

SECTION XIX.

COMMONWEALTH FINANCE.

§ 1. General.

1. Financial Provisions of the Constitution.—The main provisions of the Constitution as originally drafted 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 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," although legislation relative thereto has been passed by the Federal Parliament (Act No. 14, 1911). It is expected that the proclamation will be made on 1st July, 1915.

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 observations.
- (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, Federal Land Tax Office, Prime Minister's Office, and Interstate Commission. 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. **Financial Relations between Commonwealth and States.**—For the first ten years after Federation the financial relations between the Commonwealth and State Governments were regulated by section 87 of the Constitution, known generally as the "Braddon Clause." This provided that the Commonwealth should, until 31st December, 1910—and thereafter as long as Parliament should decide—retain for its own use an amount not exceeding one-fourth of the net revenue from Customs and Excise duties, the balance being returned to the States. The framers of the Constitution only contemplated a moderate Federal expenditure, and doubtless considered that one-fourth of the Customs and Excise revenue would be sufficient, as, indeed, it was in the earlier years. It began to be realised, however, later on, that if the Commonwealth was to undertake large national duties such as Defence, a greatly increased expenditure must be faced. Consequently, on the expiry of the "Braddon Clause" in 1910, it was replaced by an agreement much more favourable to the Commonwealth. This agreement, known as the "Commonwealth Surplus Revenue Act 1910," was passed by the Fisher Administration for a period of at least ten years. It provided that the Commonwealth was to retain the whole of the Customs and Excise revenue, and to make to the Government of each State (by monthly instalments) an annual payment, equal to 25s. per head of the population of the State. The population of a State in any financial year was considered, for the purposes of this Act, to be the number estimated by the Commonwealth Statistician as existing in the State on the 31st December falling in that financial year.

Special Assistance.—By the same Act provision was made that, during the period of ten years succeeding 1st July, 1910, a special payment should be made to Western Australia of an annual sum, starting at £250,000 for the first year, and progressively diminishing by £10,000 each subsequent year. One half of the amount was to be debited to all the States (including Western Australia) in proportion to population.

Assistance has also been granted to Tasmania, partly by means of the "Tasmania Grant Act of 1912," and partly by means of a special sum allocated by the Budget of 1913. According to the "Grant Act" a sum of £500,000 was set aside to be paid to Tasmania by ten annual instalments, starting at £95,000, and progressively diminishing by £10,000 until £5000 is reached. In the Budget of 1913 a further sum of £400,000 was allotted to Tasmania, to be paid in nine annual instalments, starting at £5000 and progressively increasing by £10,000 until the last payment, which will, however, be £80,000 instead of £85,000. As the result of these two grants Tasmania will have a first annual instalment of £95,000, then eight instalments of £90,000 each, and a final one of £85,000.

These concessions to Western Australia and Tasmania have been granted in consideration of the sacrifices made by these States, when yielding control of their Customs revenue to the Commonwealth. The whole question of the financial relations between the Commonwealth and States since Federation has been fully treated in the chapters on Commonwealth Finance, in all previous issues of the Year Book, up to and including No. 6.

§ 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 certain moneys received by the Commonwealth, 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 régime, amounted to £11,296,985, had, in 1913-14, reached a total of £21,741,775, an increase in the period of £10,444,790.

Particulars concerning the total amount of revenue collected by the Commonwealth Government from 1st July, 1909, to 30th June, 1914, are contained in the following table:—

CONSOLIDATED REVENUE OF THE COMMONWEALTH, 1909-10 to 1913-14.

	1909-10.	1910-11.	1911-12.	1912-13.	1913-14.
Commonwealth ...	£ 15,540,669	£ 18,806,237	£ 20,548,520	£ 21,907,084	£ 21,741,775

For 1909-10 the total for the Commonwealth shews a substantial excess over any previous year. Since 1909-10 the revenue has increased steadily every year, except that 1913-14 shews a slight decline from 1912-13.

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

COMMONWEALTH REVENUE PER HEAD OF POPULATION, 1909-10 to 1913-14.

	1909-10.	1910-11.	1911-12.	1912-13.	1913-14.
Commonwealth ...	£ s. d. 3 11 11	£ s. d. 4 5 0	£ s. d. 4 9 11	£ s. d. 4 12 7	£ s. d. 4 9 3

3. *Sources of Revenue.*—The following table furnishes particulars concerning the Commonwealth revenue derived from each source during the years 1909-10 to 1913-14:—

SOURCES OF COMMONWEALTH REVENUE, 1909-10 to 1913-14.

Sources of Revenue.	1909-10.	1910-11.	1911-12.	1912-13.	1913-14.
	£	£	£	£	£
Customs	9,505,855	10,507,080	12,071,434	13,055,925	12,652,737
Excise	2,087,310	2,473,364	2,638,702	2,497,109	2,325,333
Postal	3,731,741	3,906,015	3,916,254	4,226,313	4,511,307
Defence	21,847	57,520	74,298	39,193	28,936
Patents	16,644	21,295	19,081	18,355	22,393
Trade Marks, Copyrights, and Designs	4,790	5,265	5,639	5,637	5,932
Quarantine	4,724	7,068	9,875	13,162	15,173
Coinage	69,646	198,893	156,489	122,647	208,348
New revenue	63,076	...	...	...	...
Public Service Pension Funds, Repayments and Transfers	35,036	61,405	39,027	42,006	36,824
Land Tax ... ..	...	1,370,344	1,366,457	1,564,794	1,609,836
Northern Territory ... ..	...	10,521	31,225	40,084	54,777
Credit Balance Northern Territory Funds	...	151,513	...	24,456	...
Miscellaneous ... ..	...	35,954	220,039	257,403	270,179
Total	15,540,669	18,806,237	20,548,520	21,907,084	21,741,775

The only feature of this table calling for remark is the rapid annual rise of the Customs revenue between 1909-10 and 1912-13. The Excise and Postal revenues have only shewn a comparatively small upward tendency during the period under review.

4. **Customs Revenue for Past Five Years.**—Particulars for the Commonwealth as a whole, for the five years 1909-10 to 1913-14, are furnished in the following table:—

COMMONWEALTH CUSTOMS REVENUE, 1909-10 to 1913-14.

Classes.	1909-10.	1910-11.	1911-12.	1912-13.	1913-14.
	£	£	£	£	£
Stimulants	2,330,215	2,564,101	2,706,058	2,777,492	2,810,222
Narcotics	994,077	1,089,932	1,150,990	1,206,732	1,175,404
Sugar	506,385	170,822	275,077	691,568	209,375
Agricultural products	855,313	869,708	996,953	1,072,203	1,002,363
Apparel and textiles	1,872,832	2,068,922	2,385,786	2,367,945	2,514,170
Metals and machinery	997,973	1,264,986	1,554,983	1,639,749	1,672,125
Oils, paints, etc.	199,377	239,229	285,737	313,348	310,847
Earthenware, etc.	247,491	334,834	375,403	490,933	426,134
Drugs and chemicals	76,898	92,857	104,341	109,619	122,960
Wood, wicker, and cane	324,197	463,289	501,278	535,576	555,843
Jewellery, etc.	222,749	263,818	309,309	281,631	272,214
Leather, etc.	253,376	303,988	386,824	435,801	470,382
Paper and stationery	167,531	204,009	230,212	237,943	234,504
Vehicles	122,212	170,940	279,828	328,001	343,633
Musical instruments	82,949	109,423	176,009	165,839	166,059
Miscellaneous articles	220,580	258,953	313,505	361,350	330,548
Other receipts	31,700	37,269	39,141	40,095	35,954
Total Customs	9,505,855	10,507,080	12,071,434	13,055,925	12,652,737

It will be seen that throughout the period here dealt with, the Customs revenue from stimulants and narcotics has represented, approximately, one third of the total Customs revenue. The other principal articles from which Customs revenue was derived were "apparel and textiles," and "metals and machinery." The most marked increase in the amount of duty collected is in the class of "metals and machinery," the revenue under this head for 1913-14 exceeding that for 1909-10 by £674,152. The absolute increase in "apparel and textiles" is about the same, but the proportionate increase not so great.

5. **Excise Collections, 1909-10 to 1913-14.**—Particulars concerning the amount of Excise collected under each head during each of the years ending 30th June, 1910 to 1914, are given hereunder:—

COMMONWEALTH EXCISE REVENUE, 1909-10 to 1913-14.

Particulars.	1909-10.	1910-11.	1911-12.	1912-13.	1913-14.
	£	£	£	£	£
Beer	584,503	617,178	694,001	718,869	792,243
Spirits	267,877	331,024	376,440	411,192	421,506
Starch	3,897	507	...	...	...
Sugar	548,716	794,645	748,670	518,508	179,149
Tobacco	673,437	720,305	810,242	840,012	927,293
Licenses	8,880	9,705	9,349	8,528	5,142
Total Excise	2,087,310	2,473,364	2,638,702	2,497,109	2,325,333

Comparing the Excise collections for 1913-14 with those for 1909-10 it will be seen that the increase in the revenue from tobacco was about 38 per cent., that from beer about 35 per cent., and that from spirits about 60 per cent., while the revenue from sugar decreased to one third of the original value, and decreases were also experienced in the return from starch and licenses.

6. 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 powers of taxation 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. Detailed reference to this Act will be found in Commonwealth Year Books Nos. 5 and 6.

7. Commonwealth Taxation: Budget of 1914-15.—The fact stated in the previous paragraph, that there was nothing in the Constitution itself to restrain the Federal Government from entering the field of direct taxation, received further exemplification by the Budget of 1914-15. In the first place the Land Tax was raised by altering the graduation so that the increase in rate over the whole taxable value of the estate, for each succeeding pound of taxable value between £5000 and £75,000, was one eighteenthousand seven-hundred and fiftieth of a penny, instead of one thirty-thousandth of a penny, as hitherto. The maximum rate for resident owners now becomes 9d. in the £, on estates whose taxable value is more than £75,000. Corresponding increases in the rates payable by absentee owners were made, rising to a maximum of 10d. in the £ on estates whose taxable value is more than £80,000. These advances are estimated as likely to increase the annual yield of the Land Tax by £1,000,000. In addition to this substantial increase in an already existing tax, the Federal Government has, for the first time, introduced succession duties on estates of deceased persons, in addition to those already imposed by the State Governments. The new Commonwealth scale of succession duty, after starting by the exemption of all estates of less than £1000, ranges from a minimum of 1 per cent., to a maximum of 15 per cent. on estates of a higher taxable value than £71,000. The rate of duty for any estate may be found by the following rule. Divide the number of thousands of pounds in the estate by five, and to the quotient thus obtained add $\frac{3}{5}$ per cent. in the case of an exact thousand, and $\frac{4}{5}$ per cent. in every other case. Thus for an estate of £43,000 the duty would be $9\frac{1}{5}$ per cent. (i.e. $\frac{43}{5} + \frac{3}{5}$), but for an estate of £43,001 the duty would be $9\frac{2}{5}$ per cent. (i.e. $\frac{43}{5} + \frac{4}{5}$). The succession duties thus outlined are expected by the Federal Treasurer to yield about £1,000,000 per annum, but as the Budget for 1914-15 was not introduced until nearly the middle of the financial year, it is not likely that the revenue for the year will much exceed half of this sum, provided that the estimate is substantially correct.

8. Commonwealth Land Tax.—Particulars as to the Land Tax assessment for each State for the year ending 30th June, 1913, will be found in the following table:—

PARTICULARS OF LAND TAX ASSESSMENT FOR EACH STATE OF THE COMMONWEALTH FOR THE YEAR ENDING 30th JUNE, 1913.

State.	Number of Taxable Returns.	Unimproved Value as ascertained by Department.	Tax Assessed.		
			Town.	Country.	Total.
		£	£	£	£
Central—					
Resident ...	1,231	33,323,053	192,119	245,866	437,985
Absentee ...	240	552,927	7,562	2,664	10,226
	1,471	33,875,980	199,681	248,530	448,211
New South Wales—					
Resident ...	4,026	67,690,653	180,753	302,131	482,884
Absentee ...	531	1,841,278	13,307	10,119	23,426
	4,557	69,531,931	194,060	312,250	506,310
Victoria—					
Resident ...	4,119	48,830,539	88,547	163,969	252,516
Absentee ...	763	1,353,299	11,593	4,753	16,346
	4,882	50,183,838	100,140	168,722	268,862
Queensland—					
Resident ...	833	10,831,325	18,347	40,698	59,045
Absentee ...	269	441,247	1,892	1,869	3,761
	1,102	11,272,572	20,239	42,567	62,806
South Australia—					
Resident ...	1,557	17,453,763	29,127	66,036	95,163
Absentee ...	334	502,564	3,249	2,779	6,028
	1,891	17,956,427	32,376	68,815	101,191
Western Australia—					
Resident ...	465	6,272,399	21,473	17,327	38,800
Absentee ...	413	356,270	1,828	749	2,577
	878	6,628,669	23,301	18,076	41,377
Tasmania—					
Resident ...	433	5,421,210	5,690	24,054	29,744
Absentee ...	161	225,558	385	1,076	1,461
	594	5,646,768	6,075	25,130	31,205
Grand Total—					
Resident ...	12,664	189,822,942	536,056	860,081	1,396,137
Absentee ...	2,711	5,273,243	39,816	24,009	63,825
	15,375	195,096,185	575,872	884,090	1,459,962

9. **Details of Postal Revenue, 1909-10 to 1913-14.**—Particulars concerning the postal revenue of the Commonwealth for each of the financial years from 1909-10 to 1913-14 are contained in the following table:—

COMMONWEALTH POSTAL REVENUE, 1909-10 to 1913-14.

Particulars.	1909-10.	1910-11.	1911-12.	1912-13.	1913-14.
Private boxes and bags ...	£ 19,078	£ 20,993	£ 23,383	£ 25,618	£ 27,744
Commission—					
Money orders & postal notes	104,457	112,568	121,432	129,653	134,834
Telegraphs ...	681,038	740,426	788,441	811,592	834,316
Telephones ...	509,623	518,857	752,423	860,726	996,047
Postage ...	2,253,500	2,363,385	2,088,866	2,260,000	2,391,424
Miscellaneous ...	164,045	149,784	141,709	138,724	126,942
Total ...	3,731,741	3,906,015	3,916,254	4,226,313	4,511,307

10. **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 since the financial year 1909-10 is shewn in the following table:—

COMMONWEALTH PATENTS REVENUE, 1909-10 to 1913-14.

	1909-10.	1910-11.	1911-12.	1912-13.	1913-14.
Revenue ...	£ 16,644	£ 21,295	£ 19,081	£ 18,355	£ 22,393

11. **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 amounts since this item first appeared in the Commonwealth accounts:—

COMMONWEALTH TRADE MARKS, COPYRIGHTS AND DESIGNS REVENUE, 1909-10 to 1913-14.

	1909-10.	1910-11.	1911-12.	1912-13.	1913-14.
Revenue ...	£ 4,790	£ 5,265	£ 5,639	£ 5,637	£ 5,932

12. **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 1913-14 amounted to £28,936.

13. **Coinage.**—The revenue for the Commonwealth under this head is derived from the profit on coin issued, and is made up of £198,453 from silver coin and £9895 from bronze coin.

(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.:—

* For a discussion of the "book-keeping system" see Commonwealth Year Book. No. 6. p. 780.

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

Of these three, only the first two were 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*. Under the new system of keeping the accounts there is no further debiting of expenditure to the several States.

2. **Total Expenditure.**—The total expenditure by the Commonwealth Government during the period 1909-10 to 1913-14 is shewn in the following table:—

COMMONWEALTH EXPENDITURE, 1909-10 to 1913-14.

	1909-10.	1910-11.	1911-12.	1912-13.	1913-14.
	£	£	£	£	£
Commonwealth ...	7,499,516	13,158,529	14,724,097	15,787,154	15,458,776

The largely increased expenditure of recent years is due partly to old age and invalid pensions, partly to fleet construction, and partly to such public works as the Transcontinental Railway, Federal Capital, etc.

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

COMMONWEALTH EXPENDITURE PER HEAD, 1909-10 to 1913-14.

	1909-10.	1910-11.	1911-12.	1912-13.	1913-14.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Commonwealth ...	1 14 8	2 19 6	3 4 6	3 6 8	3 3 5

4. **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 up to 1909-10 has been treated as "other" expenditure, and debited to the States *per capita*. 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., 1909-10 to 1913-14.

Departments.	1909-10.	1910-11.	1911-12.	1912-13. (a)	1913-14. (b)
	£	£	£	£	£
Trade and Customs ...	5,124	...	...	...	...
Defence ...	337,961	...	...	...	...
Postal ...	555,557	...	...	...	...
Sundry departments ...	2,526	2,452,960	3,566,367	2,653,282	2,576,000
Total ...	901,168	2,452,960	3,566,367	2,653,282	2,576,000

(a) In addition, the following amounts were spent from Trust Funds:—£475,342 for Fleet construction, and £413,097 for Telegraphs and Telephones. (b) In addition, the following amounts were spent from Trust Funds: £721,487 for Fleet construction, and £16,493 for Telegraphs and Telephones.

It will be seen that the Commonwealth expenditure under this head has increased considerably in recent years, the total for 1913-14 being nearly three times as great as that for 1909-10. The main cause of the great increase in recent years is the large expenditure on fleet construction.

5. **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 1909-10 to 1913-14 was as follows:—

COST OF COMMONWEALTH DEPARTMENTS, etc., 1909-10 to 1913-14.

Departments, etc.	1909-10.	1910-11.	1911-12.	1912-13.	1913-14.
	£	£	£	£	£
Governor-General	21,908	20,884	23,842	21,648	17,815
Parliament	220,233	211,558	189,550	281,261	243,163
Prime Minister ... ..	...	...	14,863	57,559	82,847
External Affairs	80,469	454,128	494,010	539,722	678,974
Attorney-General	32,349	35,329	62,899	66,517	82,442
Home Affairs	88,112	179,097	155,628	128,972	152,299
Treasury	74,108	1,960,318	2,368,936	2,910,224	2,787,034
Trade and Customs	777,788	1,051,497	1,024,369	875,784	730,458
Defence	1,534,881	1,335,798	2,128,649	2,612,687	2,950,722
Postmaster-General	3,786,755	3,559,785	4,380,896	4,781,524	5,157,022
All other Expenditure	882,915	4,290,135	3,990,865	5,510,256	2,576,000
Total	7,499,516	13,158,529	14,724,097	15,787,154	15,458,776

The largeness of the expenditure under the head of Parliament in the years 1909-10 and 1912-13 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. The amount paid in Old-Age and Invalid Pensions is included in Treasury expenditure for the first time in 1910-11. It may be noted that the great increase in the item "all other expenditure." for the year 1910-11 and subsequent years, is owing to the inclusion for the first time of the expenditure on "new works," which had formerly been debited to the departments in which it had been incurred. More detailed reference to the items included under the above general heads is furnished in the succeeding paragraphs.

6. **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 1909-10 to 1913-14 is as follows:—

EXPENDITURE, GOVERNOR-GENERAL AND ESTABLISHMENT, 1909-10 to 1913-14.

Details.	1909-10.	1910-11.	1911-12.	1912-13.	1913-14.
	£	£	£	£	£
Salary	10,000	10,000	9,973	10,000	10,000
Governor-General's Establishment	7,754	6,848	10,113	6,983	5,118
Contingencies	4,154	4,036	3,756	4,665	2,697
Total	21,908	20,884	23,842	21,648	17,815

7. **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 1909-10 to 1913-14 are furnished in the table given hereunder:—

EXPENDITURE, COMMONWEALTH PARLIAMENT, 1909-10 to 1913-14.

Details.	1909-10.	1910-11.	1911-12.	1912-13.	1913-14.
	£	£	£	£	£
Salaries of Ministers	12,000	12,000	12,000	12,000	12,000
Allowances to Senators	21,368	21,519	20,997	20,950	21,004
Allowances to Members of House of Representatives	37,112	43,205	43,257	39,198	43,745
Officers, staff, contingencies, etc.	31,458	30,938	30,985	32,873	36,703
Repairs, maintenance, etc.	2,636	1,939	1,814	3,172	2,808
Printing	15,660	16,507	16,829	19,341	20,078
Travelling expenses of Members and others	9,767	9,153	10,029	9,252	10,627
Insurance	342	342	342	342	342
Electoral Office	6,191	5,288	5,578	6,764	11,716
Election expenses	49,958	5,364	1,435	82,370	28,252
Referendum ... ..	...	47,487	4,183	...	...
Administration of Electoral Act	33,602	17,437	39,863	54,441	54,541
Miscellaneous	139	379	2,238	558	1,347
Total	220,233	211,558	189,550	281,261	243,163

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 came under consideration, and an Act was passed raising the annual allowance from £400 to £600, such increase to date from 1st July, 1907.

8. Prime Minister's Department.—This is a new department created during the financial year 1911-12. In addition to the Prime Minister's Office it includes the Audit Office taken from the Treasury, the Executive Council taken from the External Affairs Department, and the Public Service Commissioner's Office taken from the Home Affairs Department. The expenditure for the three years of its existence is shewn in the following table:—

EXPENDITURE, PRIME MINISTER'S DEPARTMENT, 1911-12 to 1913-14.

Details.	1911-12.	1912-13.	1913-14.
	£	£	£
Salaries, Contingencies, etc.	4,447	21,685	8,961
Executive Council	109	128	152
Audit Office... ..	9,454	10,663	12,167
Rent, Repairs, etc.	761	3,381	2,552
Public Service Commissioner's Office ... ..	...	20,683	22,303
Miscellaneous	92	1,019	36,712
Total	14,863	57,559	82,847

9. External Affairs.—Under the control of the Department of External Affairs is placed the expenditure in connection with the London Office, Papua and the Northern Territory. The expenditure in connection with the Northern Territory is exclusive of the Customs and Postal expenditure. Particulars for the five years 1909-10 to 1913-14 are as follows:—

EXPENDITURE, EXTERNAL AFFAIRS DEPARTMENT, 1909-10 to 1913-14.

Details.	1909-10.	1910-11.	1911-12.	1912-13.	1913-14.
	£	£	£	£	£
High Commissioner ... ..	...	3,000	3,000	3,000	3,000
Chief Office	13,882	13,862	15,684	16,486	18,320
Executive Council	781	737	...	...	...
London Office	4,647	17,286	14,282	21,351	24,606
Papua	28,549	30,615	30,280	64,987	60,640
Rents, repairs, etc.	820	655	1,298	1,500	1,466
Northern Territory ... ..	...	326,347	248,758	281,140	335,850
Port Augusta Railway ... ..	...	...	119,426	95,965	102,394
Miscellaneous	31,790	61,626	61,282	65,293	132,698
Total	80,469	454,128	494,010	539,722	678,974

10. **Northern Territory.**—The Department of External Affairs assumed control of the administration of the Northern Territory from 1st January, 1911, and separate accounts were issued for the first time in the Treasurer's statement for the financial year ending 30th June, 1911. The chief sources of revenue for the year ending 30th June, 1914, were the Customs and Excise, amounting to £12,628, and railways £18,034. The Postal revenue amounted to £5290, whilst the total revenue was £73,657. The chief items of expenditure were as follows:—Postal Department, £17,303; goldfields and mining, £23,267; railways, £22,991; and police, £10,614. The total expenditure was £286,264. In addition to this expenditure the Commonwealth is liable for interest on loans and redemption, which for this financial year totalled £246,271. The deficiency for the year was £458,878.

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 1909-10 to 1913-14 are as follows:—

PAPUAN REVENUE, 1909-10 to 1913-14.

Details.	1909-10.	1910-11.	1911-12.	1912-13.	1913-14.
	£	£	£	£	£
Customs dues	24,901	32,554	37,751	33,453	37,341
Other collections	11,017	13,418	13,284	18,882	17,363
Commonwealth grant	26,000	30,000	30,000	48,000*	30,000
Total	61,918	75,972	81,035	100,335	84,704

* Including £18,000 for special purposes.

The expenditure for 1913-14 totalled £81,095, out of which £36,045 was spent on the Government Secretary's Department, and £22,712 on the Departments of Agriculture, Lands, Survey, and Mines. The total expenditure for each of the five years 1909-10 to 1913-14 was as follows:—

PAPUAN EXPENDITURE, 1909-10 to 1913-14.

Particulars.	1909-10.	1910-11.	1911-12.	1912-13.	1913-14.
	£	£	£	£	£
Total expenditure ...	64,874	70,699	85,636	89,170	81,095

12. **Attorney-General's Department.**—The extra expenditure connected with this Department from 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 1913-14, amounted to £39,159. The expenditure on Patents, Trade Marks, Copyrights, and Designs was included for the first time in 1911-12. Details for the five years 1909-10 to 1913-14 are furnished hereunder:—

EXPENDITURE, ATTORNEY-GENERAL'S DEPARTMENT, 1909-10 to 1913-14.

Details.	1909-10.	1910-11.	1911-12.	1912-13.	1913-14.
	£	£	£	£	£
Attorney-General's Office ...	3,684	3,805	4,449	5,279	6,302
Crown Solicitor's Office ...	3,458	4,472	4,829	6,046	7,565
Salaries of Justices of High Court ...	15,500	15,500	15,500	16,495	21,500
High Court expenses ...	6,888	7,459	6,772	6,839	11,209
Court of Conciliation and Arbitration ...	1,289	2,891	4,047	4,690	6,450
Rent, repairs, etc. ...	1,530	1,202	3,411	3,745	3,733
Patents, Trade Marks, etc. ...	...	...	23,291	22,768	24,439
Miscellaneous ...	...	...	600	655	1,244
Total ...	32,349	35,329	62,899	66,517	82,442

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 1910-11 was mainly due to the appropriation for the census. The large increase in "Miscellaneous" for 1913-14 was due to an item of £32,916, representing interest on that portion of the Commonwealth Inscribed Stock, which was allocated to the expenditure of this department. Particulars for the five years 1909-10 to 1913-14 are as follows:—

EXPENDITURE, HOME AFFAIRS DEPARTMENT, 1909-10 to 1913-14.

Details.	1909-10.	1910-11.	1911-12.	1912-13.	1913-14.
	£	£	£	£	£
Chief Office ...	11,454	14,178	15,684	22,606	26,387
Public Service Commissioner ...	15,952	16,989	17,881	*	*
Public Works ...	17,738	11,505	17,192	26,054	11,546
Census and Statistics ...	15,137	106,567	68,857	29,886	21,662
Meteorological Bureau ...	16,414	17,389	22,339	22,729	23,639
Rents, repairs, etc. ...	5,882	4,845	6,111	7,796	12,070
Miscellaneous ...	5,535	7,624	7,514	20,901	57,045
Total ...	88,112	179,097	155,628	129,972	152,299

* Now included in Prime Minister's Department.

14. **Treasurer's Department.**—The sub-departments under the control of the Commonwealth Treasurer are the Treasury, the Old Age Pensions Department, and

the Land Tax Office. The Audit Office was transferred to the Prime Minister's Department in 1911-12. During the financial year 1909-10 the expenditure under this department was swelled by the increased expenditure on salaries, etc., in the Old Age Pensions Department. The statements in previous Year Books, up to No. 5 inclusive, have been rearranged so as to include expenditure on Invalid and Old Age Pensions from 1908-9; consequently, for the years 1909-10 and 1910-11 the amounts given below differ from those on page 698 by the item "Invalid and Old Age Pensions." Details of the expenditure of this department for each of the five years 1909-10 to 1913-14 are furnished hereunder:—

EXPENDITURE, TREASURER'S DEPARTMENT, 1909-10 to 1913-14.

Details.	1909-10.	1910-11.	1911-12.	1912-13.	1913-14.
	£	£	£	£	£
Treasury	11,862	12,273	13,708	17,052	22,696
Old-age pensions—Salaries, etc. ...	36,423	37,492	39,810	42,543	44,942
Audit	8,593	8,819	...	...	...
Rents, repairs, etc.	3,410	5,293	7,206	7,101	6,294
Invalid and Old-age pensions ...	841,181	1,874,568	2,143,212	2,288,388	1,881,794*
Land Tax ... ..	...	...	60,686	73,452	79,525
Maternity Allowance ... ..	...	...	...	412,375	674,990
Miscellaneous	13,820	21,873	43,884	69,313	76,793
Total	915,289	1,960,318	2,308,506	2,910,224	2,787,034

* In addition, £697,471 was spent from Trust Funds.

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 and other bounties and the expenses in connection therewith. The Administration of Patents, Trade Marks, and Copyright is now entrusted to the Attorney General's Department. The fluctuations in the total expenditure of this department in recent years have been mainly due to variations in the amount payable in respect of sugar bounties. Particulars for the five years 1909-10 to 1913-14 are given in the following table:—

EXPENDITURE, TRADE AND CUSTOMS DEPARTMENT, 1909-10 to 1913-14.

Details.	1909-10.	1910-11.	1911-12.	1912-13.	1913-14.
	£	£	£	£	£
Chief Office	11,954	13,260	12,698	13,582	14,429
Customs (ordinary)	255,779	286,410	301,278	347,657	341,116
Patents	19,284	20,140	...	...	...
Trade Marks and Copyrights ... ..	...	...	...	...	...
Fisheries	5,605	5,354	6,688	6,754	7,443
Analyst	1,995	2,511	3,235	2,523	3,441
Audit (proportion)	7,426	7,281	7,057	7,763	8,144
Quarantine	23,355	21,246	22,973	23,371	44,063
Pensions and retiring allowances ...	8,058	10,308	12,049	14,099	13,318
Rents, repairs, etc.	9,994	12,068	17,969	13,371	14,872
Sugar bounties and expenses	407,777	630,762	543,503	370,125	149,244
Bounties	5,885	11,740	22,941	18,171	14,304
New works, etc.	5,124	...	...	...	...
Iron Bonus	32,579	29,427	23,048	18,098	51,810
Miscellaneous	15,552	990	50,950	40,270	68,274
Total	810,367	1,051,497	1,024,389	875,784	730,458

16. **Defence.**—The Commonwealth expenditure in connection with Defence, which in 1901-2 amounted to £861,218, had by 1909-10 grown to £1,534,881. A slight fall was experienced in 1910-11 owing to the loss of the item "new works." The largeness of the expenditure for recent years has been in the main the consequence of the new defence system. Particulars for the five years 1909-10 to 1913-14 are as follows:—

EXPENDITURE, DEFENCE, 1909-10 to 1913-14.

Details.	1909-10.	1910-11.	1911-12.	1912-13.	1913-14.
	£	£	£	£	£
Chief Office	26,366	32,609	54,004	74,480	86,191
Military	853,420	1,040,981	1,409,398	1,557,443	1,547,921
Naval	263,143	273,076	449,701	790,750	979,554
Audit (proportion)	954	1,142	1,180	1,298	1,362
Pensions and retiring allowances	781	965	2,269	1,121	1,103
Rents, repairs, etc.	29,621	42,863	46,257	58,746	70,471
New works, etc.	337,961	...	...	...	...
Miscellaneous	22,635	4,162	165,840	128,849	264,120
Total	1,534,881	1,395,798	2,128,649	2,612,687	2,950,722

17. **Postal.**—From a total of £3,786,755 in 1909-10 the cost of the department under the control of the Postmaster-General advanced to £5,157,022 in 1913-14, an increase of £1,370,267. The large increase in "Miscellaneous" since 1910-11 is due, in the main, to the payment of interest on transferred properties, which is discussed in detail in the next paragraph. Details for the five years 1909-10 to 1913-14 are furnished hereunder:—

EXPENDITURE, POSTAL DEPARTMENT, 1909-10 to 1913-14.

Details.	1909-10.	1910-11.	1911-12.	1912-13.	1913-14.
	£	£	£	£	£
Chief Office	12,324	14,208	18,515	20,154	22,506
Postal Department (ordinary) ...	3,123,357	3,441,720	3,796,157	4,145,803	4,567,895
Audit (proportion)	2,398	2,704	2,894	3,184	3,340
Pensions and retiring allowances	32,083	31,209	36,812	42,757	48,400
Rents, repairs, etc.	54,484	62,454	72,222	84,883	88,884
New works, etc.	555,557	...	...	...	...
Miscellaneous	6,552	7,490	404,296	484,743	425,997
Total	3,786,755	3,559,785	4,330,896	4,781,524	5,157,022

18. **Interest on Transferred Properties.**—At the time of Federation, when the Commonwealth undertook control of a great many departments which had previously been worked by the States, a great deal of property was handed over to the Commonwealth Government. This consisted mainly of Post Offices, Customs Houses, Defence works, and other buildings necessary to the effective working of the transferred departments. In the early days of the "Braddon Clause," when the Commonwealth Government was spending less than its statutory proportion of the Customs revenue, the question of suitable compensation to the States did not become acute; but, when the "Braddon Clause" was replaced by another arrangement between Commonwealth and States, much less favourable to the latter, the matter was put upon a more definite footing. In the Commonwealth accounts for 1911-12 and 1912-13, definite amounts (independent entirely of the subsidy) have been paid to the States under the heading "Interest on Transferred Properties." These amounts have been substantially based upon a valuation made by the Home Affairs Department, with the following result:—

VALUATION OF TRANSFERRED PROPERTIES.

State.	Department.				Total.
	Postmaster-General.	Defence.	Trade and Customs.	Home Affairs.	
	£	£	£	£	£
New South Wales ...	2,337,316	1,182,003	154,009	1,320	3,674,648
Victoria ...	1,332,862	805,389	190,657	1,266	2,330,174
Queensland ...	925,628	386,802	202,082	7,356	1,521,868
South Australia ...	842,281	161,140	28,486	815	1,032,722
Western Australia ...	600,895	64,842	37,714	885	704,286
Tasmania ...	214,906	121,490	48,212	143	384,751
Commonwealth ...	6,253,888	2,721,666	661,160	11,735	9,648,449

Since the valuation a few transfers and re-transfers have been made. Making allowances for these, the following tables shew particulars of the payments made:—

STATES.

Particulars.	N.S.W.	Vic.	Q'land.	S.A.	W.A.	Tas.	Totals.
	£	£	£	£	£	£	£
Interest—							
Calculated on original valuation ...	385,838	244,668	159,796	108,436	73,950	40,399	1,013,087
Added for further transfers	71	381	...	...	...	...	452
	385,909	245,049	159,796	108,436	73,950	40,399	1,013,539
Deducted for properties re-transferred ...	300	407	639	271	2,837	42	4,496
Balance due 30th June, 1913	385,609	244,642	159,157	108,165	71,113	40,357	1,009,043
Paid during year 1911-12 ...	220,296	138,941	90,781	61,769	36,147	23,061	570,995
Paid during year 1912-13 ...	165,313	105,701	63,376	46,396	34,966	17,296	438,048
Paid during year 1913-14 ...	144,458	87,068	53,989	36,032	27,357	13,450	362,349

DEPARTMENTS.

Particulars.	Postmaster-General.	Defence.	Trade and Customs.	Home Affairs.	Totals.
	£	£	£	£	£
Interest—					
Calculated on original valuations ...	656,658	285,775	69,422	1,232	1,013,087
Added for further transfers	377	59	16	...	452
	657,035	285,834	69,438	1,232	1,013,539
Deducted for properties re-transferred ...	3,291	1,141	64	...	4,496
Balance due to 30th June, 1913	653,744	284,693	69,374	1,232	1,009,043
Paid during year 1911-12 ...	368,645	162,131	39,515	704	570,995
Paid during year 1912-13 ...	285,099	122,562	29,859	528	438,048
Paid during year 1913-14 ...	217,730	94,859	49,350	410	362,349

Interest has been paid as from 1st July, 1910. In the year 1911-12, interest at the rate of 3 per cent. for two years was paid. In the year 1912-13, interest at the rate of 3½ per cent. was paid, together with two yearly payments at the rate of ½ per cent., thus completing payment for the full period at the rate of 3½ per cent. In 1913-14 the interest on account of the Customs Department was swelled by a four years' payment on the transferred Quarantine buildings.

19. **Miscellaneous.**—In addition to the foregoing there are certain items which do not come under any of the heads enumerated. For 1913-14 the total expenditure under this heading was £2,576,000, made up entirely of expenditure on new works. The entire expenditure for new works now appears as a separate item instead of being debited to the different departments, and has already been discussed on p. 697.

(D) **Subsidy 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 less also cost of collection. This view, adopted by the Commonwealth Government, was 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 was 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 was 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. **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 1909-10 to 1913-14:—

COMMONWEALTH SUBSIDY PAID TO STATES, 1909-10 to 1913-14.

State.	1909-10.	1910-11.	1911-12.	1912-13.	1913-14.
	£	£	£	£	£
New South Wales ...	3,480,314	1,954,986	2,046,993	2,173,683	2,248,241
Victoria ...	2,109,379	1,617,572	1,667,657	1,692,121	1,733,229
Queensland ...	1,099,383	691,625	761,302	780,051	810,274
South Australia ...	842,508	514,622	511,719	527,151	540,113
Western Australia ...	707,672	591,243	599,991	605,215	613,606
Tasmania ...	253,180	233,143	236,761	(a) 241,709	(b) 247,536
Total ...	8,492,436	5,603,191	5,824,423	(a) 6,024,930	(b) 6,192,999

(a) Not including special grant of £95,000 to Tasmania.

(b) " " " £90,000

In 1909-10 the surplus revenue returned to the States was higher in every case than in 1908-9. In 1910-11, owing to the new system of allotting the Commonwealth subsidy, the amounts received by each State, except South Australia, were the smallest for the period under review, but they all rose, with the exception of South Australia, in 1911-12, and again, without exception, in 1912-13 and 1913-14. The amounts allotted to Tasmania in the last two years are exclusive of the first instalments of the special payment to which reference has already been made (see page 691).

3. Commonwealth Subsidy 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 present financial agreement, under which the Commonwealth pays 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 page 691).

**COMMONWEALTH SUBSIDY 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 10	1 19 9	2 6 4	2 2 0	2 3 1
Victoria ...	1 14 7	1 16 1	1 18 7	1 11 9	1 13 0
Queensland ...	1 12 3	1 14 10	1 18 1	1 16 10	1 18 1
South Australia ...	1 10 8	1 14 10	2 1 11	1 16 10	2 2 6
Western Australia ...	3 9 9	3 0 9	2 19 1	2 8 4	2 13 3
Tasmania ...	1 7 5	1 8 2	1 9 6	1 5 6	1 6 3
Commonwealth ...	1 16 8	1 18 4	2 2 7	1 17 6	1 19 3

4 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.

§ 3. Trust Fund.

1. Trust Accounts.—The Trust Fund credit balance on 30th June, 1914, amounted to £13,116,293, as compared with £13,838,381 for the corresponding date in the year ending 30th June, 1913. These enormous amounts are due mainly to the Australian Notes Account referred to in detail in paragraph 3. Details concerning the various trust accounts contributing to this amount are as follows:—

COMMONWEALTH TRUST FUND, 30th JUNE, 1914.

Trust Accounts.	Balance at 30th June, 1914.	Trust Accounts.	Balance at 30th June, 1914.
	£		£
Small Arms Ammunition ...	24,077	Officers' Assurance... ..	1,706
Defence Clothing Material ...	38,117	Defalcations	209
Small Arms... ..	3,382	Guarantee Fund	3,218
Unclaimed Militia Pay—Military	3,106	Naval Defence	561
" " " Naval	398	Repatriation of Pacific Islanders	40
Military Expenses	4,080	London Liabilities	1,302,197
Deferred Pay—Naval	98,611	Quarantine	60
Customs Officers' Overtime ...	954	Other Trust Moneys	92,568
Money Order	40,000	Minerals Account	2,549
International Postal & Money		Australian Notes Account ...	10,091,201
Order	10,051	Miscellaneous	84,861
Invalid and Old Age Pensions...	1,314,347		
		Total	13,116,293

2. **Distribution.**—The amounts to credit of Trust Fund in the several States on 30th June, 1914, were as follows:—New South Wales, £594,699; Victoria, £11,929,152; Queensland, £163,420; South Australia, £175,744; Western Australia, £126,114; and Tasmania, £127,164.

3. **Australian Notes Account.**—After the passage of the Australian Notes Act, Australian notes began to appear in circulation in December 1910. For the first half of the calendar year 1911, they circulated side by side with bank notes and Queensland Treasury notes. After 30th June, 1911, the penal clauses of the Notes Act came into operation, and the banks and the Queensland Government began to withdraw their notes from active circulation. By the end of the year the process was virtually complete. On 30th June, 1914, the notes issued and unredeemed amounted to £9,595,551. Against this there was a reserve in gold coin of £4,144,581 and other assets, of which the most important were investments in Government Stock and fixed deposits, totalling £5,860,000, and returning an annual income of £210,285.

The position, according to a Treasury return issued at the end of March, 1915, was as follows:—

COMMONWEALTH NOTES ISSUED AND UNREDEEMED AT 31st MARCH, 1915.

	£	s.	d.
10s.	414,611	0	0
£1	7,056,173	0	0
£5	4,382,795	0	0
£10	1,851,650	0	0
£20	429,580	0	0
£50	1,322,550	0	0
£100	1,729,900	0	0
£1000	9,479,000	0	0
	26,666,259	0	0

The amount of the gold reserve was £10,111,101, representing 37.91 per cent. of the liability.

The subject is also dealt with at some length in Section XXI., Sub-section 2, Banking.

4. **Advances by Commonwealth Government to States.**—Reference has been made in the previous paragraph to the investments of the gold reserve from the Australian Notes Account. A large proportion has been advanced to the respective State Governments for short periods, sometimes as low as one year. This is a novel and interesting

departure in Australian Public Finance, and in view of the new financial relations thus brought about between the Commonwealth and State Governments, the following table is appended, giving full particulars of the investments of £5,860,000, to which reference has already been made:—

**AUSTRALIAN NOTES ACCOUNT.—PARTICULARS OF INVESTMENT AS AT
30th JUNE, 1914.**

Investment.	Amount.	Rate of Interest.	Date of Maturity.	Annual Amount of Interest.
	£	%		£
Commonwealth Inscribed Stock ...	3,076,000	3½	1/4/1962 to 1/4/1972	107,660
STATE GOVERNMENT SECURITIES				
New South Wales Funded Stock	800,000	3½	10/8/1919	30,000
Victorian Government Debentures	784,000	3½	1/5/1921	28,000
Western Australian Stock ...	590,000	3½	1/1/1926	22,125
Tasmanian Inscribed Stock ...	460,000	3½	1/4/1921 to 1/10/1921	17,250
FIXED DEPOSIT—				
Commonwealth Bank ...	150,000	3½	31/7/1914 to 30/9/1914	5,250
Total ...	5,860,000	£3 11 9	—	210,285

In the financial year 1913-14 the Commonwealth Government called in as far as possible its outstanding advances to the State Governments. The money lent on fixed deposit was taken up as the term expired; and furthermore, the Commonwealth Government, requiring further money for the expenditure on Public Works, etc., induced some of the State Governments to discount a portion of their securities held by the Commonwealth. The money thus obtained was spent in the purchase of further Commonwealth Inscribed Stock, thus increasing the Loan Fund, to which reference is made in the next section.

§ 4. Commonwealth Public Debt.

Although the Federal Government has never gone to the public as a borrower there still exists a Commonwealth debt. The first portions were contracted at the beginning of 1911, when the Federal Government assumed responsibility for the outstanding liabilities of the Northern Territory and the Port Augusta-Oodnadatta Railway. Another item was added to the list later on in the year by the passage of two Acts (Nos. 20 and 24 of 1911), relating to the issue of Inscribed Stock, the former being permissive, and the latter specifying the fixed sum of £2,460,476. This amount was to be raised for the following purposes:—

- (1) Construction of Kalgoorlie-Port Augusta Railway.
- (2) Acquisition of land in Federal Territory.
- (3) Purchase of site for High Commissioner's Office in London.
- (4) Redemption of certain Treasury Bills issued by the South Australian Government on behalf of the Northern Territory.
- (5) Repayment to South Australia of amount paid out of revenue towards construction of Oodnadatta Railway.

On 18th April, 1912, an order was passed in pursuance of these Acts, creating Inscribed Stock to the value of £700,000. The money was taken from the Trust Fund, and the stock sold to the Commonwealth Treasurer at par. Interest is at the rate of $3\frac{1}{2}$ per cent. per annum, with a provision for a sinking fund of $\frac{1}{2}$ per cent. The money was spent as follows:—£400,000 in London; £226,000 in reduction of Northern Territory Debt; £34,476 to the Government of South Australia on account of the Oodnadatta Railway. There was a balance of £39,524 unexpended on 30th June, 1912. The loan is repayable at par, at any time between 1st April, 1962, and 1st April, 1972, at the option of the Commonwealth Treasurer. The amount of stock sold under this Act was subsequently increased, and at 30th June, 1913, stood at £2,000,000. The unexpended balance on 30th June, 1913, was £151,498. The amount of this stock was still further increased in the financial year 1913-14, under circumstances referred to in the previous paragraph, and on 30th June, 1914, amounted to £4,100,000. The particulars of the expenditure from this fund, for the three years during which it has been in operation, are given in the following table:—

LOAN EXPENDITURE OF COMMONWEALTH FOR THREE FINANCIAL YEARS.

	1911-12.	1912-13.	1913-14.
ACT 24 OF 1911.			
	£	£	£
No. 1. For the construction of a railway from Kalgoorlie to Port Augusta ... ..	...	595,614	404,386
2. For the acquisition of land in the Federal Territory ... ..	...	179,525	180,488
3. For the purchase of land and erection of buildings in London	400,000	19,784	64,887
4. To redeem South Australian Treasury Bills on account of Northern Territory	226,000	...	...
5. To pay South Australia amount expended from revenue towards construction of railway from Port Augusta to Oodnadatta	34,476	...	...
ACT 22 OF 1912.			
No. 1. For the acquisition of property in Perth ... ..	...	152,205	...
2. To redeem loans raised by South Australia on account of the Northern Territory ... ..	...	71,945	...
3. To redeem loans raised by South Australia on account of Port Augusta Railway ... ..	...	168,954	135,627
ACT 24 OF 1913.			
No. 1. For the construction of a railway from Kalgoorlie to Port Augusta ... ..	...	...	941,654
2. For the construction of a railway from Pine Creek to Katherine River ... ..	...	...	126,529
3. For the construction of a railway from Port Moresby to Astrolabe, and the construction of wharves at Port Moresby and Samarai ... ..	...	...	685
4. For the purchase of land for postal purposes ... ..	...	...	42,598
5. For the construction of conduits and underground wires ... ..	...	...	258,407
Total	660,476	1,188,027	2,155,261

The following is a statement of the Public Debt of the Commonwealth at 30th June, 1914:—

COMMONWEALTH PUBLIC DEBT, 30th JUNE, 1914.

Inscribed Stock	£4,100,000
Balance of Loans, Northern Territory	3,359,891
Balance of Loans, Port Augusta-Oodnadatta Railway	1,935,431
Value of Transferred Property	9,787,011*
Total	£19,182,333

* This is slightly in excess of the value of £9,648,449 given in the table on p. 704. In the interval since that valuation was made there have been further small transfers.

Of the amount of the Public Debt, exclusive of the value of the Transferred Properties, £3,510,921 is repayable in London, and £5,884,401 in Australia. The average rate of interest on the entire Public Debt is £3 11s. 10d. per annum.

§ 5. War Finance.

The following statement summarises the measures taken to maintain the stability of Australian finance during the crisis which occurred upon the outbreak of the European war of 1914. A conference was convened in Melbourne, and attended by the leading members of the Commonwealth Government of the time, the two leading members of the Opposition, and five of the State Premiers. Two objects were kept prominently in view—firstly, the vigorous prosecution, and financing, of Australia's share in the war; and secondly, the prevention of unemployment and distress by enabling the States to continue a vigorous public works and developmental policy. Such a policy would obviously receive a severe check if anything should occur to prevent the continued inflow of capital which was such a marked feature of recent years. Ultimately two arrangements were entered into, which were explained in some detail by the Federal Treasurer when introducing the Budget of 1914-15. The first was between the Federal Government and the Imperial Government, by means of which the latter undertook to advance to the former the sum of £18,000,000 in monthly instalments of £1,500,000, the first payable on 15th December, 1914. This loan—which is for military purposes only—was advanced by the Imperial Government out of the proceeds of the British national war loan.

The second arrangement, which was entirely independent of the first, was between the Federal Government and five of the States, Queensland standing out of the agreement. The Federal Government advanced to these States for the purpose of maintaining the expenditure on public works a sum also of £18,000,000, which must not be confused with the former. The money was allotted as follows:—New South Wales, £7,400,000; Victoria, £3,900,000; South Australia, £2,600,000; Western Australia, £3,100,000; Tasmania, £1,000,000. The rate of interest was to be regulated by the rate which the Commonwealth of Australia had to pay for the money raised for its own purposes, but was to be at least 4 per cent. In return for this assistance the States undertook not to borrow otherwise for a period of twelve months, except for the purpose of renewing loans on the point of maturity. The Federal Government, in undertaking this loan, received considerable assistance from the Associated Banks, which advanced £10,000,000 in gold, receiving in exchange an equivalent amount in Australian notes, which they undertook not to present for payment until the termination of the war.