue on spirits and sugar was mainly responsible. In the case of Postal revenue the amounts collected have increased almost continuously from year to year, the Postal revenue for 1909-10 exceeding that for 1905-6 by 32 per cent.

6. **Customs.**—As already noted, several of the provisions of the Constitution were made dependent for their date of commencement on the imposition of uniform duties of Customs. Thus the book-keeping system and the Western Australian special tariff provisions both hinged upon the date on which the uniform duties of Customs were imposed. The Bill to provide for the collection of such duties was introduced in the Commonwealth House of Representatives on 9th October, 1901, and, in accordance with the usual practice, a resolution to protect the revenue and provide for the collection forthwith of the duties specified in the Bill, was duly carried. This date, 9th October, 1901, is consequently that on which the uniform duties of Customs are considered as having been imposed. A reference to the various enactments of the Commonwealth Legislature relative to the imposition of Customs duties will be found in Section XV., "Commerce," pages 607 to 611.

7. **Customs Revenue, 1909-10.**—The Customs revenue, after deduction of drawbacks and refunds, collected in respect of the several States during the year 1909-10, is given hereunder, details being furnished for the principal classes of dutiable articles imported :—

COMMONWEALTH CUSTOMS REVENUE, 1909-10.

Classes.	Customs Revenue Collected in respect of—						Total for Commonwealth.
	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tas.	
	£	£	£	£	£	£	£
Stimulants ...	938,526	549,828	378,033	162,304	233,577	67,947	2,330,215
Narcotics ...	375,207	266,715	135,232	79,371	91,221	46,331	994,077
Sugar ...	279,131	47,005	3,279	103,612	32,546	40,812	506,385
Agricultural products	340,266	212,223	116,139	67,618	89,633	29,434	855,313
Apparel and textiles ...	729,894	537,042	222,589	192,801	127,410	63,096	1,872,832
Metals and machinery	378,347	215,414	150,730	118,843	104,147	30,492	997,973
Oils, paints, etc. ...	72,720	57,416	27,386	21,831	13,882	6,142	199,377
Earthenware, etc. ...	94,716	66,432	29,887	29,063	18,953	8,440	247,491
Drugs and chemicals ...	27,927	17,585	12,188	7,843	8,742	2,613	76,898
Wood, wicker, and cane	128,575	114,036	17,187	36,855	18,972	8,571	324,196
Jewellery, etc. ...	85,273	56,144	33,583	23,209	16,255	8,285	222,749
Leather, etc. ...	94,228	69,217	31,782	28,247	22,012	7,890	253,376
Paper and stationery ...	64,417	47,258	20,927	16,753	12,194	5,982	167,531
Vehicles ...	50,148	25,847	17,944	19,934	5,610	2,679	122,212
Musical instruments ...	32,640	23,041	11,770	9,359	4,062	2,077	82,949
Miscellaneous articles	84,384	53,557	30,569	22,942	22,190	6,938	220,580
Other receipts ...	13,116	7,940	4,287	2,337	3,071	949	31,700
Total Customs...	3,789,515	2,366,700	1,243,512	942,972	824,477	338,678	9,505,854

The figures given in the above table represent the net amount of Customs revenue credited to each State, after adjustment has been made in accordance with section 93 of the Constitution in respect of duties collected in one State on goods subsequently passing for consumption into another State.

8. **Customs Revenue for Past Five Years.**—Corresponding particulars for the Commonwealth as a whole, for the five years 1905-6 to 1909-10, are furnished in the following table :—

COMMONWEALTH CUSTOMS REVENUE, 1905-6 to 1909-10.

Classes.	1905-6.	1906-7.	1907-8.	1908-9.	1909-10.
	£	£	£	£	£
Stimulants	2,098,712	2,223,431	2,281,424	2,252,380	2,330,215
Narcotics	945,286	941,337	1,057,996	961,411	994,077
Sugar	129,692	143,830	51,499	140,343	506,385
Agricultural products	812,596	738,612	806,526	886,612	855,313
Apparel and textiles	1,416,977	1,578,414	2,063,674	1,630,490	1,872,832
Metals and machinery	492,427	625,227	1,030,519	932,944	997,973
Oils, paints, etc.	124,157	141,314	197,840	206,688	199,377
Earthenware, etc.	150,724	170,332	278,201	230,795	247,491
Drugs and chemicals	57,652	60,365	77,281	71,589	76,898
Wood, wicker, and cane	187,482	219,433	360,699	336,361	324,196
Jewellery, etc.	173,428	210,818	256,835	198,196	222,749
Leather, etc.	154,038	172,459	218,918	208,120	253,376
Paper and stationery	112,052	145,241	193,813	164,677	167,531
Vehicles	77,590	101,782	148,003	95,888	122,212
Musical instruments	50,672	60,117	90,905	72,128	82,949
Miscellaneous articles	80,112	97,403	191,782	205,697	220,580
Other receipts	35,782	30,759	35,193	32,202	31,700
Total Customs	7,089,379	7,660,874	9,341,108	8,626,521	9,505,854

It will be seen that throughout the period here dealt with the Customs revenue from stimulants and narcotics has represented, approximately, 40 per cent. of the total Customs revenue. The other principal articles from which Customs revenue was derived were "apparel and textiles," "metals and machinery," and "agricultural products." The most marked increase in the amount of duty collected is in the class of "metals and machinery," the revenue under this head for 1909-10 exceeding that for 1905-6 by £515,546.

In all cases except those of "Sugar," "Agricultural products," "Oils, paints, etc.," and "Miscellaneous articles," the revenue for 1908-9 fell short of that for 1907-8, owing mainly to the somewhat abnormal collections of 1907-8, consequent on the tariff of that year.

9. **Excise.**—The commodities on which Excise duties are levied are beer, spirits, starch, sugar, and tobacco, whilst the department also obtains a small revenue from the granting of licenses for the manufacture of stimulants and narcotics.

The revenue collected in respect of each State during 1909-10, under each of these heads, is shewn in the following table:—

COMMONWEALTH EXCISE REVENUE, 1909-10.

Particulars.	Excise Revenue Collected in respect of—						Total for Commonwealth.
	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tas.	
	£	£	£	£	£	£	
Beer	194,893	189,868	76,588	44,607	58,819	19,728	584,503
Spirits	92,774	84,139	41,769	34,382	11,784	3,029	267,877
Starch	1,857	895	810	Dr. 235	398	172	3,897
Sugar	137,672	229,981	126,626	9,373	32,526	12,538	548,716
Tobacco	276,602	175,156	94,584	53,483	56,717	16,895	673,437
Licenses	2,237	2,271	2,388	1,139	694	151	8,880
Total Excise	706,035	682,310	342,765	142,749	160,938	52,513	2,087,310

Of the total Excise revenue collected, beer, spirits, and tobacco were responsible for about 73 per cent. The figures given in this table are those obtained after deducting drawbacks and refunds and making the necessary adjustments between the States in connection with goods produced or manufactured in one State and consumed in another.

10. **Excise Collections, 1905-6 to 1909-10.**—Particulars concerning the amount of Excise collected under each head during each of the years ending 30th June, 1906 to 1910, are given hereunder:—

COMMONWEALTH EXCISE REVENUE, 1905-6 to 1909-10.

Particulars.	1905-6.	1906-7.	1907-8.	1908-9.	1909-10.
	£	£	£	£	£
Beer	502,399	513,473	555,720	551,859	584,503
Spirits	276,516	285,295	351,763	243,736	267,877
Starch	24,597	27,321	25,917	23,558	3,897
Sugar	536,079	546,590	741,928	750,776	548,716
Tobacco	560,409	604,960	618,599	638,017	673,437
Licenses	10,106	10,043	10,250	9,667	8,880
Agricultural machinery	...	...	67	Dr. 67	...
Total Excise ...	1,910,106	1,987,682	2,304,244	2,217,546	2,087,310

Comparing the Excise collections for 1909-10 with those for 1905-6 it will be seen that whilst the revenue obtained from beer increased by nearly 16 per cent., and that from tobacco by about 20 per cent. during the period, the increase in revenue from sugar was only moderate, while decreases were experienced in spirits, starch, and licenses.

11. **Commonwealth Taxation.**—Under section 51, sub-section (ii.) of the Constitution, power is given to the Commonwealth Parliament to make laws with respect to taxation, but so as not to discriminate between States or parts of States. Section 90 of the Constitution makes the power of the Commonwealth Parliament to impose Customs and Excise duties an exclusive one, but it would appear that as regards all other forms of taxation the States and Commonwealth possess concurrent powers. The question of the imposition by the Commonwealth Parliament of direct taxes such as land and income taxes is one which has been the subject of considerable discussion, and the opinion has been expressed that the intention of the framers of the Constitution was that of restricting the taxation powers of the Commonwealth to the imposition of Customs and Excise duties except in cases of great national peril. Whatever the intention of the framers may have been in this matter, the Constitution itself contains no such provision, and the Commonwealth Parliament is given an absolutely free hand in the imposition of taxation. Up to the end of the financial year 1909-10 the only taxes so levied were those of Customs and Excise, referred to in detail in the foregoing paragraphs. During the 1910 session of the Federal Parliament, however, an Act—assented to on 17th November, 1910—was passed, giving to the Commonwealth the power of levying a tax upon the unimproved value of all lands within the Commonwealth which were owned by taxpayers, and not specially exempted. More detailed reference to this Act is made on page 808.

The total amounts obtained from Customs and Excise in respect of each of the States since the inauguration of Federation are given hereunder:—

COMMONWEALTH TAXATION, 1901 to 1909-10.

Year.	Customs and Excise Revenue Collected in respect of—						Total for Commonwealth.
	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tasmania.	
Half-year to 30/6/01	£ 1,019,008	£ 1,356,099	£ 710,830	£ 351,953	£ 491,371	£ 221,328	£ 4,150,589
1901-2	2,812,731	2,376,524	1,297,663	698,647	1,335,614	373,140	8,894,319
1902-3	3,478,742	2,499,014	1,260,934	689,756	1,396,002	360,607	9,685,055
1903-4	3,229,786	2,443,505	1,131,761	699,792	1,258,725	342,189	9,105,758
1904-5	3,033,617	2,488,842	1,095,476	673,880	1,172,064	330,651	8,799,530
1905-6	3,233,922	2,537,070	1,183,244	688,041	1,030,813	326,395	8,999,485
1906-7	3,573,313	2,719,431	1,277,914	781,826	952,617	343,455	9,648,556
1907-8	4,514,662	3,212,138	1,498,131	1,012,086	998,930	409,405	11,645,352
1908-9	4,263,706	2,861,968	1,500,915	956,371	887,046	374,061	10,844,067
1909-10	4,495,550	3,049,010	1,586,277	1,085,721	985,415	391,191	11,593,164

12. **Taxation per Head.**—In the following table are given particulars concerning the amount of Commonwealth taxation per head of population contributed by the several States during the period from 1st January, 1901, to 30th June, 1909:—

COMMONWEALTH TAXATION PER HEAD, 1901 to 1909-10.

Year.	Customs and Excise Revenue per Head of Population Collected in respect of—						Per head of Population of Commonwealth.
	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tas.	
Half-yr. to 30/6/01	£ s. d. 0 15 1	£ s. d. 1 2 7	£ s. d. 1 8 6	£ s. d. 0 19 5	£ s. d. 2 13 4	£ s. d. 1 5 8	£ s. d. 1 2 0
1901-2 ...	2 0 11	1 19 3	2 11 4	1 18 2	6 17 7	2 2 10	2 6 6
1902-3 ...	2 9 7	2 1 3	2 9 4	1 17 7	6 11 10	2 0 8	2 9 11
1903-4 ...	2 5 3	2 0 5	2 3 11	1 17 11	5 10 11	1 18 2	2 6 5
1904-5 ...	2 1 8	2 1 2	2 2 0	1 16 5	4 16 9	1 16 8	2 4 2
1905-6 ...	2 3 4	2 1 8	2 4 10	1 16 5	4 0 11	1 16 1	2 4 5
1906-7 ...	2 6 10	2 4 2	2 7 9	2 0 9	3 12 9	1 18 2	2 6 10
1907-8 ...	2 17 7	2 11 6	2 15 4	2 11 6	3 16 5	2 4 6	2 15 6
1908-9 ...	2 13 7	2 5 0	2 14 4	2 7 0	3 6 5	2 0 3	2 10 9
1909-10 ...	2 15 5	2 6 9	2 15 5	2 12 2	3 12 0	2 1 10	2 13 0

13. **Commonwealth Land Tax.**—(i.) *Legislation.* As previously indicated the land taxation, as far as the Commonwealth is concerned, is regulated by "The Land Tax Assessment Act 1910," No. 22 of 1910, which received assent on 17th November, 1910. Under this Act the taxable value of all the land owned by any person is deemed to be (a) in the case of an absentee—the total sum of the unimproved value of each parcel of the land; (b) in the case of an owner not an absentee—the balance of the total sum of the unimproved value of each parcel of the land, after deducting the sum of £5000. Every part of a holding which is separately held by any occupier, tenant, lessee, or owner, is deemed to be a separate parcel. All land owned by a company is considered to be owned by the shareholders of the company as joint owners, in the proportion of their interests in the paid-up capital. It may be noted that a company is never treated as an absentee, but individual shareholders who are absentees are separately assessed and liable as such. Land owned by a Mutual Life Assurance Society (except such as it holds as mortgagee in possession, or which it has acquired by virtue of a mortgage) is deemed to be owned by the Society as trustee for the Australian policyholders in proportion to the surrender value of their policies.

(ii.) *Exemptions.* The following are the principal exemptions:—

- (a) All land owned by a State or Municipal or other public authority.
- (b) All land owned by any Society registered under a State Act as a friendly society, or trades-union, or building society; excepting, in the case of the latter, such land as it might acquire through the foreclosure of a mortgage.
- (c) All land held in trust for a charitable or educational institution not carried on for the purposes of gain.
- (d) All land used as a site for—
 - (1) A place of worship or place of residence for clergy, or ministers, or order of a religious society;
 - (2) a public library, institute, or museum;
 - (3) a show ground;
 - (4) a public cemetery;
 - (5) a public garden, recreation ground, or reserve;
 - (6) a public road;
 - (7) a fire-brigade station.

(iii.) *Rates.* The rates of taxation are set forth in the Land Tax Act 1910 (No. 21 of 1910) according to the following schedules:—

FIRST SCHEDULE.

Rate of tax when owner is not an absentee.

For so much of the taxable value as does not exceed £75,001 the rate of tax per pound sterling shall be one penny where the taxable value is one pound sterling, and shall increase uniformly with each increase of one pound sterling in the taxable value, in such manner that—

the increment of tax between a taxable value of £15,000 and a taxable value of £15,001 shall be 2d.; the increment of tax between a taxable value of £30,000 and a taxable value of £30,001 shall be 3d.; the increment of tax between a taxable value of £45,000 and a taxable value of £45,001 shall be 4d.; the increment of tax between a taxable value of £60,000 and a taxable value of £60,001 shall be 5d.; and the increment of tax between a taxable value of £75,000 and a taxable value of £75,001 shall be 6d.

For every pound sterling of taxable value in excess of £75,000 the rate of tax shall be 6d.

SECOND SCHEDULE.

Rate of tax when owner is an absentee.

For so much of the taxable value as does not exceed £5000 the rate of tax per pound sterling shall be one penny.

For so much of the taxable value as exceeds £5000 but does not exceed £80,001 the rate of tax per pound sterling shall be 2d. where the excess is one pound sterling, and shall increase uniformly with each increase of one pound sterling in the taxable value in such manner that—

the increment of tax between a taxable value of £20,000 and a taxable value of £20,001 shall be 3d.; the increment of tax between a taxable value of £35,000 and a taxable value of £35,001 shall be 4d.; the increment of tax between a taxable value of £50,000 and a taxable value of £50,001 shall be 5d.; the increment of tax between a taxable value of £65,000 and a taxable value of £65,001 shall be 6d.; and the increment of tax between a taxable value of £80,000 and a taxable value of £80,001 shall be 7d.

For every pound sterling of taxable value in excess of £80,000 the rate of tax shall be 7d.

14. **Postal Revenue.**—Besides the Department of Trade and Customs the only large revenue-earning Commonwealth department is that under the control of the Postmaster-General, comprising the three branches of Post, Telegraph, and Telephone. This department was taken over by the Commonwealth on 1st March, 1901, and consequently contributed only four months' revenue to the Commonwealth total for the financial period ended 30th June, 1901. Particulars relative to the postal revenue collected in respect of the several States since the federalisation of the department are given hereunder:—

COMMONWEALTH POSTAL REVENUE, 1901 to 1909-10.

Year.	Postal Revenue Collected in respect of—						Total for Commonwealth.
	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tas.	
	£	£	£	£	£	£	£
Four mths. to 30/6/01	276,936	177,931	95,586	90,703	67,735	31,774	740,665
1901-2 ...	873,312	591,470	312,905	277,812	225,752	91,610	2,372,861
1902-3 ...	906,798	622,700	300,737	255,214	225,244	94,037	2,404,730
1903-4 ...	941,529	650,533	324,013	258,461	230,858	104,759	2,510,203
1904-5 ...	980,151	683,480	331,774	266,719	257,503	112,924	2,632,551
1905-6 ...	1,065,633	735,563	359,752	291,929	252,741	118,730	2,824,348
1906-7 ...	1,191,489	797,972	422,346	327,269	259,688	129,810	3,128,574
1907-8 ...	1,278,107	834,367	451,075	338,193	266,510	131,844	3,300,096
1908-9 ...	1,319,755	856,632	476,335	345,282	272,952	138,470	3,409,426
1909-10 ...	1,437,748	937,820	531,593	381,013	293,680	149,887	3,731,741

A comparison of the figures for 1909-10 with those for 1901-2 indicates a substantial increase in the postal revenue of all the States, ranging from 70 per cent. in the case of Queensland to 30 per cent. in that of Western Australia for the period of eight years, and representing for the whole Commonwealth an increase of about 57 per cent.

15. **Postal Revenue per Head.**—The postal revenue per head of population varies considerably in the several States, being highest in the case of Western Australia and lowest in that of Victoria. Particulars for the nine complete financial years since Federation are as follows:—

COMMONWEALTH POSTAL REVENUE PER HEAD, 1901-2 to 1909-10.

Year.	Postal Revenue per Head of Population Collected in respect of—						Per head of Population of Commonwealth.
	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tas.	
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
1901-2 ...	0 12 8	0 9 9	0 12 4	0 15 2	1 3 3	0 10 6	0 12 5
1902-3 ...	0 12 11	0 10 3	0 11 9	0 13 11	1 1 1	0 10 7	0 12 5
1903-4 ...	0 13 2	0 10 9	0 12 7	0 14 0	1 0 4	0 11 8	0 12 9
1904-5 ...	0 13 5	0 11 4	0 12 9	0 14 4	1 1 3	0 12 6	0 13 3
1905-6 ...	0 14 3	0 12 1	0 13 8	0 15 5	0 19 10	0 13 1	0 13 11
1906-7 ...	0 15 7	0 13 0	0 15 9	0 17 1	0 19 10	0 14 5	0 15 2
1907-8 ...	0 16 4	0 13 4	0 16 8	0 17 3	1 0 5	0 14 4	0 15 9
1908-9 ...	0 16 7	0 13 6	0 17 3	0 16 11	1 0 5	0 14 11	0 15 11
1909-10 ...	0 17 9	0 14 5	0 18 7	0 18 4	1 1 5	0 16 0	0 17 1

From 1903-4 onwards there has been a practically continuous increase in the postal revenue per head both in the Commonwealth and in all the States.

16. **Details of Postal Revenue, 1909-10.**—Particulars relative to postal revenue are, in the Treasury statements, now classified under six heads:—(i.) private boxes and bags; (ii.) commission on money orders and postal notes; (iii.) telegraphs; (iv.) telephones; (v.) postage, and (vi.) miscellaneous. Details under these heads concerning

the revenue collected in respect of the several States for the year ended 30th June, 1910, are given hereunder :—

COMMONWEALTH POSTAL REVENUE, 1909-10.

Particulars.	Postal Revenue Collected in respect of—						Total for Commonwealth.
	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tas.	
	£	£	£	£	£	£	£
Private boxes and bags ...	7,852	3,399	3,697	1,464	1,816	850	19,078
Commission—Money orders and postal notes ...	41,532	26,281	13,146	6,923	11,866	4,709	104,457
Telegraphs ...	223,028	146,667	112,424	102,753	76,584	19,582	681,038
Telephones ...	202,566	150,550	62,225	40,877	35,859	17,546	509,623
Postage ...	905,601	570,230	314,827	207,359	153,965	101,518	2,253,500
Miscellaneous ...	57,169	40,693	25,274	21,637	13,590	5,682	164,045
Total ...	1,437,748	937,820	531,593	381,013	293,680	149,687	3,731,741

17. Details of Postal Revenue, 1905-6 to 1909-10.—Particulars concerning the postal revenue of the Commonwealth for each of the financial years from 1905-6 to 1909-10 are contained in the following table :—

COMMONWEALTH POSTAL REVENUE, 1905-6 to 1909-10.

Particulars.	1905-6.	1906-7.	1907-8.	1908-9.	1909-10.
	£	£	£	£	£
Private boxes and bags ...	14,975	15,933	15,868	17,548	19,078
Commission—					
Money orders & postal notes	88,868	92,240	94,624	100,034	104,457
Telegraphs ...	565,422	588,167	650,426	642,548	681,038
Telephones ...	352,214	388,226	410,741	441,551	509,623
Postage ...	1,754,790	1,68,950	2,043,777	2,111,333	2,253,500
Miscellaneous ...	48,079	75,058	84,660	96,412	164,045
Total ...	2,824,348	3,128,574	3,300,096	3,409,426	3,731,741

18. Revenue from Patents.—Under the Commonwealth Patents Act 1903, which was assented to on 22nd October, 1903, and came into force on 1st June, 1904, the complete control of the Patents administration of Australia passed from the several State Governments to that of the Commonwealth, which, under section 19 (a) of the Act mentioned, was authorised to collect for each State the fees to which it was entitled under the State Act in respect of proceedings then pending.

The revenue collected in respect of each of the States since the Act came into force is shewn in the following table :—

COMMONWEALTH PATENTS REVENUE, 1903-4 to 1909-10.

Year.	Patents Revenue Credited to—						Total for Commonwealth.
	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tas.	
	£	£	£	£	£	£	£
1903-4 (June only) ...	436	432	226	170	120	134	1,518
1904-5 ...	2,035	2,899	1,621	1,244	1,129	1,631	10,559
1905-6 ...	6,532	6,609	3,303	2,407	2,318	2,767	23,936
1906-7 ...	4,976	4,702	2,908	1,772	1,997	1,662	18,017
1907-8 ...	5,424	4,631	2,590	1,607	1,755	1,414	17,421
1908-9 ...	5,101	4,433	2,240	1,521	1,221	851	15,367
1909-10 ...	5,493	4,707	2,400	1,577	1,339	1,128	16,644

It may be noted that, in their financial statement for 1903-4, the Commonwealth Treasury have credited the patents revenue for that year partly to "Miscellaneous Receipts" and partly to "New Revenue."

19. **Revenue from Trade Marks, etc.**—Under the several Acts of the Commonwealth Legislature relating to trade marks, copyrights, and designs, the Commonwealth Government has assumed the exclusive administration of such matters, and now collects all revenue accruing therefrom. The following table gives particulars of the amount credited to the several States since this item first appeared in the Commonwealth accounts:—

COMMONWEALTH TRADE MARKS, COPYRIGHTS, AND DESIGNS REVENUE,
1906-7 TO 1909-10.

Year.	Trade Marks, etc., Revenue credited to—						Total for Commonwealth.
	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tas.	
	£	£	£	£	£	£	£
1906-7	2,305	1,896	855	594	437	303	6,390
1907-8	3,242	2,568	1,112	807	546	382	8,657
1908-9	2,279	1,815	786	579	384	267	6,110
1909-10	1,774	1,428	626	455	303	204	4,790

20. **Defence Revenue.**—The revenue appearing under the head of "Defence" comprises the receipts derived from the sale of stores and clothing, from fines, etc., and for 1909-10 amounted to £21,847.

21. **New Revenue.**—Under this head are included receipts in connection with exemption certificates under the Immigration Restriction Act, High Court fees, industrial fees, examination fees, forfeited electoral deposits, etc. The Surplus Revenue Act passed in 1908 defines the term "New Revenue," and authorises the Treasurer to decide what items of revenue should be carried to this head. Under the "book-keeping" system this revenue was divided amongst the States *per capita*. The total revenue of this nature collected during 1909-10 was £63,076.

(C) **Expenditure.**

1. **Nature of Commonwealth Expenditure.**—The disbursements by the Commonwealth Government of the revenue collected by it fell naturally, under the "book-keeping" system, into three classes, viz.:—

- (a) Expenditure on transferred services.
- (b) Expenditure on new services.
- (c) Payment to States of surplus revenue.

Of these three, only the two first are actual expenditure, the last being merely a transfer, the actual expenditure being incurred by the States. In accordance with the provisions of the Constitution the expenditure on transferred services was, under the "book-keeping" system, debited to the several States in respect of which such expenditure was incurred, while the expenditure on new services was distributed *per capita*. Surplus Commonwealth revenue was paid to the States monthly. During the earlier years of Federation, viz., until the end of the year 1903-4, new works, etc., for transferred departments were treated as transferred expenditure, and were charged to the States on whose behalf the expenditure had been incurred. In subsequent years all such expenditure was regarded as expenditure on new services and was distributed amongst the States *per capita*.

2. **Expenditure Debited to the Several States.**—The total expenditure by the Commonwealth Government during the period 1905-6 to 1909-10 and the amounts debited to the several States are shewn in the following table :—

COMMONWEALTH EXPENDITURE, 1905-6 to 1909-10.

State to which Debited.	1905-6.	1906-7.	1907-8.	1908-9.	1909-10.
	£	£	£	£	£
New South Wales ...	1,572,901	1,756,986	2,199,283	2,295,682	2,704,115
Victoria ...	1,198,382	1,336,589	1,686,028	1,762,726	2,079,850
Queensland ...	691,898	768,201	929,350	962,493	1,104,236
South Australia ...	425,792	468,886	564,088	590,664	682,963
Western Australia ...	415,143	441,533	518,997	538,193	613,118
Tasmania ...	193,426	215,122	264,383	270,640	315,234
Commonwealth ...	4,497,542	4,987,317	6,162,129	6,420,398	7,499,516

In all the States the expenditure for 1909-10 was higher than that for any preceding year, and was considerably higher than the expenditure for 1905-6. New South Wales, with an advance of £1,131,214, for the period, exhibited the largest numerical increase, the proportional increase amounting to 72 per cent. Victoria, whose expenditure in creased by £881,468, had the highest proportional increase, viz., 73½ per cent.

3. **Expenditure per Head.**—Particulars concerning the Commonwealth expenditure per head in the several States are furnished hereunder :—

COMMONWEALTH EXPENDITURE PER HEAD, 1905-6 to 1909-10.

State.	1905-6.	1906-7.	1907-8.	1908-9.	1909-10.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
New South Wales ...	1 1 1	1 3 0	1 8 0	1 8 10	1 13 4
Victoria ...	0 19 8	1 1 8	1 7 0	1 7 9	1 11 11
Queensland ...	1 6 2	1 8 8	1 14 4	1 14 10	1 18 7
South Australia ...	1 2 6	1 4 5	1 8 9	1 9 0	1 12 9
Western Australia ...	1 12 7	1 13 9	1 19 8	2 0 4	2 4 10
Tasmania ...	1 1 4	1 3 11	1 8 9	1 9 2	1 13 9
Commonwealth ...	1 2 2	1 4 3	1 9 4	1 10 0	1 14 3

It may be noted that in all the States except South Australia the Commonwealth expenditure per head for 1909-10 is slightly more than 12s. above that for 1905-6, the excess in South Australia being 10s. 3d.

4. **Details of Expenditure.**—Details of the expenditure of the Commonwealth Government from 1905-6 onwards are given hereunder :—

COMMONWEALTH EXPENDITURE, 1905-6 to 1909-10.

Heads of Expenditure.	1905-6.	1906-7.	1907-8.	1908-9.	1909-10.
	£	£	£	£	£
Transferred expenditure (including new works, etc.)—					
Trade and Customs ...	262,058	263,625	286,114	297,490	276,796
Defence ...	949,595	1,010,013	1,306,597	1,018,028	1,148,484
Postal ...	2,776,940	2,948,785	3,313,565	3,567,131	3,201,554
Quarantine ...	...	...	...	...	21,329
Sundry departments ...	...	...	52	4,339	...
Refunds and Advances ...	25	778	15,689	484	...
"Other" expenditure (excluding new works, etc.) ...	508,924	764,116	1,240,112	1,532,926	2,851,353
Total ...	4,497,542	4,987,317	6,162,129	6,420,398	7,499,516

During the four years between 1905-6 and 1909-10 the total cost of the several departments increased from £1,497,542 to £7,499,516, an increase of £3,001,974, or about 67 per cent. The expenditure in the Department of Trade and Customs increased during the period by £14,737, or about 5½ per cent., and in the case of Defence by £198,889, or 21 per cent. Advances under other heads amounted to £424,614, or 15 per cent., in that of the Postal Department, and no less than £2,342,429, or 460 per cent., in the case of "other" expenditure, exclusive of new works, etc. It should be noted in this connection, however, that the increase of £424,614 in the postal expenditure was accompanied by an increase of £907,393 in the postal revenue, and that a very considerable portion of the increase in "other" expenditure was due to the payment of sugar bounties, which amounted to £407,779 in 1909-10, as against £154,709 in 1905-6, and to the provision of £841,181 towards the Old Age Pension scheme, payments in connection with which commenced on 1st July, 1909.

5. **New Works, etc.**—As previously mentioned, the Commonwealth expenditure on new works, etc., for transferred departments was, prior to 1904-5, included under the head of "transferred" expenditure, but in that and subsequent years has been treated as "other" expenditure and debited to the States *per capita*. For convenience of comparison with returns for previous years this expenditure has, in the foregoing table, been shewn in each case under the department for which it was incurred. Particulars of the expenditure on new works, etc., during the last five years are given in the following table:—

COMMONWEALTH EXPENDITURE ON NEW WORKS, ETC., 1905-6 to 1909-10.

Departments.	1905-6.	1906-7.	1907-8.	1908-9.	1909-10.
	£	£	£	£	£
Trade and Customs ...	1,814	1,162	8,972	20,019	5,124
Defence ...	171,633	195,159	440,918	101,020	337,961
Postal ...	146,575	275,737	427,006	541,809	555,557
Sundry departments ...	...	...	52	4,339	2,526
Total ...	320,022	472,058	876,948	667,187	901,168

It will be seen that the Commonwealth expenditure under this head has increased considerably in recent years, the total for 1909-10 being nearly three times as great as that for 1905-6.

6. **"Other" Expenditure.**—In accordance with sections 89 and 93 of the Constitution, all expenditure of the Commonwealth other than that incurred solely for the maintenance or continuance as at the time of transfer of any department transferred from the States to the Commonwealth, was, under the "book-keeping" system, required to be apportioned to the several States, each being debited "according to the number of its people." In consequence of this provision all expenditure in connection with transferred departments on account of central office staffs was charged as "other" or new expenditure, and not as "transferred" expenditure. The effect of this is that the ordinary statement in which division is made into "transferred" and "other" expenditure does not, for the purpose of comparison, furnish such complete information as could be desired. It has therefore been deemed expedient to rearrange the items so as to obtain a more accurate statement of the cost of the several branches of the Commonwealth service. This rearrangement is given in the succeeding paragraphs.

7. **Cost of Departments, etc.**—Arranged in such a manner as to shew under each Department the expenditure on behalf of that Department, the cost of the several branches of the Commonwealth service for the years 1905-6 to 1909-10 was as follows:—

COST OF COMMONWEALTH DEPARTMENTS, ETC., 1905-6 to 1909-10.

Departments, etc.	1905-6.	1906-7.	1907-8.	1908-9.	1909-10.
	£	£	£	£	£
Governor-General	23,759	18,612	18,927	22,554	21,908
Parliament	132,528	177,061	153,414	163,991	220,233
External Affairs	39,484	67,241	55,061	53,513	80,469
Attorney-General	20,882	27,609	32,216	32,027	32,349
Home Affairs	35,643	41,385	61,580	110,291	88,122
Treasury	17,528	17,768	20,413	34,473	74,098
Trade and Customs	442,614	634,328	914,973	837,741	754,433
Defence	970,345	1,035,795	1,334,744	1,060,590	1,534,881
Postmaster-General	2,784,664	2,966,088	3,359,290	3,625,402	3,786,755
All other Expenditure	30,094	1,420	211,511	489,816	906,268
Total	4,497,541	4,987,317	6,162,129	6,420,398	7,499,516

The largeness of the expenditure under the head of Parliament in the years 1906-7 and 1909-10 was in great measure due to the fact that the general elections were held in those years, while the expenditure in connection with the sugar bounties is mainly responsible for the variations which have taken place in the cost of the Department of Trade and Customs. More detailed reference to the items included under the above general heads is furnished in the succeeding paragraphs.

8. **Governor-General.**—In section 3 of the Constitution it is enacted that, until the Commonwealth Parliament otherwise provides, there shall be payable out of the Consolidated Revenue Fund for the salary of the Governor-General an annual sum of ten thousand pounds, and a proviso is made that the salary of the Governor-General shall not be altered during his continuance in office. The total expenditure in connection with the Governor-General and his establishment for the five years 1905-6 to 1909-10 is as follows:—

EXPENDITURE, GOVERNOR-GENERAL AND ESTABLISHMENT, 1905-6 to 1909-10.

Details.	1905-6.	1906-7.	1907-8.	1908-9.	1909-10.
	£	£	£	£	£
Salary	10,000	10,000	10,000	10,000	10,000
Repairs, etc., Government Houses	5,625	6,232	7,034	8,941	7,754
Contingencies	8,134	2,380	1,893	3,613	4,154
Total	23,759	18,612	18,927	22,554	21,908

The heavy charge under the head of Contingencies in 1905-6 was to some extent due to payment of arrears of travelling expenses.

9. **Parliament.**—Under this head have been grouped all the items of expenditure connected with the Parliamentary Government of the Commonwealth, including the salaries of the Ministers and the allowances to senators and members of the House of Representatives. Details for the five years 1905-6 to 1909-10 are furnished in the table given hereunder:—

EXPENDITURE, COMMONWEALTH PARLIAMENT, 1905-6 to 1909-10.

Details.	1905-6.	1906-7.	1907-8.	1908-9.	1909-10.
	£	£	£	£	£
Salaries of Ministers	12,000	11,947	12,000	12,000	12,000
Allowances to Senators	14,400	14,367	19,446	20,406	21,368
Allowances to Members of House of Representatives	30,000	27,389	41,231	43,418	37,112
Officers, staff, contingencies, etc.	29,309	27,745	32,273	30,127	31,458
Repairs, maintenance, etc.	170	846	672	2,178	2,636
Printing	16,615	12,346	19,139	13,400	15,660
Travelling expenses of Members and others	8,425	9,373	8,982	8,841	9,767
Insurance	342	342	342	342	342
Electoral Office	2,934	5,085	5,824	6,002	6,191
Election expenses	1,925	36,113	4,080	54	49,958
Referendum ... ..	...	793	...	...	...
Administration of Electoral Act	16,408	30,715	9,425	27,223	33,602
Miscellaneous ... ..	...	...	...	...	139
Total	132,528	177,061	153,414	163,991	220,233

In section 66 of the Constitution provision is made that there shall be payable out of the Consolidated Revenue Fund of the Commonwealth, for the salaries of Ministers of State, an annual sum which, until Parliament otherwise provides, shall not exceed £12,000. This provision is still in force. Allowances to senators and members of the House of Representatives are also provided for in the Constitution, section 48 of which specifies that until Parliament otherwise provides each such allowance shall consist of £400 a year, reckoned from the day on which the member takes his seat. During the second session of the Commonwealth Parliament in 1907 the question of allowances to members was under consideration, and an Act was passed raising the annual allowance from £400 to £600, such increase to date from 1st July, 1907.

10. **External Affairs.**—Under the control of the department of External Affairs is placed the expenditure in connection with the Executive Council, the London Office, and Papua. Particulars for the five years 1905-6 to 1909-10 are as follows:—

EXPENDITURE, EXTERNAL AFFAIRS DEPARTMENT, 1905-6 to 1909-10.

Details.	1905-6.	1906-7.	1907-8.	1908-9.	1909-10.
	£	£	£	£	£
Chief Office	7,500	9,248	9,172	11,329	13,882
Executive Council	836	887	870	970	781
London Office	673	1,559	2,215	3,650	4,647
Papua	20,000	23,626	25,084	22,100	28,549
Rents, repairs, &c.	437	498	469	541	820
Miscellaneous	10,038	31,423	17,251	14,923	31,790
Total	39,484	67,241	55,061	53,513	80,469

11. **Papua.**—The sums shewn in the above table as expenditure in connection with Papua represent the Commonwealth grants towards the cost of administering that territory, as well as certain additional amounts. The ordinary revenue and expenditure

of Papua are kept distinct from those of the Commonwealth. Apart from the Commonwealth contribution the principal source of revenue is the Custom House. Details for the five years 1905-6 to 1909-10 are as follows :—

PAPUAN REVENUE, 1905-6 to 1909-10.

Details.	1905-6.	1906-7.	1907-8.	1908-9.	1909-10.
	£	£	£	£	£
Customs dues	15,990	15,924	18,206	20,758	24,901
Other collections	4,246	5,889	7,813	9,948	12,017
Commonwealth grant	20,000	20,000	25,000	20,000	25,000
Total	40,236	41,813	51,019	50,706	61,918

One of the largest items of Papuan expenditure is the maintenance, etc., of vessels and boats, including the steam yacht "Merrie England," the total outlay under this head for 1909-10 being no less than £9017. The expenditure on public justice for 1909-10 totalled £13,729, comprising "magistrates, etc.," £6246; "armed native constabulary," £5180, and "gaols," £2303; on public works, £8057; and on the Department of Agriculture, £2129. The total expenditure for each of the five years 1905-6 to 1909-10 was as follows :—

PAPUAN EXPENDITURE, 1905-6 to 1909-10.

Particulars.	1905-6.	1906-7.	1907-8.	1908-9.	1909-10.
	£	£	£	£	£
Total expenditure	41,804	45,336	48,525	51,036	64,874

12. **Attorney-General's Department.**—The rapid growth in the expenditure connected with this Department during 1906-7 and 1907-8 was brought about in large measure by the extension of the Federal High Court, the total cost of which, including the Court of Conciliation and Arbitration, for the year 1909-10 amounted to £23,677. Details for the five years 1905-6 to 1909-10 are furnished hereunder :—

EXPENDITURE, ATTORNEY-GENERAL'S DEPARTMENT, 1905-6 to 1909-10.

Details.	1905-6.	1906-7.	1907-8.	1908-9.	1909-10.
	£	£	£	£	£
Attorney-General's Office	3,219	3,540	4,286	3,705	3,684
Crown Solicitor's Office	1,922	2,613	2,993	3,242	3,458
Salaries of Justices of High Court	9,500	13,815	15,500	15,500	15,500
High Court expenses	5,697	6,063	7,022	6,791	6,888
Court of Conciliation & Arbitration	75	505	708	1,746	1,289
Rent, repairs, etc.	469	1,073	1,707	1,043	1,530
Total	20,882	27,609	32,216	32,027	32,349

13. **Home Affairs Department.**—The creation of new departments such as the Bureau of Census and Statistics, and the Meteorological Bureau, and the extension of

the field of operations of the Public Works branch, all of which are grouped for general administrative purposes under the Department of Home Affairs, have led to a considerable increase in the expenditure. The heaviness of the expenditure of this department for 1908-9 was, in a large measure, due to the cost incurred by the Commonwealth in connection with the reception of the American fleet. Particulars for the five years 1905-6 to 1909-10 are as follows:—

EXPENDITURE, HOME AFFAIRS DEPARTMENT, 1905-6 to 1909-10.

Details.	1905-6.	1906-7.	1907-8.	1908-9.	1909-10.
	£	£	£	£	£
Chief Office	8,279	8,864	9,257	10,388	11,454
Public Service Commissioner	13,759	12,738	14,818	15,636	15,952
Public Works	9,099	9,825	10,570	15,686	17,738
Census and Statistics ... ..	...	5,007	9,781	12,394	15,137
Meteorological Bureau ... ..	...	888	9,182	16,818	16,414
Rents, repairs, etc.	2,592	3,731	5,819	5,039	5,892
Reception of United States Fleet ... ..	...	...	...	32,580	...
Miscellaneous	1,914	332	2,153	1,755	5,535
Total	35,643	41,385	61,580	110,291	88,122

14. Treasurer's Department.—The sub-departments under the control of the Commonwealth Treasurer are the Treasury, the Audit Office, the Old Age Pensions Department, and the newly-formed Land Tax Office. During the financial year 1908-9 the expenditure under this department was swelled by a donation of £10,000 to the Sicily Earthquake Relief Fund, and in 1909-10 by the increased expenditure on salaries, etc., in the Old Age Pensions Department. Details of the expenditure of this department for each of the five years 1905-6 to 1909-10 are furnished hereunder:—

EXPENDITURE, TREASURER'S DEPARTMENT, 1905-6 to 1909-10.

Details.	1905-6.	1906-7.	1907-8.	1908-9.	1909-10.
	£	£	£	£	£
Treasury	8,464	8,960	10,259	11,113	11,862
Old-age pensions—Salaries, etc. ... ..	...	...	...	2,297	36,393
Audit	6,698	7,003	7,804	7,996	8,593
Rents, repairs, etc.	1,349	1,285	1,751	1,884	3,400
Donation to Sicily earthquake relief funds ... ..	...	...	...	10,000	...
Miscellaneous	1,017	520	599	1,183	13,850
Total	17,528	17,768	20,413	34,473	74,098

15. Trade and Customs.—Under this head have been included the expenditure of all the sub-departments under the control of the Minister of Trade and Customs, as well as the amounts payable as sugar bounties and the expenses in connection therewith. The large divergencies in the total expenditure which these figures exhibit for recent years have been mainly due to variations in the amount payable in respect of sugar bounties. Particulars for the five years 1905-6 to 1909-10 are given in the following table:—

EXPENDITURE, TRADE AND CUSTOMS, 1905-6 to 1909-10.

Details.	1905-6.	1906-7.	1907-8.	1908-9.	1909-10.
	£	£	£	£	£
Chief Office	6,625	7,449	10,902	12,223	26,647
Customs (ordinary)	243,074	244,574	255,531	256,937	253,792
Patents	8,915	10,017	12,960	14,245	19,284
Trade Marks and Copyrights	1,401	3,998	4,954	3,655	
Fisheries ... ..	...	...	...	3,110	5,605
Analyst ... ..	...	...	...	2,010	1,995
Audit (proportion)	4,259	4,053	6,140	7,019	7,426
Quarantine ... ..	...	...	53	808	..
Pensions and retiring allowances	5,196	6,194	6,586	6,787	8,059
Rents, repairs, etc.	9,357	9,144	10,661	9,932	9,994
Sugar bounties and expenses	154,709	335,916	584,622	483,707	407,777
Bounties ... ..	...	...	176	2,633	5,885
New works, etc.	1,814	1,162	8,972	20,019	5,124
Miscellaneous	7,264	11,821	13,416	14,656	2,845
Total	442,614	634,328	914,973	837,741	754,433

16. **Cost of Collection.**—Excluding from the above the expenditure incurred in connection with Patents, Trade Marks, Copyrights, Quarantine, Fisheries, Analyst, and Sugar and other Bounties, the balance may be considered as representing approximately the cost entailed by the collection of the Customs and Excise revenue of the Commonwealth. Details for the five years 1905-6 to 1909-10 are as follows:—

COST OF CUSTOMS AND EXCISE COLLECTION, 1905-6 to 1909-10.

Particulars.	1905-6.	1906-7.	1907-8.	1908-9.	1909-10.
	£	£	£	£	£
Gross Customs and Excise revenue	8,999,485	9,648,556	11,645,352	10,844,067	11,593,164
Cost of collection	277,589	284,397	312,207	329,583	313,887
Net revenue	8,721,896	9,364,159	11,333,145	10,514,484	11,279,277
Percentage of cost of collection on gross revenue	3.08%	2.95%	2.68%	3.04%	2.71%

It will be seen that throughout the period the cost of collecting the Customs and Excise revenue has been rather less than 3 per cent. of the revenue collected, varying only between 2.68 per cent. in 1907-8 and 3.08 per cent. in 1905-6.

17. **Defence.**—The Commonwealth expenditure in connection with Defence, which in 1901-2 amounted to £861,218, had by 1907-8 grown to £1,334,744, but there was a decrease in 1908-9 of nearly £300,000 on the previous year which was more than counterbalanced by a large rise in 1909-10. The largeness of the expenditure for 1907-8 was due mainly to the provision made in that year for new works. Particulars for the five years 1905-6 to 1909-10 are as follows:—

EXPENDITURE, DEFENCE, 1905-6 to 1909-10.

Details.	1905-6.	1906-7.	1907-8.	1908-9.	1909-10.
	£	£	£	£	£
Chief Office	18,832	19,246	21,913	23,884	45,046
Military	500,377	535,178	577,627	625,600	835,181
Naval	245,778	250,200	254,069	259,251	263,143
Audit (proportion)	754	802	810	960	...
Pensions and retiring allowances	907	974	974	1,017	781
Rents, repairs, etc.	29,732	27,386	32,023	29,798	29,621
New works, etc.	171,633	195,159	440,918	101,020	339,549
Miscellaneous	2,332	6,850	6,410	9,060	21,560
Total	970,345	1,035,795	1,334,744	1,050,590	1,534,881

18. **Postal.**—From a total of £2,784,664 in 1905-6 the cost of the department under the control of the Postmaster-General advanced to £3,786,755 in 1909-10, an increase of £1,002,091. Of this increase the ordinary cost of working the department was responsible for £549,147, while the expenditure on new works, etc., advanced by £408,982. Details for the five years 1905-6 to 1909-10 are furnished hereunder:—

EXPENDITURE, POSTAL DEPARTMENT, 1905-6 to 1909-10.

Details.	1905-6.	1906-7.	1907-8.	1908-9.	1909-10.
	£	£	£	£	£
Chief Office	6,484	8,125	9,664	10,780	13,419
Postal Dept. (ordinary)	2,574,210	2,618,767	2,848,196	2,986,992	3,123,357
Audit (proportion)	1,755	2,194	1,981	2,393	2,398
Pensions and retiring allowances	12,768	16,573	19,419	26,186	32,083
Rents, repairs, etc.	40,550	43,235	49,257	51,454	54,484
New works, etc.	146,575	275,737	427,006	541,809	555,557
Miscellaneous	2,322	1,467	3,767	5,788	5,457
Total	2,784,664	2,966,098	3,359,290	3,625,402	3,786,755

19. **Miscellaneous.**—In addition to the foregoing there are certain items which do not come under any of the heads enumerated. For 1909-10 the total expenditure under this heading was £906,268, the principal items being £2319 for machinery and plant for the printing office; £2881 towards survey of transcontinental railway route; a provision of £841,181 towards the payment of old-age pensions; and £32,579 on account of the Manufactures Encouragement Act.

(D) Surplus Revenue Paid to States.

1. **Net Revenue.**—As mentioned in sub-section 1 of this section, the Constitution provided under sections 87, 93 and 95 for the payment to the States of all surplus revenue of the Commonwealth, such payment to amount in the aggregate during the continuation of the Braddon clause to not less than three-fourths of the net revenue from Customs and Excise. The expression "net revenue" used in section 87 has been taken to mean the gross revenue less drawbacks and refunds, and in addition cost of collection. This view,

adopted by the Commonwealth Government, is that indicated by Quick and Garran in their "Annotated Constitution of the Australian Commonwealth," in which they say: "The net revenue from duties of Customs and Excise is the total receipts from these sources after deducting the cost of collection. No attempt is made in the Constitution to define the deductions which may be made in order to arrive at the net revenue; this is a matter of book-keeping, which is left wholly to the Executive Government." In actual practice the statutory three-fourths of net Customs and Excise revenue is ascertained by the Commonwealth Treasury by deducting from the total Customs and Excise revenue (less drawbacks and refunds) the "transferred" expenditure of the Department of Trade and Customs and the expenditure on new works for that department, and taking three-fourths of the result.

2. **Actual Payments of Surplus.**—In the following table a comparison is made between the amounts actually paid to the several States since the inauguration of Federation, and the minimum which, in accordance with the preceding paragraph, the Commonwealth was constitutionally bound to pay. It should be noted that the payments here shewn for any year are those made on account of that year although actually paid after its close.

PAYMENTS OF SURPLUS REVENUE, 1901 to 1909-10.

Year.	Payment on Account of Period.	Three-fourths of Net Customs and Excise Revenue.	Amount Paid to States out of the one-fourth retainable by Commonwealth.
	£	£	£
Half-year to 30th June, 1901 ...	3,599,702	3,021,857	577,845
1901-2	7,364,239	6,475,495	888,744
1902-3	8,204,566	7,069,329	1,145,237
1903-4	7,378,479	6,633,147	745,332
1904-5	7,142,769	6,407,483	735,286
1905-6	7,384,383	6,554,473	829,910
1906-7	7,845,574	7,039,573	806,001
1907-8	8,856,905	8,526,165	330,740
1908-9	7,930,395	7,930,395	...
1909-10	8,492,436	8,492,436	...
Total	74,199,448	68,140,353	6,059,095

It will be seen from the foregoing table that during the nine and a-half years which elapsed since the foundation of the Commonwealth the surplus revenue returned to the States exceeded the statutory minimum by no less a sum than £6,059,095; in other words, the Commonwealth, during the period, returned to the States surplus revenue to the extent of about 81½ per cent. of the net revenue from Customs and Excise instead of the 75 per cent. minimum required under the Constitution.

3. **Payments to the Several States.**—In the following table are furnished particulars relative to the amounts actually paid to the several States on account of each of the financial years 1905-6 to 1909-10:—

SURPLUS COMMONWEALTH REVENUE PAID TO STATES, 1905-6 to 1909-10.

State.	1905-6.	1906-7.	1907-8.	1908-9.	1909-10.
	£	£	£	£	£
New South Wales	2,741,929	3,025,137	3,617,472	3,326,276	3,480,314
Victoria	2,094,503	2,201,013	2,377,708	1,987,435	2,109,379
Queensland	858,462	938,935	1,038,267	1,027,047	1,099,383
South Australia	562,000	644,564	791,664	716,957	842,508
Western Australia	871,960	774,882	751,735	627,933	707,672
Tasmania	255,529	261,043	280,059	244,747	253,180
Total	7,384,383	7,845,574	8,856,905	7,930,395	8,492,436

Taking the States as a whole the surplus Commonwealth revenue paid on account of the year 1907-8 was higher than that paid on account of any other financial year. As regards the individual States the maximum payment took place in New South Wales and Victoria in 1907-8, in Queensland and South Australia in 1909-10, in Western Australia in 1902-3, and in Tasmania in 1901-2. The largeness of the amount returned by the Commonwealth to the States in respect of 1907-8 was in great measure due to the increased Customs and Excise revenue collected under the new tariff of that year. For 1908-9 the surplus revenue paid to the States was lower in all cases than that for 1907-8. This was due in part to the fact that the 1907-8 payments were somewhat abnormal, and in part to the retention by the Commonwealth in 1908-9 of all revenue in excess of the statutory three-fourths of net Customs and Excise Revenue. In 1909-10 the surplus revenue returned to the States was higher in every case than in 1908-9.

4. **Surplus Commonwealth Revenue per head of Population.**—The following table furnishes particulars concerning the amount of surplus Commonwealth revenue per head of population which the several States received during the financial years 1905-6 to 1909-10, and is of interest in connection with the new financial agreement, under which the Commonwealth is to pay 25s. per head of population, to all the States, for a period of ten years subject to a special arrangement in favour of Western Australia. (See pp. 800 and 801.)

SURPLUS COMMONWEALTH REVENUE PER HEAD OF POPULATION PAID TO STATES, 1905-6 to 1909-10.

State.	1905-6.	1906-7.	1907-8.	1908-9.	1909-10.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
New South Wales ...	1 16 9	1 19 8	2 6 1	2 1 10	2 2 10
Victoria ...	1 14 5	1 15 9	1 18 1	1 11 3	1 12 4
Queensland ...	1 12 6	1 15 1	1 18 4	1 17 2	1 18 5
South Australia ...	1 9 9	1 13 7	2 0 4	1 15 3	2 0 6
Western Australia ...	3 8 5	2 19 2	2 17 6	2 7 0	2 11 9
Tasmania ...	1 8 3	1 9 0	1 10 5	1 6 4	1 7 1
Total ...	1 16 5	1 18 1	2 2 3	1 17 1	1 18 10

5. **The Commonwealth Fourth of Net Customs and Excise Revenue.**—As noted in paragraph number two above, the Commonwealth has in each financial year except 1908-9 and 1909-10 paid to the States a considerable portion of the one-fourth of net Customs and Excise revenue which it was entitled under the Constitution to spend for its own purposes. The manner in which this extra payment was distributed amongst the several States from 1905-6 to 1909-10 is exhibited in the following table:—

PAYMENT TO STATES FROM COMMONWEALTH FOURTH OF NET CUSTOMS AND EXCISE REVENUE, 1905-6 to 1909-10.

State.	1905-6.	1906-7.	1907-8.	1908-9.	1909-10.
	£	£	£	£	£
New South Wales ...	371,023	400,937	292,121	186,754	168,360
Victoria ...	241,594	209,543	19,058	109,019*	127,663*
Queensland ...	8,639	18,812	44,114*	60,128*	52,033*
South Australia ...	65,970	81,890	55,733	23,027	51,092
Western Australia ...	124,922	84,521	27,573	12,414*	6,992*
Tasmania ...	17,762	10,298	19,631*	28,220*	32,714*
Total ...	829,910	806,001	330,740	...	...

*Amount retained by Commonwealth in addition to one-fourth of the State's net revenue from Customs and Excise.

Although the States as a whole received in each year not less than three-fourths of the net revenue from Customs and Excise, there were six occasions, viz., in 1901-2, 1903-4, 1904-5, 1907-8, 1908-9, and 1909-10, on which the amount returned to Queensland fell short of three-fourths of that State's net revenue from Customs and Excise; three, viz., in 1907-8, 1908-9, and 1909-10, on which the amount returned to Tasmania exhibited a shortage; and two, viz., in 1908-9 and 1909-10, in which Victoria and Western Australia also received less than three-fourths of their respective net revenues from Customs and Excise. For the whole period of nine and a-half years, however, each State except Queensland received more than three-fourths of its net revenue from Customs and Excise, the largest aggregate excess being £3,009,398 in the case of New South Wales. In the case of Queensland the aggregate amount received for the period fell short of three-fourths of the net Customs and Excise revenue by £94,726.

6. Proportion Actually Paid.—For the period of nine and a-half years from the 1st January, 1901, to 30th June, 1910, the percentage of net revenue from Customs and Excise duties paid to the several States was as follows:—New South Wales, 84 per cent.; Victoria, 80 per cent.; Queensland, 74 per cent.; South Australia, 84 per cent.; Western Australia, 86 per cent.; Tasmania, 78 per cent.

(E) Interstate Customs and Excise Adjustments.

1. Reason for Adjustments.—In order that the duties of Customs and Excise should, during the continuance of the "book-keeping system" of Commonwealth and State finance, be credited to that State in which the goods subject to such duties have been consumed, provision was made in section 93 of the Constitution that "during the first five years after the imposition of uniform duties of Customs, and thereafter until the Parliament otherwise provides, the duties of Customs chargeable on goods imported into a State and afterwards passing into another State for consumption, and the duties of Excise paid on goods produced or manufactured in a State and afterwards passing into another State for consumption, shall be taken to have been collected not in the former but in the latter State." In the ordinary course duties collected in any State were credited to that State, and compliance with the above provisions necessitated the debiting of the State with the duty collected when the goods paying such duty passed for consumption into another State, the latter being credited with the amount. Returns shewing such credits and debits thus furnished an indication of the relative positions of the several States as distributors of dutiable goods. States in which the adjustment resulted in a net debit might be looked upon as distributing States, while those in which the result was a net credit were consuming States.

2. Interstate Adjustments for 1909-10.—Particulars for each of the States for the year ended 30th June, 1910, are furnished hereunder:—

INTERSTATE ADJUSTMENTS, 1909-10.

State.	Customs.		Excise.		Total Customs and Excise.		
	Credits.	Debits.	Credits.	Debits.	Credits.	Debits.	Net Results.
	£	£	£	£	£	£	£
New South Wales	325,489	472,523	72,136	168,057	397,625	640,580	Dr. 242,955
Victoria ...	179,078	618,183	51,003	176,644	230,081	794,827	Dr. 564,746
Queensland ...	288,869	34,446	118,510	16,409	407,379	50,855	Cr. 356,524
South Australia ...	186,072	111,638	56,228	20,054	242,300	131,692	Cr. 110,608
Western Australia	142,398	9,539	65,792	253	208,190	9,792	Cr. 198,398
Tasmania ...	137,348	12,925	29,094	11,346	166,442	24,271	Cr. 142,171
Total ...	1,259,254	1,259,254	392,763	392,763	1,652,017	1,652,017	...

3. Net Results, 1905-6 to 1909-10.—The net results of the interstate Customs and Excise adjustments for each of the five years 1905-6 to 1909-10 are given in the following table:—

It will be seen that Victoria and New South Wales were the principal distributing States, Victoria occupying the leading position, while Queensland, Western Australia, and Tasmania were the principal consuming States. South Australia occupied what might be considered as a middle position, being both a distributor and a consumer on a large scale, though considerably more of the latter than the former. The growth of Victoria as a distributing centre for the Commonwealth was both continuous and rapid.

INTERSTATE ADJUSTMENTS, 1905-6 to 1909-10.

State.	1905-6.	1906-7.	1907-8.	1908-9.	1909-10.
	£	£	£	£	£
New South Wales	Dr. 133,396	Dr. 150,215	Dr. 167,027	Dr. 225,790	Dr. 242,955
Victoria	Dr. 366,412	Dr. 424,828	Dr. 521,194	Dr. 532,159	Dr. 564,746
Queensland	Cr. 214,358	Cr. 247,719	Cr. 283,061	Cr. 335,596	Cr. 356,524
South Australia	Cr. 36,940	Cr. 37,724	Cr. 67,668	Cr. 97,789	Cr. 110,608
Western Australia	Cr. 135,918	Cr. 161,923	Cr. 185,284	Cr. 178,402	Cr. 198,398
Tasmania	Cr. 112,592	Cr. 127,677	Cr. 152,208	Cr. 146,162	Cr. 142,171

§ 3. Trust Fund.

1. **Trust Accounts.**—The Trust Fund credit balance on 30th June, 1910, amounted to £903,904, as compared with £1,072,654 for the corresponding date in the preceding year. Details concerning the various trust accounts contributing to this amount are as follows:—

COMMONWEALTH TRUST FUND, 30th JUNE, 1910.

Trust Accounts.	Balance at 30th June, 1910.	Trust Accounts.	Balance at 30th June, 1910.
	£		£
Harbour & Coastal Defence (naval)	1,186	Defalcations...	56
C'wealth Ammunition Material ...	39	Guarantee Fund	6,525
Small Arms Ammunition	19,006	Other Trust Moneys—	
Defence Clothing Material	5,753	Home Affairs	818
Small Arms	12,146	Customs	20,558
Unclaimed Militia Pay—military	1,525	Patents	27
" " naval	349	Defence	2,190
Customs Officers' Overtime	648	Post Office... ..	42,168
Money Order	40,000	Treasury	17
Internat'n'l Postal & Money Order	8,688	External Affairs	1,500
Pacific Cable Board	43	Naval Agreement Act	1
Government Printer	15,154	Repatriation of Pacific Islanders	15
Pensions, Departmental	24,905	London Liabilities	635,611
Invalid and Old Age Pensions ...	63,900		
Papua	433		
Officers' Assurance	643	Total	903,904

2. **Distribution.**—The amounts to credit of Trust Fund in the several States on 30th June, 1910, were as follows:—New South Wales, £104,830; Victoria, £730,181; Queensland, £25,659; South Australia, £16,067; Western Australia, £14,851; and Tasmania, £12,316.