

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.

Section 69 provided for certain departments which were transferable under the Constitution. Section 51 referred to other departments which it would be necessary to create under the Constitution. Section 87 dealt with the financial relations between the Commonwealth and the States. All of these matters have been treated in detail in previous issues of the Official Year Book up to and including No. 12, and no further reference to them will be made here.

2. **Accounts of Commonwealth Government.**—The Commonwealth Government, like the States Governments, operates nearly all its accounts by means of three funds: the Consolidated Revenue Fund, the Trust Fund, and the Loan Fund. The latter only came into existence in the financial year 1911-12, but on the outbreak of war became so important that it is now treated in two parts: a General Loan Fund mainly for purposes of Public Works, and a War Loan Fund for purely military purposes. The accounts of these funds are now so interwoven that a proper conspectus of the Commonwealth Accounts can hardly be obtained by an analysis of each of them singly. Two tables are therefore appended, shewing receipts and disbursements from all sources for the last five years. The different funds will then be treated in detail in the subsequent sections.

COMMONWEALTH RECEIPTS, 1913-14 TO 1918-19.

Heading.	1913-14.	1914-15.	1915-16.	1916-17.	1917-18.	1918-19.
	£	£	£	£	£	£
Consolidated Revenue	21,741,775	22,419,798	30,762,216	34,067,434	36,839,868	44,716,918
Trust Funds in aid of Revenue ..	1,418,958	1,224,347	..	3,000,000	2,077,427	3,925,820
Total ..	23,160,733	23,644,145	30,762,216	37,067,434	38,917,295	48,642,738
General Loan Fund ..	2,100,000	2,058,201	2,859,341	..	1,803,447	1,429,891
Unexpended Balance from previous years	151,498	96,237	..	..	..	..
Total ..	2,251,498	2,154,438	2,859,341	..	1,803,447	1,429,891
War Loan Fund ..	..	(a)14,471,118	57,656,683	50,611,810	60,865,195	57,637,507
Unexpended Balance from previous years	..	..	..	20,233,115	17,730,688	23,500,774
Total ..	..	(a)14,471,118	57,656,683	70,844,925	78,595,883	81,138,281
Grand Total ..	25,412,231	40,269,701	91,278,240	107,912,359	119,316,625	131,210,010

(a) Credited by the Treasury to Consolidated Revenue.

COMMONWEALTH EXPENDITURE, 1913-14 TO 1918-19.

Heading.	1913-14.	1914-15.	1915-16.	1916-17.	1917-18.	1918-19.
	£	£	£	£	£	£
Expenditure from Consolidated Revenue Balance paid into Trust Funds ..	15,458,776	16,056,023	21,415,221	(b)25,719,588	26,573,674	34,786,107
Expenditure from Trust Funds ..	..	..	3,000,000	2,077,427	3,925,820	3,476,478
Subsidy to States ..	1,418,958	1,224,347	..	3,000,000	2,077,427	3,879,241
Unexpended Balance from Trust Funds ..	6,282,999	6,363,775	6,346,995	6,270,419	6,340,374	6,454,333
	..	..	..	..	..	46,579
Total ..	23,160,733	23,644,145	30,762,216	37,067,434	38,917,295	48,642,738
General Loan Fund Expenditure ..	2,155,261	2,154,438	2,859,341	..	1,803,447	1,429,891
Unexpended Balance from General Loan Fund ..	96,237	..	..	..	..	..
Total ..	2,251,498	2,154,438	2,859,341	..	1,803,447	1,429,891
War Expenditure from War Loan Fund ..	..	(a)14,471,118	37,423,568	53,114,237	55,095,109	62,192,889
Unexpended Balance from War Loan Fund ..	..	..	20,233,115	17,730,688	23,500,774	18,945,392
Total ..	..	14,471,118	57,656,683	70,844,925	78,595,883	81,138,281
Grand Total	25,412,231	40,269,701	91,278,240	107,912,359	119,316,625	131,210,910

(a) See footnote (a) to previous table. (b) Includes £371,118 repayment of advance from Notes Fund in 1914-15. See footnote (a) to previous table.

§ 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, and other moneys are paid to Loan 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 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 1918-19, reached a total of £44,716,918, an increase in the period of £33,419,933.

Particulars concerning the total amount of revenue collected by the Commonwealth Government from 1st July, 1913, to 30th June, 1919, are contained in the following table:—

CONSOLIDATED REVENUE OF THE COMMONWEALTH, 1913-14 TO 1918-19.

—	1913-14.	1914-15.	1915-16.	1916-17.	1917-18.	1918-19.
	£	£	£	£	£	£
Commonwealth	21,741,775	22,419,798	30,762,216	34,067,434	36,839,868	44,716,918

Since 1913-14 the revenue has increased steadily every year. In 1914-15 it was augmented by instalments, amounting to £14,100,000, of the War Loan from the British Government, and also by £371,118 Treasury Bills in aid of revenue. The great increase in the last four years is due to the large expansion in direct taxation, which will be dealt with in detail in a later subsection.

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 six years:—

COMMONWEALTH REVENUE PER HEAD OF POPULATION, 1913-14 TO 1918-19.

—	1913-14.	1914-15.	1915-16.	1916-17.	1917-18.	1918-19.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Taxation ..	3 8 1	3 8 4	4 15 5	5 0 7	4 19 9	6 10 8
Public Works and Services	0 18 7	0 19 11	1 4 4	1 9 0	1 18 5	1 16 5
Other Receipts	0 2 7	0 2 6	0 5 0	0 10 2	0 11 1	0 10 8
Total ..	4 9 3	4 10 9	6 4 9	6 19 9	7 9 3	8 17 9

3. Sources of Revenue.—The following table furnishes particulars concerning the Commonwealth revenue derived from each source during the years 1913-14 to 1918-19:—

SOURCES OF COMMONWEALTH REVENUE, 1913-14 TO 1918-19.

Source of Revenue.	1913-14.	1914-15.	1915-16.	1916-17.	1917-18.	1918-19.
Taxation—	£	£	£	£	£	£
Customs	12,652,737	12,105,698	13,610,684	12,373,664	9,486,555	11,605,410
Excise	2,325,333	2,771,556	3,323,419	3,236,623	3,737,757	5,821,560
Land Tax	1,609,836	1,953,696	2,040,436	2,121,952	2,123,779	2,109,171
Probate Duties .. ..	.. ..	39,646	626,215	1,062,168	947,232	923,908
Income Tax .. ..	.. ..	.. ..	3,932,775	5,621,950	7,385,514	10,376,456
Entertainments Tax .. ..	.. ..	.. ..	.. ..	110,683	245,898	358,126
War Time Profits Tax .. ..	.. ..	.. ..	.. ..	.. ..	680,008	1,206,538
War Postage .. ..	.. ..	.. ..	.. ..	.. ..	.. ..	463,317
Total	16,587,906	16,870,596	23,533,529	24,527,040	24,606,743	32,864,486
Public Works and Services—						
Postal	4,511,307	4,594,542	5,053,596	5,498,517	5,762,190	6,110,522
Railways	23,627	177,614	304,068	305,964	201,107	196,988
Commonwealth Steamers .. ..	.. ..	.. ..	.. ..	.. ..	880,000	1,015,762
Detained Enemy Vessels .. ..	.. ..	145,503	646,219	1,272,621	2,173,418	1,671,905
Other .. ..	.. ..	.. ..	.. ..	.. ..	468,769	156,321
Total	4,534,934	4,917,659	6,003,883	7,077,102	9,485,484	9,151,498
Other Revenue—						
Interest, Discount, etc.	119,365	86,559	191,395	865,655	995,576	1,479,050
Coinage	208,348	208,515	359,720	354,276	229,378	125,634
Defence	28,936	73,649	234,896	478,326	683,804	262,786
Quarantine	15,173	13,768	19,242	19,671	16,453	44,118
Territories (a)	50,564	46,421	54,156	70,333	71,053	97,873
Patents, etc.	28,325	21,906	20,662	20,599	20,282	23,623
Lighthouses .. ..	.. ..	3	123,945	99,830	108,556	125,231
Pension Contributions	36,824	47,640	50,447	50,474	51,396	51,763
Defence Trust Account .. ..	.. ..	74,243	85,854	.. ..	250,310	185,082
Miscellaneous	181,400	58,839	84,487	504,128	320,833	305,774
Total	608,935	631,543	1,224,804	2,463,292	2,747,641	2,700,934
Grand Total	21,741,775	22,419,798	30,762,216	34,067,434	36,839,868	44,716,918

(a) Exclusive of Railways, and other items which appear elsewhere under their appropriate headings.

In addition to the new direct taxation, there was for some time a fairly steady return from customs and excise. In the two years 1916-8, however, there was a striking fall in the customs returns, due probably to the diminution of imports caused by a scarcity of tonnage. A marked improvement was manifested in 1918-19. The postal receipts have shown a consistent upward tendency, and there has been also a large addition to the revenue of recent years by the operations of the Commonwealth steamers, and detained enemy vessels.

The principal items composing the revenue are discussed in greater detail hereunder.

4. Customs Revenue for Past Six Years.—Particulars for the Commonwealth as a whole, for the six years 1913-14 to 1918-19, are furnished in the following table :—

COMMONWEALTH CUSTOMS REVENUE, 1913-14 TO 1918-19.

Classes.	1913-14.	1914-15.	1915-16.	1916-17.	1917-18.	1918-19.
	£	£	£	£	£	£
Stimulants	2,810,222	2,899,540	2,500,606	1,986,321	1,693,957	1,455,667
Narcotics	1,175,404	1,257,223	1,333,516	1,300,633	1,236,085	1,268,357
Sugar	209,375	60,403	587,028	453,380	51,119	107,965
Agricultural products	1,002,363	1,087,133	1,310,437	862,227	603,605	515,236
Apparel and textiles ..	2,514,170	2,302,764	2,902,012	3,197,778	2,393,518	3,422,371
Metals and machinery	1,672,125	1,638,416	1,572,536	1,404,705	1,000,943	1,603,767
Oils, paints, etc. ..	310,847	311,545	386,994	338,202	267,129	319,043
Earthenware, etc. ..	426,134	338,095	368,300	249,525	176,244	248,664
Drugs and chemicals ..	122,960	131,764	160,997	163,027	163,623	219,532
Wood, wicker and cane	555,843	455,860	365,969	277,396	203,430	214,715
Jewellery, etc. ..	272,214	253,290	335,147	325,718	279,785	334,986
Leather, etc. ..	470,382	428,106	505,652	498,874	346,073	466,589
Paper and stationery	234,504	269,443	346,158	419,323	299,330	506,662
Vehicles	343,633	303,868	499,140	429,077	322,344	337,334
Musical instruments ..	166,059	83,570	100,562	107,915	110,413	110,850
Miscellaneous articles	330,548	248,977	295,895	320,334	298,661	425,349
Other receipts ..	35,954	35,701	39,735	39,179	40,296	48,323
Total Customs ..	12,652,737	12,105,698	13,610,684	12,373,664	9,486,555	11,605,410

It will be seen that during the period here dealt with, the Customs revenue from stimulants and narcotics has represented a proportion of the total varying approximately from one-fourth to one-third. The other principal articles from which Customs revenue was derived were "apparel and textiles," "metals and machinery," and "agricultural products." The smaller revenue from Customs duties in 1917-18 was due to the restriction of imports in consequence of the shortage of ships.

5. Excise Collections, 1913-14 to 1918-19.—Particulars concerning the amount of Excise collected under each head during each of the years ending 30th June, 1914 to 1919, are given hereunder :—

COMMONWEALTH EXCISE REVENUE, 1913-14 TO 1918-19.

Particulars.	1913-14.	1914-15.	1915-16.	1916-17.	1917-18.	1918-19.
	£	£	£	£	£	£
Beer	792,243	1,205,001	1,485,543	1,387,115	1,703,888	2,862,760
Spirits	421,506	514,794	627,431	670,768	804,476	1,098,440
Sugar	179,149	1,508	(a)170	..	..	..
Tobacco	927,293	1,043,885	1,204,556	1,172,787	1,223,792	1,847,661
Licenses	5,142	6,368	6,059	5,953	5,601	12,699
Total Excise	2,325,333	2,771,556	3,323,419	3,236,623	3,737,757	5,821,560

(a) Debit.

Comparing the Excise collections for 1918-19 with those for 1913-14, it will be seen that the revenue from tobacco was about doubled, the yield from beer was nearly fourfold, and that from spirits increased about 160 per cent., while the revenue from sugar has vanished, owing to the abolition of the Excise duties. The large increase in every item in 1918-19 is due to the operation of increased excise duties which came into force on 25th September, 1918.

6. Commonwealth Direct Taxation.—(a) *General.* 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 case of great national peril. Whatever the intention of the framers may have been in this matter, the Constitution itself expresses no such limitation, consequently the Commonwealth Parliament is unfettered 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 not specially exempted. Detailed reference to this Act will be found in Commonwealth Year Books Nos. 5 and 6. The Act No. 30 of 1918 increased the existing rates of land tax by 20 per cent.

(b) *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. The outbreak of war then made it necessary for the Commonwealth Government to exercise full powers in the matter of direct taxation. 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 £5,000 and £75,000, was one eighteen-thousand seven-hundred and fiftieth of a penny, instead of one thirty-thousandth of a penny, as hitherto. The maximum rate for resident owners became 9d. in the £ on estates whose taxable value was 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 were 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, for the first time, introduced Succession Duties on estates of deceased persons, in addition to those already imposed by the State Governments. The Commonwealth scale of succession duty, exempting all estates of less than £1,000 net value, 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 per cent. 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 $\frac{3}{5}$ in the case of an exact thousand, and $\frac{2}{5}$ 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 yielded £39,646 up to 30th June, 1915, an amount very much less than the estimate. It is probable, however, that sufficient account was not taken of the interval that frequently elapses between a person's death and the taking out of probate on the estate. This is borne out by the great increase in the yield in the more recent years. The respective collections in the several States are given in the accompanying table. In this table and the corresponding ones dealing with Land Tax, Income Tax, and War Time Profits Tax, it must be noted that the amount received in Victoria includes that collected on behalf of the Central Office which deals with taxpayers who own property in more than one State. Comparison between the several States are therefore invalid unless this factor is taken into consideration.

COMMONWEALTH PROBATE AND SUCCESSION DUTIES, COLLECTED IN EACH STATE, 1914-15 TO 1918-19.

Year.	N.S.W.	Vic. (c)	Q'land.	S. Aust.	W. Aust.	Tas.	Total.
	£	£	£	£	£	£	£
1914-15 ..	18,474	9,216	4,774	1,900	1,912	3,370	39,646
1915-16 ..	261,477	276,923	23,928	32,790(a)	8,530	22,567	626,215
1916-17 ..	306,249	588,125	61,239	65,130	30,064	11,361	1,062,168
1917-18 ..	338,006	448,225	55,181	69,737	18,616	17,467	947,232
1918-19 ..	307,499	377,872	56,909	131,488(b)	28,638	21,502	923,908

(a) Including Northern Territory, £164. (b) Including Northern Territory, £1,280.
(c) Including Central Office.

(c) *Commonwealth Income Tax.* The first Commonwealth Income Tax was levied during the financial year 1915-16. The legislation on the subject comprised the Income Tax Assessment Act No. 34 of 1915, as amended by the Income Tax Assessment Acts Nos. 47 of 1915, 37 of 1916, 39 of 1916 and 18 of 1918. Full details as to the original Acts are to be found in *Commonwealth Official Year Book No. 9*. The rates are fixed for one year only, and in each financial year an Income Tax Act fixing the rate for that year is passed. Various estimates as to the probable yield in the first year were made, varying from £3,000,000 to £4,000,000, and the confidence of those who quoted the higher amount was justified by the result. The increased amounts collected in subsequent years are due to increases in the rates. The result of the first four years' collections was as follows :—

COMMONWEALTH INCOME TAX COLLECTIONS IN EACH STATE, 1915-16 TO 1918-19.

States.	1915-16.	1916-17.	1917-18.	1918-19.
	£	£	£	£
New South Wales	1,462,418	1,670,829	2,543,427	3,674,633
Victoria(a)	1,476,690	2,547,222	2,847,448	3,966,829
Queensland	497,059	545,475	795,717	1,206,051
South Australia	245,063	433,446	612,225	803,950
Western Australia	185,003	314,374	433,703	487,842
Tasmania	66,183	108,837	149,947	234,066
Northern Territory	359	1,767	3,047	3,085
Total	3,932,775	5,621,950	7,385,514	10,376,456

(a) Including Central Office.

(d) *Entertainments Tax.* This tax was to amount to 1d. for a ticket not exceeding 1s., and ½d. for each additional 6d., or part thereof. An exception was made in the case of payments not exceeding 3d. for the admission, on Saturdays between the hours of twelve o'clock noon and six o'clock in the afternoon, of children apparently under the age of twelve years. The collections for the first three years are as follows :—

ENTERTAINMENTS TAX : COLLECTIONS IN EACH STATE, 1916-17 TO 1918-19.

State.	1916-17.	1917-18.	1918-19.
	£	£	£
New South Wales	48,990	107,033	136,932
Victoria	32,947	72,209	110,815
Queensland	12,730	30,086	45,930
South Australia	8,016	18,430	27,534
Western Australia	4,954	11,879	27,934
Tasmania	2,992	5,988	8,680
Northern Territory	54	273	301
Total	110,683	245,898	358,126

(e) *War Time Profits Tax.* This tax came into force on 22nd September, 1917. It provides for a tax on the amount by which the profits made in the war-time financial year (1st July to 30th June following), exceeds the pre-war standard of profits, which may be either:—(a) the average profits of two of the three years before 4th August, 1917, or (b) 10 per cent. on the capital employed in a business. The tax in respect of profits derived in the financial year 1st July, 1915, to 30th June, 1916, was 50 per cent., and in all subsequent years 75 per cent. The collections for the first two years are given in the accompanying table.

WAR TIME PROFITS TAX : COLLECTIONS IN EACH STATE, 1917-19.

State.	1917-18.	1918-19.
	£	£
New South Wales	147,285	524,658
Victoria (a)	371,969	364,572
Queensland	33,526	125,329
South Australia	67,795	137,641
Western Australia	43,323	15,940
Tasmania	16,110	38,398
Total	680,008	1,206,538

(a) Including Central Office.

(f) *War Postage.* This is a new source of revenue derived from an additional halfpenny rate imposed on postages from the 28th October, 1918. The amount credited to "War Postage" is the excess over the normal increase of revenue from postage. The amount collected for the balance of the financial year 1918-19 was £463,317.

(g) *Commonwealth Land Tax.*—Particulars as to the Land Tax assessment for each State for the year ending 30th June, 1918, the latest available return at the time of writing, will be found in the following table. Details in regard to rate of tax, etc., will be found in Year Books Nos. 5 and 6.

PARTICULARS OF LAND TAX ASSESSMENT FOR EACH STATE OF THE COMMONWEALTH FOR THE YEAR ENDING 30th JUNE, 1918.

State.	Number of Taxable Returns.	Unimproved Value as ascertained by Department.	Tax Assessed.		
			Town.	Country.	Total.
		£	£	£	£
Central—					
Resident	1,475	36,090,168	286,288	379,939	666,227
Absentee	209	560,758	5,162	3,098	8,260
	1,684	36,650,926	291,450	383,037	674,487
New South Wales—					
Resident	4,735	71,125,902	248,864	430,206	679,070
Absentee	639	1,306,714	10,778	5,025	15,803
	5,374	72,432,616	259,642	435,231	694,873
Victoria—					
Resident	4,277	46,875,824	103,682	183,357	287,039
Absentee	691	1,094,878	10,567	3,661	14,228
	4,968	47,970,702	114,249	187,018	301,267

PARTICULARS OF LAND TAX ASSESSMENT FOR EACH STATE OF THE COMMONWEALTH FOR THE YEAR ENDING 30TH JUNE, 1918—*continued.*

State.	Number of Taxable Returns.	Unimproved Value as ascertained by Department.	Tax Assessed.		
			Town.	Country.	Total.
		£	£	£	£
Queensland—					
Resident	1,075	13,018,143	26,987	65,079	92,066
Absentee	270	349,376	1,453	2,031	3,484
	1,345	13,367,519	28,440	67,110	95,550
South Australia—					
Resident	1,594	17,093,650	44,952	73,154	118,106
Absentee	312	300,544	2,039	1,296	3,335
	1,906	17,394,194	46,991	74,450	121,441
Western Australia—					
Resident	545	6,462,642	23,064	23,667	46,731
Absentee	1,035	413,548	2,029	900	2,929
	1,580	6,876,190	25,093	24,567	49,660
Tasmania—					
Resident	448	5,091,749	7,819	24,404	32,223
Absentee	323	257,561	476	891	1,367
	771	5,349,310	8,295	25,295	33,590
Grand Total—					
Resident	14,149	195,758,078	741,656	1,179,806	1,921,462
Absentee	3,479	4,283,379	32,504	16,902	49,406
	17,628	200,041,457	774,160	1,196,708	1,970,868

The foregoing table relates to the assessments for the latest year in regard to which figures are available. In addition to this, a further table is appended showing the actual amounts received by the Treasury for six years. The yield of the tax has been remarkably constant since 1914-15.

COMMONWEALTH LAND TAX COLLECTIONS IN EACH STATE, 1913-14 TO 1918-19.

State.	1913-14.	1914-15.	1915-16.	1916-17.	1917-18.	1918-19.
	£	£	£	£	£	£
New South Wales	661,344	865,791	925,055	921,974	889,164	822,880
Victoria (a) ..	669,724	751,870	760,205	822,946	844,872	885,084
Queensland ..	84,054	107,891	100,588	143,317	149,989	141,121
South Australia	113,373	133,522	154,689	150,670	145,852	153,789
Western Australia	51,233	55,983	61,485	47,365	58,743	64,378
Tasmania ..	30,108	38,639	38,414	35,680	35,169	41,918
Total ..	1,609,836	1,953,696	2,040,436	2,121,952	2,123,779	2,109,170

(a) Including Central Office.

7. Details of Postal Revenue, 1913-14 to 1918-19.—Particulars concerning the postal revenue of the Commonwealth for each of the financial years from 1913-14 to 1918-19 are contained in the following table :—

COMMONWEALTH POSTAL REVENUE, 1913-14 TO 1918-19.

Particulars.	1913-14.	1914-15.	1915-16.	1916-17.	1917-18.	1918-19.
	£	£	£	£	£	£
Private boxes and bags	27,744	29,995	30,743	33,239	34,926	35,672
Commission—						
Money orders and postal notes ..	134,834	129,760	137,355	127,775	129,651	133,955
Telegraphs ..	834,316	878,238	893,904	950,842	1,032,318	1,103,664
Telephones ..	996,047	1,099,417	1,220,855	1,549,961	1,731,149	1,876,928
Postage ..	2,391,424	2,338,489	2,525,873	2,614,542	2,625,262	2,726,524
Miscellaneous ..	126,942	118,643	244,866	222,158	208,884	233,779
Total ..	4,511,307	4,594,542	5,053,596	5,498,517	5,762,190	6,110,522

8. Railways. The Commonwealth Government is now responsible for four lines, the Kalgoorlie-Port Augusta, the Port Augusta-Oodnadatta, the Darwin-Katherine River, and the Capital Territory line. The appended table shews the amounts paid into the credit of the Consolidated Revenue Fund on account of each of these railways for the past six years. In the case of the Port Augusta-Oodnadatta Railway the amount is made up by fees, wharfage rates, etc. Under an arrangement which came into effect on 1st January, 1914, this line is worked by the South Australian Government, and the Commonwealth Government is to receive the profit, if any, on the working, or to pay the deficiency. Since 1914 there has always been a deficiency, which is met by a payment from the Commonwealth Government, and debited to the Northern Territory Account.

COMMONWEALTH REVENUE FROM RAILWAYS FOR SIX YEARS.

Railway.	1913-14.	1914-15.	1915-16.	1916-17.	1917-18.	1918-19.
	£	£	£	£	£	£
Kalgoorlie-Port Augusta	4,647	147,889	271,510	271,388	164,203	150,856
Port Augusta-Oodnadatta	946	7,641	2,368	1,379	1,027	..
Darwin-Katherine River	18,034	21,082	29,150	32,605	35,172	45,725
Capital Territory ..	..	1,002	1,040	592	705	407
Total ..	23,627	177,614	304,068	305,964	201,107	196,988

It will be noticed that there was a substantial fall in the receipts of the Kalgoorlie-Port Augusta Railway in 1917-18, due to the reduction in freight receipts. In 1915-16 and 1916-17 large amounts were credited to working receipts for the carriage of constructional material. The completion of the line in 1917-18 closed this source of revenue.

9. Commonwealth Steamships. The Commonwealth Government announced, about the end of June, 1916, that, owing to the difficulty of obtaining tonnage, and to increasing freight charges, it had purchased fifteen steamers to insure to producers, as far as possible, the transport of their produce. The price given was rather more than £2,000,000, the capital cost brought forward from 30th June, 1917, being £2,080,656. The profits for the year 1916-17 amounted to £327,336, and for the year 1917-18 to £576,164, a total of £903,500. Out of this amount the sum of £880,000 was transferred from the Trust Account to Consolidated Revenue in 1917-18, under the approval of the Treasurer. The Consolidated Revenue benefited further in 1918-19, the surplus earnings being £1,015,762.

10. **Detained Enemy Vessels.** This is an item which first appeared in the Commonwealth accounts in 1914-15. For the first two years it appeared in the receipts of the Navy, but since 1916-17 it has ranked as a separate account. The great increases in 1916-17 and 1917-18 are due to higher freight charges, while the fall in 1918-19 is due to the fact that gross receipts were paid into the Consolidated Revenue in 1917-18, and net receipts in 1918-19.

11. **Other Public Works and Services.**—The most important items in 1917-18 were "Profit on sale of rabbit skins" £301,000, and "Profit on charter of vessels" £166,790, in 1918-19 they were "Profit under Wool Tops Agreement" £141,008, and "Profit on charter of vessels" £15,000.

12. **Interest, Discount, etc.**—The most important investments of the Commonwealth Government from which interest is derived are—Loans to States, General Trust Funds, Loans to the London Market, Fixed Deposits with the Commonwealth and other Banks, and certain advances and overdrafts. In 1918-19, the main receipts from this source were—Interest on Loans and Advances to States £876,605; Interest on Bank Deposits, £202,674; and Interest on Commonwealth Ships during construction, £106,113.

13. **Coinage.**—The Commonwealth Revenue under this head is derived from profit on coin issued, and for 1918-19 was made up of £116,060 for silver and £9,574 for bronze. The great fall in revenue from this source during recent years is due to the unprecedented rise in the price of silver, which has reduced the profits on seignorage to a very modest figure.

14. **Defence.**—The income from this source (which is derived from both Defence and Navy Offices) is mainly derived from sales of material and stores supplied, forfeitures fines, costs, etc. In 1918-19, £166,652 was contributed by the Defence Department, and £96,134 by the Navy Office.

15. **Patents, etc.**—This heading includes Patents, Trade Marks, Copyrights, and Designs, the administration of which has been exclusively a Commonwealth concern for a very long time. The revenue has been very regular during the period under review at a figure somewhat in excess of £20,000 annually. In 1918-19, £18,175 was obtained from Patents, and £5,448 from Trade Marks, Copyright and Designs.

16. **Miscellaneous.**—This includes several items which are either small in themselves, or not included under separate headings as they are virtually non-recurring. Thus in 1916-17 there was a large item of £431,690 which was paid into Revenue under the operation of the Sugar Purchase Act of 1915. In 1917-18, it had fallen to £20,390, and in 1918-19 to £6,547. There is also an item which may, or may not, appear regularly, viz., Unexpended balance of London Account, which in 1917-18 amounted to £186,149, and in 1918-19 to £185,746. No other item calls for any special remark.

(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 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

* For an exposition of the "book-keeping system" see Commonwealth Year Book No. 6, p. 780.

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 expenditure by the Commonwealth Government during the period 1913–14 to 1918–19 is shewn in the following table:—

COMMONWEALTH EXPENDITURE, 1913–14 TO 1918–19.(a)

—	1913–14.	1914–15.	1915–16.	1916–17.	1917–18.	1918–19.
	£	£	£	£	£	£
Commonwealth..	15,458,776	16,056,023	24,415,221	27,797,015	30,499,494	38,262,585

(a) Including balance paid into Trust Funds, but excluding subsidies to States.

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 Trans-Australian Railway, Federal Capital, etc. In 1914–15 an additional amount of £14,471,118 was spent, made up of £14,100,000 war loan from the Imperial Government, and £371,118 Treasury Bills in aid of revenue. In 1915–16 the expenditure included £3,000,000 set aside for the purposes of Pensions in subsequent years, and this item came to £2,077,427 in 1916–17, £3,925,820 in 1917–18, and £3,476,478 in 1918–19. These totals include amounts paid into Trust Funds, but exclude subsidy to States.

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

COMMONWEALTH EXPENDITURE PER HEAD OF POPULATION, 1913–14 TO 1918–19.

—	1913–14.			1914–15.			1915–16.			1916–17.			1917–18.			1918–19.		
	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
Commonwealth..	3	3	5	3	5	0	4	19	0	5	14	0	6	3	6	7	12	1

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 was treated as “other” expenditure, and debited to the States *per capita*. Particulars of the expenditure on new works, etc., during the last six years are given in the following table:—

COMMONWEALTH EXPENDITURE ON NEW WORKS FOR SIX YEARS,
1914 TO 1919.

Year ended 30th June	Defence.	Trade and Customs.	Postmaster- General.	Home Affairs.	External Affairs.	Treasury.	Prime Minister's Department.	Home and Territories.	Works and Railways.	Total.
	£	£	£	£	£	£	£	£	£	£
1914	1,079,940	56,014	1,121,632	266,124	50,653	1,637	..	..	..	2,576,000
1915	1,520,684	66,338	831,828	217,784	30,647	6,396	..	..	..	2,673,989
1916	1,940,682	133,976	644,134	168,898	50,598	2,547	..	..	..	2,940,835
1917	1,765,253	201,419	590,770	(b)	(b)	2,085	120,591	293,838	1,314,793	4,288,747
1918	245,501	109,164	233,255	(b)	(b)	2,377	..	27,718	4,188	622,203
1919	97,018	38,542	238,643	(b)	(b)	609	..	22,156	7,688	405,656

(a) Including £262 for Attorney-General's Department. (b) Merged into other Departments.

It will be seen that the Commonwealth expenditure from Consolidated Revenue on new works during the years 1913-14 to 1916-17 was of considerable magnitude. This was largely due to expenditure on fleet construction, which was supplemented in 1916-17 by large payments on account of works and railways which had formerly been charged to loan funds.

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 1913-14 to 1918-19 was as follows :—

COST OF COMMONWEALTH DEPARTMENTS, ETC., 1913-14 TO 1918-19.

Departments, etc.	1913-14.	1914-15.	1915-16.	1916-17.	1917-18.	1918-19.
	£	£	£	£	£	£
Governor-General ..	17,815	24,750	23,535	25,279	26,893	23,875
Parliament ..	243,163	340,605	263,397	344,060	237,464	245,713
Prime Minister ..	82,847	56,642	60,790	155,797	234,568	231,173
External Affairs ..	678,974	595,178	840,199	..	..	..
Attorney-General ..	82,442	78,466	86,164	94,195	96,930	94,686
Home Affairs ..	152,299	440,932	592,251	..	..	..
Treasury (b) ..	2,787,034	2,527,833	3,817,851	1,545,923	2,902,578	1,222,580
Trade and Customs ..	730,458	551,318	589,121	648,147	715,129	817,505
Defence ..	2,950,722	2,904,869	1,512,540	1,544,775	1,283,063	1,392,859
Navy ..	..	..	1,552,318	1,514,061	1,551,258	1,663,888
Postmaster-General ..	5,157,022	5,221,274	5,358,371	5,288,998	5,349,994	5,449,722
Home and Territories ..	..	..	..	484,274	468,701	489,163
Works and Railways ..	..	..	..	886,661	672,893	683,874
All other Expenditure (c)	2,576,000	3,314,156	9,718,684	15,263,945	16,960,023	25,947,547
Total ..	15,458,776	21,656,023	24,415,221	27,797,015	30,499,494	38,262,585

(a) Exclusive of £14,471,118 spent from loans in aid of Revenue. (b) For an explanation of the varying amounts in the expenditure on the Treasury see footnote to the table on page 768. (c) For details see table on page 771.

The heading "all other expenditure" includes War Services since 1914-15. More detailed reference to the items included under the above general heads is furnished in the succeeding paragraphs, and attention is particularly directed to the table giving detailed information concerning the items composing "all other expenditure" on page 770.

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 connexion with the Governor-General and establishment for the six years 1913-14 to 1918-19 is as follows :—

EXPENDITURE, GOVERNOR-GENERAL AND ESTABLISHMENT, 1913-14 TO 1918-19.

Details.	1913-14.	1914-15.	1915-16.	1916-17.	1917-18.	1918-19.
	£	£	£	£	£	£
Salary	10,000	10,000	10,000	10,000	10,000	10,000
Governor-General's Establishment	5,118	5,573	4,365	5,079	6,351	4,390
(a) Contingencies	2,697	9,177	9,170	10,200	10,542	9,485
Total	17,815	24,750	23,535	25,279	26,893	23,875

(a) Represents official services outside the Governor-General's personal interests, and carried out in the main at the instance of the Government.

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 six years 1913-14 to 1918-19 are furnished in the table given hereunder :—

EXPENDITURE, COMMONWEALTH PARLIAMENT, 1913-14 TO 1918-19.

Details.	1913-14.	1914-15.	1915-16.	1916-17.	1917-18.	1918-19.
	£	£	£	£	£	£
Salaries of Ministers ..	12,000	12,000	13,597	13,650	14,901	15,300
Allowances to Senators ..	21,004	18,979	21,000	20,866	20,854	20,760
Allowances to Members of House of Representatives	43,745	39,556	43,132	39,072	42,796	42,261
Officers, staff, contingencies, etc.	36,703	36,347	37,746	36,771	39,583	37,584
Repairs, maintenance, etc. ..	2,808	4,411	6,085	1,988	1,518	1,568
Printing ..	20,078	21,429	17,817	18,997	16,864	26,863
Travelling expenses of Members and others ..	10,627	10,173	10,458	10,339	9,950	8,913
Insurance ..	342	342	342	342	342	342
Electoral Office ..	11,716	49,815	49,155	53,091	53,717	53,159
Election expenses ..	28,252	84,600	1,360	83,276	4,355	2,459
Referendum ..	..	..	21,334	77	..	..
Administration of Electoral Act	54,541	57,691	34,687	60,100	27,425	31,460
Miscellaneous ..	1,347	5,262	6,684	5,491	5,159	5,044
Total ..	243,163	340,605	263,397	344,060	237,464	245,713

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 was modified in 1915-16, when the Minister of the Navy was given separate Cabinet rank. 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. During 1920, the salaries of members of both Houses were raised to £1,000 per annum.

8. Prime Minister's Department.—This was 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. In 1916-17 it assumed control of the High Commissioner's Office in London, which was detached from the old External Affairs Department when the latter was merged in the Home and Territories Department. The expenditure for the last six years is shewn in the following table :—

EXPENDITURE, PRIME MINISTER'S DEPARTMENT, 1913-14 TO 1918-19.

Details.	1913-14.	1914-15.	1915-16.	1916-17.	1917-18.	1918-19.
	£	£	£	£	£	£
Salaries, contingencies, etc. ..	8,961	11,087	11,906	21,691	25,764	33,328
Executive Council ..	152	164	137	170	160	177
Audit Office ..	12,167	11,943	12,574	16,726	18,480	25,486
Rent, repairs, etc. ..	2,552	2,829	3,021	4,678	16,489	7,028
Public Service Commissioner's Office ..	22,303	23,255	21,252	22,142	22,329	23,129
High Commissioner's Office ..	..	..	..	31,518	52,166	57,106
Interest on Commonwealth Securities ..	..	..	..	22,274	23,467	25,781
Sinking Fund on Commonwealth Securities ..	..	..	..	2,433	2,433	2,433
Mail Service to Pacific Islands ..	..	..	..	17,073	35,021	28,800
Miscellaneous ..	36,712	7,364	11,900	17,092	38,259	27,905
Total ..	82,847	56,642	60,790	155,797	234,568	231,173

The "Miscellaneous" vote for 1913-14 included two special grants: one for £16,635 towards the expenses of the British Association for the Advancement of Science (which held its 1914 session in Australia), and one of £5,000 towards the relief of the Antarctic expedition under Dr. Mawson. The "Miscellaneous" vote for 1917-18 included a grant of £5,000 for the relief of sufferers from the cyclone in Queensland, and an item of £13,831 for the working expenses of the Port Pirie wharf.

9. *Home and Territories.*—Under this new department, created in the financial year 1916-17, is placed the bulk of the old External Affairs Department (after the removal of the London office), and the Census and Statistics, and Meteorological Offices, taken from the old Home Affairs Department. The Darwin-Katherine River Railway is administered by the Works and Railways Department.

EXPENDITURE HOME AND TERRITORIES DEPARTMENT, 1916-17 TO 1918-19.

Details.	1916-17.	1917-18.	1918-19.
	£	£	£
Chief Office	17,065	14,737	16,156
Census and Statistics	18,505	15,013	16,248
Meteorological Branch	27,499	25,971	28,209
Papua	61,746	51,918	51,260
Rents, repairs, etc.	1,951	10,493	14,905
Northern Territory	237,163	207,620	213,649
Federal Capital Territory .. .. .	..	23,382	24,142
Norfolk Island	3,000	3,000	3,000
Interest on Commonwealth Securities (a)	72,202	74,548	84,881
Sinking Fund, Commonwealth Securities (a)	5,853	5,853	5,853
Miscellaneous	39,290	36,166	30,860
Total	484,274	468,701	489,163

(a) Includes Northern Territory and Port Augusta Railway.

10. *Attorney-General's Department.*—The extra expenditure connected with this Department of late years has been caused in large measure by the extension of the Federal High Court. Details for the six years 1913-14 to 1918-19 are furnished hereunder:—

EXPENDITURE, ATTORNEY-GENERAL'S DEPARTMENT, 1913-14 TO 1918-19.

Details.	1913-14.	1914-15.	1915-16.	1916-17.	1917-18.	1918-19.
	£	£	£	£	£	£
Attorney-General's Office ..	6,302	5,852	10,457	13,880	10,189	11,510
Crown Solicitor's Office ..	7,565	8,371	10,078	10,766	11,255	12,943
Salaries of Justices of High Court	21,500	21,175	21,500	21,500	21,500	21,500
High Court expenses	11,209	9,862	9,947	10,280	9,852	8,837
Court of Conciliation and Arbitration	6,450	3,586	8,637	11,068	7,900	6,242
Rent, repairs, etc.	3,733	4,755	3,412	3,217	9,414	4,839
Patents, Trade Marks, etc. . .	24,439	23,485	20,579	21,856	19,253	23,875
Miscellaneous	1,244	1,380	1,554	1,628	7,567	4,940
Total	82,442	78,466	86,164	94,195	96,930	94,686

11. *Works and Railways Department.*—The great extension of Commonwealth Works and Railways led, in 1916-17, to the separation of these functions from the old Home Affairs Department and the constitution of a separate office. This new office also administers those Railways which were formerly under the control of the old External

Affairs Department. The expenditure for the three years of its existence is as follows :—

EXPENDITURE, WORKS AND RAILWAYS DEPARTMENT, 1916-17 TO 1918-19.

Details.	1916-17.	1917-18.	1918-19.
	£	£	£
Chief Office	40,558	31,162	36,594
Kalgoorlie-Port Augusta Railway	302,550	232,726	237,204
Port Augusta-Oodnadatta Railway, and Northern Territory Railways	312,906	172,637	162,077
Interest on Transferred Properties	404	403	403
Interest on Commonwealth Securities	198,406	208,811	226,083
Sinking Fund on Commonwealth Securities	11,957	11,957	11,957
Rent, repairs, etc.	14,635	2,953	2,957
Miscellaneous	5,245	12,244	6,599
Total	886,661	672,893	683,874

12. Treasurer's Department.—The sub-departments under the control of the Commonwealth Treasurer are the Treasury, the Pensions Department, and the Taxation Office. The Audit Office was transferred to the Prime Minister's Department in 1911-12. Details of the expenditure of this Department for the last six years are given in the following table:—

EXPENDITURE, TREASURER'S DEPARTMENT, 1913-14 TO 1918-19.

Details.	1913-14.	1914-15.	1915-16.	1916-17.	1917-18.	1918-19.
	£	£	£	£	£	£
Treasury	22,696	26,291	26,996	37,993	29,391	32,072
Taxation Office	80,775	82,296	133,495	198,967	281,523	311,330
Old-age Pensions Office	44,942	46,421	42,796	52,214	53,391	61,406
Maternity Allowance Office	10,124	12,267	11,334	13,263	12,280	11,209
Coinage	9,588	1,763	16,584	28,728	30,481	18,411
Rent, repairs, etc.	6,294	6,654	17,103	15,487	20,491	18,715
Invalid and Old-age Pensions (a)	1,881,794	1,479,963	2,859,766	453,344	1,781,564	..
Maternity Allowance	674,990	694,275	659,745	662,030	634,428	620,080
Maintenance of persons in charitable institutions	14,236	27,630	31,831	34,653	39,060	55,760
Interest on Commonwealth Securities	6,150	1,253	14	19,833	12,273	..
Sinking Fund on Commonwealth Securities	19,385	36,479	..	..	..	..
Miscellaneous	16,060	112,541	18,187	29,411	7,696	93,597
Total	2,787,034	2,527,833	3,817,851	1,545,923	2,902,578	1,222,580

(a) In addition, the following amounts were spent from Trust Funds :—in 1913-14, £697,471 ; in 1914-15, £1,224,347 ; in 1915-16, nil ; in 1916-17, £3,000,000 ; in 1917-18, £2,077,427 ; and in 1918-19, £3,879,241.

The fluctuations in the expenditure on this Department are due to the variations in the method of payment of the Invalid and Old-age Pensions, as explained in the footnote. The "Miscellaneous" vote for 1914-15 included the special Belgian grant of £100,000, and that for 1918-19 included £78,344, temporary credits under certain Trust Fund accounts.

13. 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 connexion 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 six years 1913-14 to 1918-19 are given in the following table :—

EXPENDITURE, TRADE AND CUSTOMS DEPARTMENT, 1913-14 TO 1918-19.

Details.	1913-14.	1914-15.	1915-16.	1916-17.	1917-18.	1918-19.
	£	£	£	£	£	£
Chief Office ..	14,429	16,240	15,986	19,223	21,849	29,404
Customs (ordinary) ..	341,116	354,205	323,309	344,303	339,698	350,253
Fisheries ..	7,443	4,447	492	170	224	96
Analyst ..	3,441	3,441	3,576	4,440	3,498	4,804
Audit (proportion) ..	8,144	7,427	6,722	5,786	4,525	4,617
Quarantine ..	44,063	32,057	38,804	46,251	50,748	150,820
Pensions and retiring allowances ..	13,318	16,041	14,524	16,215	16,545	17,213
Rents, repairs, etc. ..	14,872	15,448	21,067	19,103	20,945	18,066
Sugar and other bounties ..	163,548	28,290	6,767	3,169	15,418	30,460
Iron bonus ..	51,810	15,072	24,465	11,454	..	..
Inter-State Commission	10,380	13,192	10,231	10,096	11,903	12,007
Lighthouses ..	..	..	86,524	128,767	133,837	137,364
Interest on transferred properties ..	49,350	29,556	30,125	29,933	79,294	43,951
Interest on Commonwealth Securities ..	..	..	..	..	726	2,200
Miscellaneous ..	8,544	15,902	6,529	9,237	15,919	16,250
Total ..	730,458	551,318	589,121	648,147	715,129	817,505

The rise in expenditure on quarantine and lighthouses in recent years has counteracted the abolition of the sugar bounty, and caused the expenditure on this Department to return to the level of 1913-14.

14. **Defence.**—The Commonwealth expenditure in connection with Defence, which in 1901-2 amounted to £861,218, had by 1918-19 grown to £1,392,859. The bulk of the immense war expenditure is provided for out of loan. Particulars for the six years 1913-14 to 1918-19 are as follows :—

EXPENDITURE, DEFENCE, 1913-14 TO 1918-19.

Details.	1913-14.	1914-15.	1915-16.	1916-17.	1917-18.	1918-19.
	£	£	£	£	£	£
Chief Office ..	86,191	88,233	46,441	49,267	50,163	47,143
Military ..	1,547,921	2,337,686	1,273,885	1,311,481	1,052,848	1,153,036
Naval ..	979,554		(a)	(a)	(a)	(a)
Audit (proportion) ..	1,362	2,398	5,486	11,117	21,548	8,407
Pensions and retiring allowances ..	1,103	1,427	363	191	380	380
Rents, repairs, etc. ..	70,471	79,665	76,744	68,314	54,599	53,484
Interest on transferred properties ..	94,859	177,740	88,519	88,512	88,490	92,289
Interest on Commonwealth Securities ..	..	79,243	..	..	1,839	5,917
Miscellaneous	169,261	138,477	21,102	15,893	13,196	32,203
Total ..	2,950,722	2,904,869	1,512,540	1,544,775	1,283,063	1,392,859

(a) Now a separate Department.

The "Miscellaneous" vote for 1914-15 included £50,366 for the purchase of foodstuffs for other countries; £36,489, as interest on a loan from the Imperial Government; and £21,062 for Prize Courts. The Miscellaneous vote for 1913-14 included £81,181 paid into Trust Funds.

15. **Navy Office.**—During the financial year 1915-16, the Navy Office, owing to its increasing importance, was separated from the Defence Department and constituted an independent Department. Appended is the expenditure for the last four years, under similar headings to those of the Defence Department:—

EXPENDITURE, NAVY DEPARTMENT, 1915-16 TO 1918-19.

Details.	1915-16.	1916-17.	1917-18.	1918-19.
	£	£	£	£
Chief Office	39,170	40,747	39,176	39,689
Naval	1,444,521	1,401,659	1,426,988	1,506,897
Audit (proportion)	1,166	1,272	1,017	1,711
Pensions and retiring allowances	899	899	899	1,012
Rents, repairs, etc.	17,402	15,969	19,079	25,738
Interest on transferred properties	39,920	41,058	41,058	44,410
Interest on Commonwealth Securities	2,270	4,381	16,995	42,523
Sinking Fund, Commonwealth Securities	40	40	40	40
Miscellaneous	6,930	8,936	6,006	1,868
Total	1,552,318	1,514,961	1,551,258	1,663,888

16. **Postal.**—The expenditure of this Department has remained almost constant in the six years under review, the increase being less than £300,000. Full details are given in the table hereunder.

EXPENDITURE, POSTAL DEPARTMENT, 1913-14 TO 1918-19.

Details.	1913-14.	1914-15.	1915-16.	1916-17.	1917-18.	1918-19.
	£	£	£	£	£	£
Chief Office	22,506	23,606	21,400	22,821	21,960	23,189
Postal Department (ordinary)	4,752,652	4,809,672	4,904,839	4,853,886	4,920,251	5,015,429
Audit (proportion)	3,340	3,955	3,670	2,981	2,635	2,888
Pensions and retiring allowances	48,400	48,073	53,358	55,877	59,174	64,720
Rents, repairs, etc.	88,884	84,044	92,083	67,494	60,070	60,756
Interest on transferred properties	217,730	217,640	217,625	217,602	212,227	210,908
Interest on Commonwealth Securities	5,735	20,007	33,619	40,539	42,150	46,420
Sinking Fund on Commonwealth Securities .. ..	..	..	16,271	16,271	16,271	16,271
Miscellaneous	17,775	14,277	15,506	11,527	15,256	9,141
Total	5,157,022	5,221,274	5,358,371	5,288,998	5,349,994	5,449,722

17. **Miscellaneous.**—In addition to the foregoing there are certain items which do not come under any of the heads enumerated. They consist in the main of war services, expenditure on new works which has already been treated in detail on page 764, and sums carried forward in respect of pensions in subsequent years. The particulars for the six years, 1914-19, are given in detail in the next table.

ALL OTHER EXPENDITURE, 1913-14 TO 1918-19.

Details.	1913-14.	1914-15.	1915-16.	1916-17.	1917-18.	1918-19.
	£	£	£	£	£	£
New Works ..	2,576,000	2,673,939	2,940,835	4,288,747	622,203	405,656
War Services (a) ..	..	640,217	3,777,849	8,421,654	11,863,250	21,255,101
Carried forward in respect of pensions ..	..	..	3,000,000	2,077,427	3,925,820	3,476,478
Interest—State Loans Act ..	..	..	..	105,000	548,750	810,312
Miscellaneous ..	..	..	..	371,117	..	..
Total ..	2,576,000	3,314,156	9,718,684	15,263,945	16,960,023	25,947,547

(a) For details see second table appended to next paragraph.

18. Cost of the War.—A substantial amount of the cost of the war has been paid out of consolidated revenue in the last two years under the heading "War Services." The expenditure on the war from revenue has already been dealt with in the previous table, but a further table is here presented shewing the total expenditure from the different funds during the four years for which the war lasted up to 1917-18, and including also 1918-19, which contained the last four months of war approximately, and the first eight months of peace.

COST OF WAR SERVICES TO COMMONWEALTH, 1914-15 TO 1918-19.

Year.	From Consolidated Revenue.	From War Loan Fund.	Total.
	£	£	£
1914-15	640,217	14,471,118	15,111,335
1915-16	3,777,849	37,423,568	41,201,417
1916-17	8,421,654	53,114,237	61,535,891
1917-18	11,863,251	55,095,109	66,958,360
1918-19	21,255,101	62,192,889	83,447,990
Total	45,958,072	222,296,921	268,254,993

The expenditure in 1919-20, which will be mainly incidental to Repatriation, has been estimated at £77,233,625, of which £24,899,046 will come from Revenue, and £52,334,579 from Loan Funds. Full details of the war expenditure from Revenue and from Loan are given in the subjoined tables.

WAR SERVICES EXPENDITURE FROM REVENUE, 1914-15 TO 1918-19.

Heading.	1914-15.	1915-16.	1916-17.	1917-18.	1918-19.
	£	£	£	£	£
Special Appropriations—					
Interest, Commonwealth Loans .. ..	..	..	2,738,673	4,574,817	7,709,771
Interest, Imperial Loans .. ..	..	..	2,082,258	2,477,288	2,377,690
Sinking Fund, Commonwealth Loans .. ..	..	..	689,384	515,781	955,303
Sinking Fund, Imperial Loans .. ..	..	..	477,743	245,410	245,410
Annual Votes—					
Defence	640,217	3,005,994	550,377	532	310
Navy .. ..	..	771,855	686,701	..	272,608
Treasury .. ..	..	..	1,186,488	3,043,046	8,373,696
Prime Minister's Department .. ..	..	..	..	999,198	8,194
Trade and Customs .. ..	..	..	10,030	7,179	9,238
Repatriation .. ..	..	..	..	..	1,300,044
Works and Railways .. ..	..	..	..	..	2,837
Total	640,217	3,777,849	8,421,654	11,863,251	21,255,101

The extremely large vote debited to the Treasury in 1918-19 includes £3,430,000, which represents two years' interest to the Imperial Government for the maintenance of troops, and £4,827,368 spent on War Pensions. The total vote for the latter purpose was £5,000,000, and the balance of £172,632 was paid into Trust Funds.

WAR EXPENDITURE FROM WAR LOAN FUND.

Department.	1914-15.	1915-16.	1916-17.	1917-18.	1918-19.
	£	£	£	£	£
Defence	14,471,118	31,938,863	47,116,871	52,877,295	49,434,567
Navy .. ..	..	5,093,530	3,324,181	569,888	7,194,345
Treasury .. ..	..	..	386,743	1,128,907	5,314,153
Trade and Customs .. ..	..	391,175	111,822	12,778	39,141
Prime Minister .. ..	..	..	2,083,483	420,759	120,863
Home and Territories .. ..	..	..	91,137	85,482	4,458
Repatriation .. ..	..	..	..	..	85,362
Total	14,471,118	37,423,568	53,114,237	55,095,109	62,192,889

(D) Subsidy Paid to States.

1. 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 1913-14 to 1918-19 :—

COMMONWEALTH SUBSIDY PAID TO STATES, 1913-14 TO 1918-19.

State.	1913-14.	1914-15.	1915-16.	1916-17.	1917-18.	1918-19.
	£	£	£	£	£	£
New South Wales	2,248,241	2,287,295	2,297,872	2,286,913	2,317,783	2,380,139
Victoria	1,733,229	1,757,894	1,743,467	1,722,409	1,739,481	1,764,239
Queensland	810,274	831,486	836,743	823,771	845,913	856,300
South Australia	540,113	542,715	540,649	531,340	535,808	549,593
Western Australia	613,606	606,900	591,064	569,982	561,129	556,505
(n) Tasmania	247,536	247,485	247,200	246,004	250,260	257,557
(a) Total	6,192,999	6,273,775	6,256,995	6,180,419	6,250,374	6,364,333

(a) Not including special grant of £90,000 to Tasmania.

The normal rate of increase was checked in 1914-15 owing to the departure of the troops, and in 1915-16 four of the States, from this cause, showed a decrease. This was still more marked in 1916-17, but, owing to the return of soldiers, increases were manifested in 1917-18 and 1918-19. The amounts allotted to Tasmania are exclusive of the instalments of the special payment.

The amounts of subsidy given in the preceding table are based upon an annual payment of £1 5s. per capita, with a special concession to Western Australia. This follows the provisions of the "Commonwealth Surplus Revenue Act" which was passed in 1910 and came into effect upon 1st July, for a period of ten years, after which it became subject to revision. This period expired on 30th June, 1920, and it is now possible for Parliament to extend the Act for a further period, or to make new financial provisions for a Commonwealth subsidy to the States. The matter was discussed at a meeting of Commonwealth and State Ministers held in January, 1919, at Melbourne. The Commonwealth Treasurer of the day (Mr. Watt) made the following tentative proposal as the basis of a new arrangement :—In 1920-21 the States were to receive 22s. 6d. per capita, and in each succeeding year an amount diminishing by 2s. 6d. per head until 1925-26, when they would receive 10s. per head, after which the arrangement would come up for further revision. The Conference, however, adjourned without coming to a decision. It was subsequently announced that the matter would come up for decision at the forthcoming Federal Convention.

§ 3. Trust Fund and Miscellaneous.

1. **Trust Accounts.**—The Trust Fund credit balance on 30th June, 1919, amounted to £75,058,977, as compared with £71,189,698 for the corresponding date in the year ending 30th June, 1918. These enormous amounts are due mainly to the Australian Notes Account referred to in detail in para. 3 hereunder. Other large items are "London Liabilities" and "Invalid and Old-age Pensions." Details concerning the most important trust accounts contributing to this amount are as follows:—

COMMONWEALTH TRUST FUND, 30th JUNE, 1919.

Trust Accounts.	Balance at 30th June, 1919.	Trust Accounts.	Balance at 30th June, 1919.
	£		£
Debts due to Enemy Subjects ..	4,539	Port Augusta Railway Sinking Fund ..	48,016
Public Trustee	19,976	Loans Sinking Fund	1,974,037
General Average Deposits	11,767	War Savings Certificates, Interest	
Defence Clothing Material	297,022	Account	350,929
Small Arms Ammunition	322,457	Commonwealth Government Steamers,	
Small Arms	20,241	Earnings and Expenses	22,212
Unclaimed Pay	16,900	Detained Enemy Vessels	61,695
Naval Dockyard	2,702	Williamstown Dockyard	1,537
Deferred Naval Pay	235,184	Australian Metal Company	2,198
War Contributions	2,583	Norfolk Island Account	10,137
Money Order	794,500	Northern Territory	17,737
International Postal Order	847	Commonwealth Railways	73,616
Interest—Imperial Government ..	2,056,338	Other Trust Monies	395,843
Insurance	622,105	War Loan Securities—repurchase ..	107,422
Pensions	3,663,308	Repatriation	172,407
London Liabilities	3,087,702	Miscellaneous	61,927
Australian Notes Account	60,475,123		
Northern Territory Sinking Fund ..	75,970	Total	75,058,977

2. **Distribution.**—The amounts to credit of Trust Fund in the several States on 30th June, 1919, were as follows:—New South Wales, £2,034,028; Victoria, £71,353,860; Queensland, £680,639; South Australia, £466,044; Western Australia, £273,364; and Tasmania, £251,042.

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, 1919, the notes issued and unredeemed amounted to £55,401,727. Against this there was a reserve in gold coin of £24,232,622 or 43.74 per cent., and other assets, of which the most important were investments in Government Stock and fixed deposits, totalling £36,100,941 and returning an annual income of about £1,400,000.

The position, according to a Treasury return issued at the end of July, 1920, was as follows:—

COMMONWEALTH NOTES ISSUED AND UNREDEEMED AT 28th JULY, 1920.

	£
10s.	2,237,739
£1	14,349,143
£5	8,812,290
£10	4,132,850
£20	684,460
£50	1,551,350
£100	1,684,100
£1,000	23,990,000

£57,441,932

The amount of the gold reserve was £23,651,100, representing 41.17 per cent. of the liability.

The subject is discussed 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 constituting the assets of 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 an interesting departure in Australian Public Finance, and in view of the financial relations thus brought about between the Commonwealth and State Governments, the following table is appended, giving full particulars of the investments of £36,100,941, to which reference has already been made :—

**AUSTRALIAN NOTES ACCOUNT.—PARTICULARS OF INVESTMENT AS AT
30th JUNE, 1919.**

Investment.	Amount.	Rate of Interest.	Date of Maturity.	Annual Amount of Interest.
	£	%		£
Commonwealth Inscribed Stock ..	3,830,000	3½	1962-1972	134,050
Commonwealth War Loan Stock ..	63,640	4½	1925	2,864
Commonwealth Treasury Bills ..	3,650,501	4	(a)	146,020
STATE GOVERNMENT SECURITIES—				
New South Wales Stock ..	800,000	3¾	1919	30,000
New South Wales Treasury Bills ..	7,400,000	4½	(b)	305,250
Victorian Debentures (face value, £800,000) ..	784,000	3½	1921	28,000
Victorian Debentures ..	3,900,000	4½	(b)	160,875
Victorian Government Securities ..	150,000	5½	..	7,875
Queensland Government Securities ..	800,000	5½	..	2,000
South Australian Treasury Bills ..	2,600,000	4½	(b)	107,250
Western Australian Stock ..	590,000	3¾	1926	22,125
Western Australian Treasury Bills ..	3,100,000	4½	(b)	127,875
Tasmanian Stock ..	460,000	3¾	1921	17,250
Tasmanian Treasury Bills ..	1,000,000	4½	(b)	41,250
FIXED DEPOSITS—				
Sundry Banks ..	6,972,800	3 to 4½	1916-17	not available
Total	36,100,941	..	..	not available

(a) Not fixed. (b) Treasury Bills with currency of two years from date of loan instalment.

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 additional 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. On the outbreak of war the Commonwealth Government agreed to lend to the States (Queensland standing out of the arrangement) the sum of £18,000,000 for the purpose of maintaining the expenditure on public works. The bulk of the money, lent to the States from the Note Account, was advanced in pursuance of that undertaking, and carried interest at 4½ per cent.

5. *London Flotations on behalf of States.*—Act No. 17 of 1916 authorised the Treasurer to borrow £8,940,000 in the United Kingdom, and Act No. 16 of 1917 to raise £8,000,000, and to lend the amount to the several States, other than that of New South Wales, and, pending the borrowing of the money, to advance the amounts set forth in

the Acts out of loans made by the Government of the United Kingdom to the Commonwealth. In pursuance of these Acts, £16,750,000 was distributed to the States up to 30th June, 1919. The money was allocated to the States as follows:—

**COMMONWEALTH LOANS RAISED IN LONDON ON BEHALF OF STATES
AS AT 30th JUNE, 1919.**

State.	£
Victoria	1,954,000
Queensland	5,462,500
South Australia	4,116,000
Western Australia	4,150,500
Tasmania	1,067,000
Total	16,750,000

In addition to these amounts the Commonwealth Government had advanced as at 30th June, 1919, the sum of £1,087,136 to the States for the purpose of settling returned soldiers on the land. This sum was allocated as follows:—New South Wales, £20,000; Victoria, £738,791; Queensland, £254,036; Western Australia, £53,934; and Tasmania, £20,375. In addition, New South Wales was advanced £15,109, and Victoria £1,160 for the construction of silos for wheat storage.

6. **Surplus Revenue.**—Until the end of 1906–7, the whole balance of the Consolidated Revenue Fund was paid to the States. From 1907–8, and until the abolition of the book-keeping provisions of the Constitution, the States received only three-fourths of the net Customs and Excise Revenue, and the balance of the Consolidated Revenue Fund was transferred to the Invalid and Old-age Pensions Trust Account, and the Naval Defence Trust Account, to provide for expenditure in subsequent years. The surplus existing on 30th June, 1919, is to be used for the payment of Invalid and Old-age Pensions, and War Pensions. A statement of surpluses and deficiencies for the past six years is hereto appended.

COMMONWEALTH SURPLUS REVENUE, 1913–14 TO 1918–19.

Year.	Surplus.	Deficiency.	Accumulated Surplus at end of Year.
	£	£	£
1913–14 .. .. .	..	1,418,958	1,224,347
1914–15 .. .. .	..	1,224,347	..
1915–16	3,000,000	..	3,000,000
1916–17 .. .. .	..	922,573	2,077,427
1917–18	1,848,393	..	3,925,820
1918–19 .. .. .	..	402,763	3,523,057

§ 4. Commonwealth Public Debt.

Although it was not until 1915 that the Federal Government appeared before the public as a direct borrower, there had been a Commonwealth Public Debt for many years. It now includes several items, such as the balance of the debt taken over from South Australia, the money owing to the States for transferred properties, the Commonwealth General Loan Fund, the loans for military purposes, etc. In view of the large expansion of the Public Debt, and its present importance in Commonwealth public finance, the different items are treated seriatim in the sub-sections that follow.

1. **Loans Taken Over from South Australia.**—The first portions of the debt were contracted at the beginning of 1911, when the Commonwealth assumed responsibility for the administration and the liabilities of the Northern Territory and the Port Augusta-Oodnadatta Railway. At 30th June, 1911, the debt on account of the former was £3,657,836, and on account of the latter, £2,274,486—a total of £5,932,322. As the securities fall in they are redeemed by the Commonwealth Government, the money

required being taken from the Loan Fund, which was created for this purpose, amongst others. This item is thus a constantly diminishing one, and on 30th June, 1919, stood at £4,192,111, of which £2,433,108 was on account of the Northern Territory, and £1,759,003 on account of the railway.

2. **Loan Fund for Public Works, etc.**—Up to 1911 the Commonwealth Government had met its Public Works expenditure out of Revenue. In that year, however, the Commonwealth being faced with the heavy prospective cost of the Transcontinental Railway and the Federal Capital Territory, it was decided to initiate a Loan Fund similar to those of the States. The flotation of this Fund was greatly assisted by the fact that the Treasury at this time held a large quantity of gold, principally on behalf of the Australian Notes Account, at that time only just inaugurated. Up to 30th June, 1914, the money required for loan expenditure was taken mainly from this account at 3½ per cent., and inscribed stock of an equivalent value created. Since the outbreak of war the creation of inscribed stock has ceased, the money required for the Loan Fund being obtained by the issue of Treasury Bills. The relation between the magnitude of the Loan Fund and the expenditure therefrom is shown for the last six years in the following table:—

SECURITIES CONSTITUTING COMMONWEALTH LOAN FUND FOR WORKS, ETC., AND EXPENDITURE THEREFROM, 1914 TO 1919.

Year ended 30th June	Commonwealth Loan Fund.			Expenditure in year ended 30th June.	Total Expenditure up to year ended 30th June.	Unexpended Balance.
	Inscribed Stock.	Treasury Bills.	Total Receipts.			
	£	£	£	£	£	£
1914 ..	4,100,000	..	4,100,000	2,155,261	4,003,763	96,237
1915 ..	4,580,000	1,578,202	6,158,202	2,154,439	6,158,202	..
1916 ..	4,580,000	4,437,543	9,017,543	2,859,341	9,017,543	..
1917 ..	4,580,000	4,437,543	9,017,543	..	9,017,543	..
1918 ..	4,580,000	6,240,990	10,820,990	1,803,447	10,820,990	..
1919 ..	4,580,000	7,670,881	12,250,881	1,429,891	12,250,881	..

In addition to the securities enumerated in the preceding table, £371,118 worth of Treasury Bills were issued in 1914-15 in aid of Revenue. They were repaid by the Consolidated Revenue Fund in 1916-17.

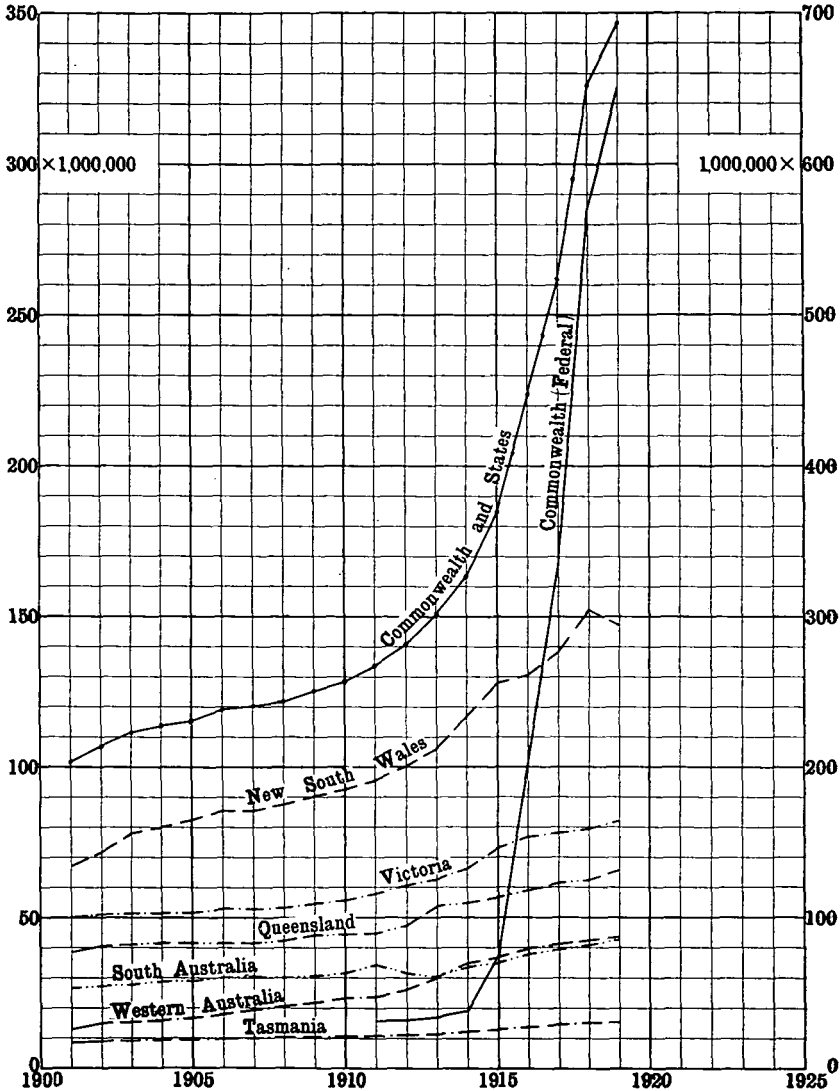
The preceding table gives the total expenditure. The details of the expenditure for six years are as follows:—

COMMONWEALTH LOAN EXPENDITURE, DETAILS, 1914 TO 1919.

Particulars.	1913-14.	1914-15.	1915-16.	1916-17.	1917-18.	1918-19.
	£	£	£	£	£	£
Railways Construction—Trans-Australian Railway ..	1,346,040	1,670,459	1,646,953	..	410,596	156,187
Northern Territory ..	126,529	94,392	126,592	..	42,178	(c) 1,226
Loan Redemption—Oodnadatta Railway ..	135,627	15,077	923	..	..	339,408
Northern Territory ..	..	..	400,000	..	..	..
Papua—Railways and wharves ..	685	13,042	12,829	..	..	..
Posts and Telegraphs—Purchase of land ..	42,598	84,500	92,712	..	2,811	1,621
Construction of conduits ..	258,407	178,142	271,211	..	67,375	116,760
Acquisition of Land—London (a) ..	64,887	19,274	113,744	..	69,991	46,120
Perth, Western Australia ..	..	..	..	..	24,347	..
Federal Territory ..	180,488	36,770	127,537	..	90,703	1,395
Defence machinery, etc.; Dockyards, Cockatoo Island; Naval Bases, etc. ..	..	42,782	66,840	..	440,200	245,802
Fleet Construction and Naval Bases ..	..	..	..	..	355,397	250,343
Miscellaneous ..	..	..	..	..	299,849	273,481
Total ..	2,155,261	2,154,438	2,859,341	(b) ..	1,803,447	1,429,891

(a) Including cost of erection of buildings. (b) There were no transactions in this Fund for 1916-17, except the cancelling of £371,118 Treasury Bills already referred to. (c) Credited by repayment.

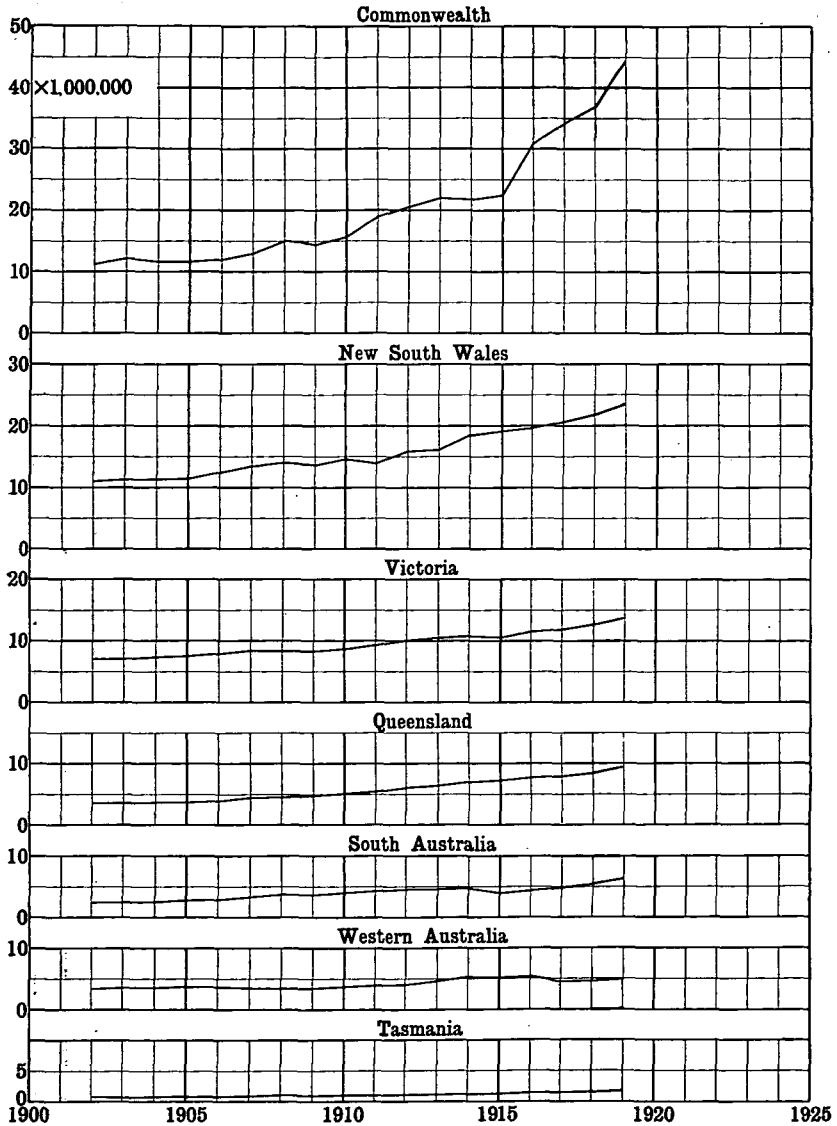
AUSTRALIAN PUBLIC DEBT—COMMONWEALTH AND STATES, 1900-1 TO 1918-19.



See pp. 784, 802.

EXPLANATION OF GRAPH.—The base of each small square represents an interval of one year, while the vertical height represents £10,000,000 in the case of the Commonwealth (Federal) and States Debts the scale for which is on the left hand side, and £20,000,000 for Commonwealth and States combined the scale for which is on the right hand. The Commonwealth (Federal) debt commenced in the year 1911.

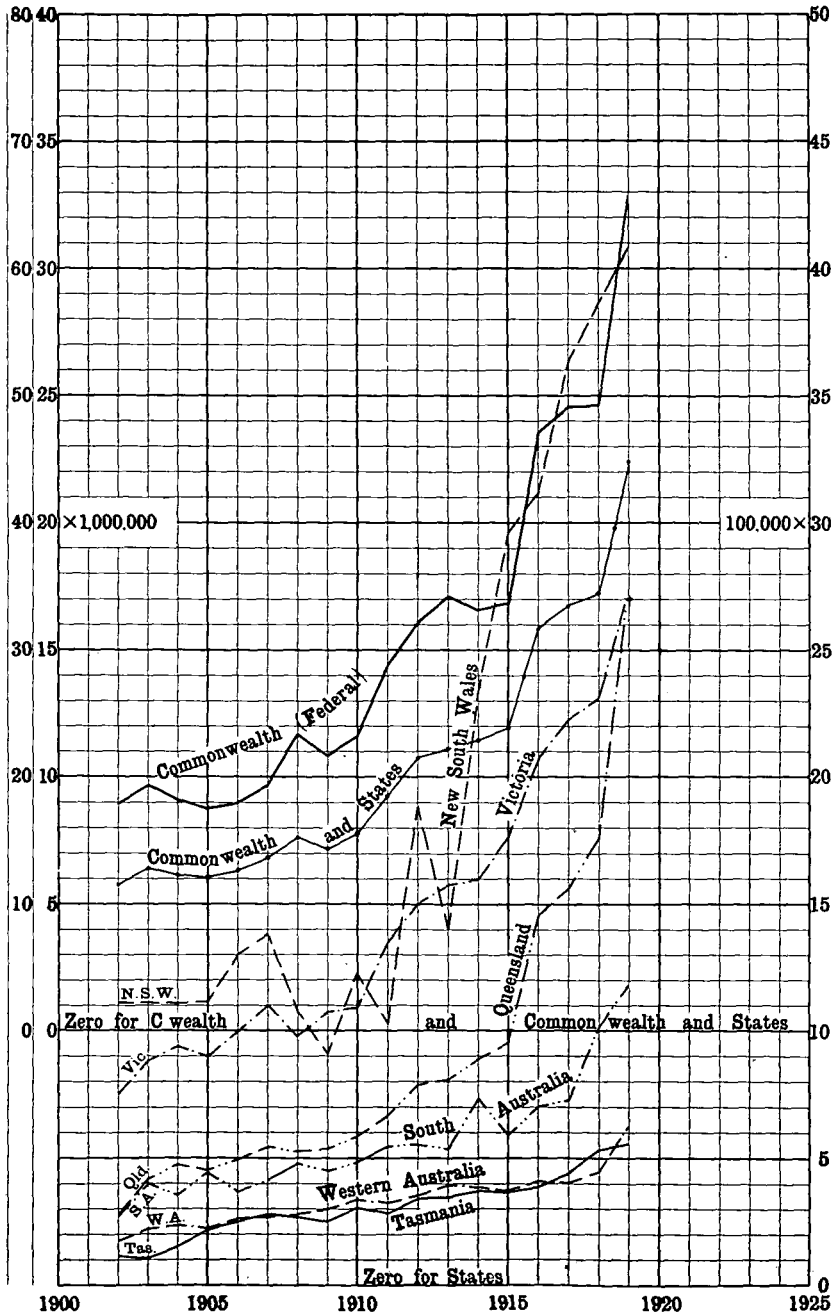
AUSTRALIAN CONSOLIDATED REVENUE—COMMONWEALTH AND STATES, 1901-2 TO 1918-19.



See pp. 756, 788.

EXPLANATION OF GRAPHS.—The base of each small square represents an interval of one year, while the vertical height represents £5,000,000. The zero lines in each case are marked thus "0."

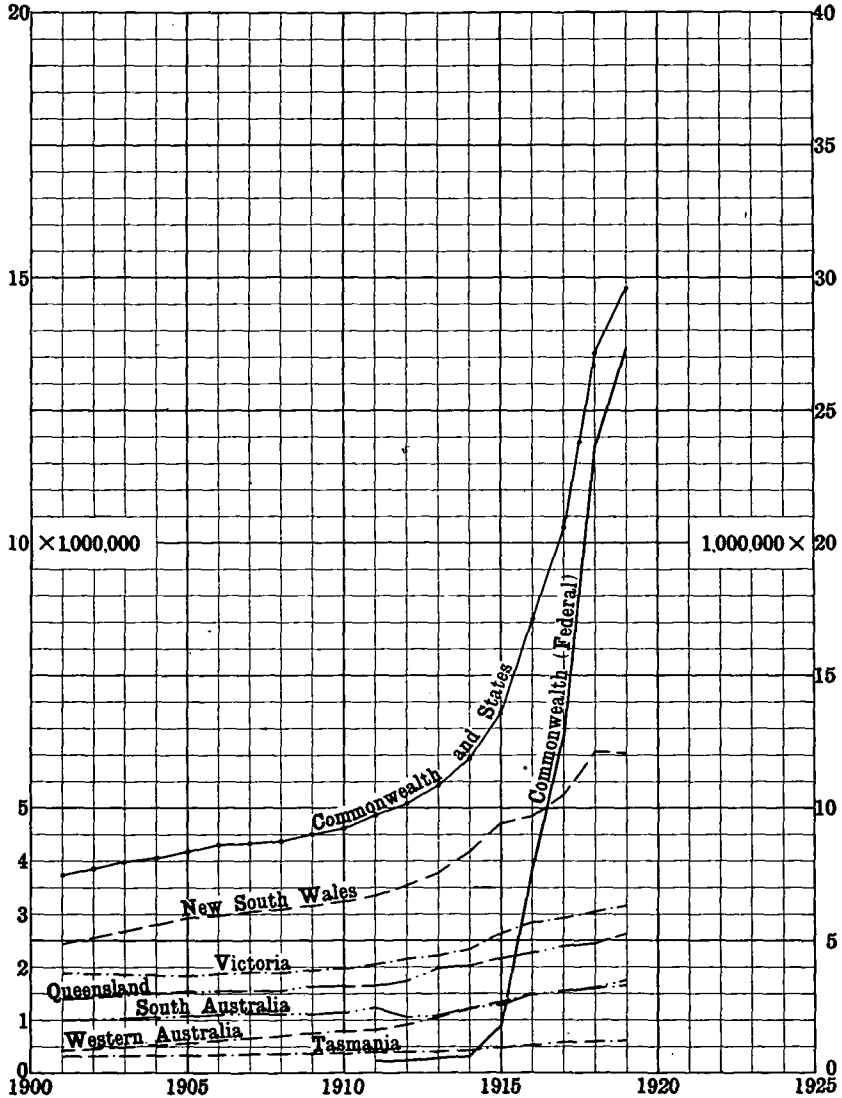
TAXATION.—COMMONWEALTH AND STATES, 1901-2 TO 1918-19.



See pp. 756, 790.

EXPLANATION OF GRAPH.—The base of each small square represents an interval of one year. Of the two scales on the left-hand the outer one is that for the Commonwealth and States combined, the vertical height of each square representing £2,000,000 and the inner one that for the Commonwealth (Federal), the vertical height representing £1,000,000. The scale on the right-hand is that for the States and the vertical height of each small square represents £100,000.

INTEREST ON PUBLIC DEBT.—COMMONWEALTH AND STATES, 1900-1 TO 1918-19.



EXPLANATION OF GRAPH.—The base of each small square represents an interval of one year while the vertical height represents £500,000 in the case of the Commonwealth (Federal) and States, the scale for which is on the left-hand side and £1,000,000 in the case of the Commonwealth and States combined for which the scale is on the right-hand side.

The main items in the "Miscellaneous" for 1917-18 were £200,000 capital required for the "Plant and Stores Suspense Account" established by the Commonwealth Railways Act 1917, and £52,410 for an Acetate of Lime Factory. In 1918-19 the only large item in "Miscellaneous" was £55,760 payable as a contribution under the River Murray Waters Act 1915. The expenses of interest and sinking fund are allocated among the different departments which have benefited, as follows:—

LIABILITIES OF DIFFERENT DEPARTMENTS WITH REGARD TO LOAN FUND,
1918-19.

Department.	Interest on Inscribed Stock.	Sinking Fund. Inscribed Stock.	Interest on Treasury Bills.	Total.
	£	£	£	£
Prime Minister	17,034	2,433	8,747	28,214
Home and Territories	40,974	5,853	43,907	90,734
Defence .. .. .	..	..	5,917	5,917
Navy	28	40	42,495	42,563
Trade and Customs.. .. .	..	..	2,200	2,200
Works and Railways	83,697	11,957	142,386	238,040
Postmaster-General	18,567	16,271	27,853	62,691
Total	160,300	36,554	273,505	470,359

3. *Properties Transferred from States.*—At the time of Federation, when the Commonwealth took over the control of a great many departments which had previously been administered by the States, a large amount 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 Federal 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 time had evidently come to put matters on a more definite footing. In the Commonwealth accounts of the last nine years, certain amounts (independent entirely of the subsidy) have been paid to the States as "Interest on Transferred Properties." These amounts have been substantially based upon a valuation made by the old Home Affairs Department, with the following result:—

ORIGINAL VALUATION OF TRANSFERRED PROPERTIES.

State.	Department.				
	Postmaster-General.	Defence.	Trade and Customs.	Home Affairs.	Total.
	£	£	£	£	£
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	835	704,286
Tasmania	214,906	121,490	48,212	143	384,751
Total	6,253,888	2,721,666	661,160	11,735	9,648,449

Since the valuation some transfers and retransfers have been made. The estimated value of the transferred properties for the last six years is given in the table in sub-section 7 hereinafter.

4. War Loan from the Imperial Government.—On the outbreak of the European war in 1914, the Commonwealth Government contracted a loan from the Imperial Government for the purpose of financing the large military expenditure which was seen to be inevitable. At first, the arrangement was that the Imperial Government should advance the sum of £18,000,000 in twelve monthly instalments of £1,500,000 each. It was soon found, however, that this would be insufficient, and consequently the Imperial Government made a fresh advance of £6,500,000, also to be paid in monthly instalments. A third loan of £25,000,000 was subsequently contracted for, of which £12,000,000 was received by 30th June, 1916, and £11,000,000 in 1916–17. The total capital debt thus created up to 30th June, 1919, is set out in the following table:—

**CAPITAL DEBT TO IMPERIAL GOVERNMENT ON ACCOUNT OF WAR LOANS,
30th JUNE, 1919.**

Authority.	Imperial Loans—Capital Debt created up to 30th June, 1919.			
	Issues, 3½%.	Issues, 4½%.	Issues, 5%.	Total.
	£	£	£	£
War Loan Act 1914—£18,000,000 ..	1,263,158	11,500,000	5,757,540	18,520,698
War Loan Act No. 2 1915—£6,500,000 ..	..	..	6,885,656	6,885,656
War Loan Act (United Kingdom) No. 2 1916—£25,000,000 (a) .. ..	..	..	23,675,705	23,675,705
	1,263,158	11,500,000	36,318,901	49,082,059

(a) Only £23,000,000 has been advanced.

In addition to this capital indebtedness, a further sum of £37,139,000 is due to the British Government for the maintenance of Australian troops.

5. Flotation of War Loans in Australia.—In addition to the advances from the Imperial Government, the Commonwealth Government has raised large amounts of money for the prosecution of the war, by direct application to the investing public of Australia. Acts No. 21 and No. 50 of 1915 authorised the Commonwealth to make application for £20,000,000 and £18,000,000 respectively, and in pursuance of these a loan of £5,000,000 was placed upon the market late in 1915, and a further amount of £10,000,000 early in 1916. These issues—unprecedented in Australian finance—were entirely successful, the latter being subscribed twice over, and the former more than two and a-half times. Both loans were issued at par, bore interest at 4½ per cent., and were redeemable on 15th December, 1925. The expenses included a commission of two shillings per cent. to the Commonwealth Bank, commission to brokers at ¼ per cent., and miscellaneous items such as printing. The total cost of flotation, however, was most moderate, amounting only to £86,103, or less than five shillings per cent. of the amount subscribed. The two Acts already mentioned were succeeded by a third, which authorised the Commonwealth Parliament to raise a further sum of £50,000,000. In pursuance of this a third issue was placed upon the market, closing on 1st August, 1916, and subsequently a fourth issue, closing on 8th February, 1917. It may be mentioned that whilst the expenses of flotation were small, the accrued interest was by no means negligible. Owing mainly to this, the net proceeds to the Federal Government only amounted to about 98½ per cent., consequently, when allowance is made for redemption at par, the Government pays about £4 14s. per cent. interest, instead of the nominal 4½ per cent. In view, however, of the advancing rate of interest, this could not be called excessive.

A fifth Commonwealth War Loan, floated in November, 1917, realised £21,213,780, and a sixth loan, floated in April, 1918, realised £42,951,120. The sixth issue differed from the preceding ones in that it gave the investor the option of 4½ per cent. free of income tax, or 5 per cent. subject to tax, the bulk of the money being invested in the former security. The fifth and sixth loans, moreover, are redeemable on 15th December, 1927, thus to a large extent relieving the pressure on 1925 as year of maturity.

A seventh loan was floated in September and October, 1918. It was entirely a 5 per cent. loan, was repayable in 1923 after a currency of 5 years, and realised £44,083,750. Full particulars of the respective issues are as follows:—

PARTICULARS OF LOCAL AUSTRALIAN WAR LOANS, TO 30th JUNE, 1919.

Heading.	1st Issue.	2nd Issue.	3rd Issue.	4th Issue.	5th Issue.	6th Issue.		7th Issue.	Total.
						4½ per cent.	5 per cent.		
	No.	No.	No.	No.	No.	No.	No.	No.	No.
Number of Subscribers— For Inscribed Stock ..	8,603	12,450	13,660	13,666	9,882	17,781	8,549	16,303	100,894
For Treasury Bonds ..	10,145	16,495	88,382	53,806	31,826	72,526	45,008	228,891	545,079
Total ..	18,748	28,945	102,042	67,472	41,708	90,307	53,557	243,194	645,973
Amount Subscribed— For Inscribed Stock ..	£ 9,581,120	£ 16,271,710	£ 15,417,880	£ 14,695,240	£ 14,276,790	£ 14,169,600	£ 4,441,470	£ 14,886,730	£ 103,740,540
For Treasury Bonds ..	3,808,320	5,383,970	8,169,770	6,888,780	6,936,990	22,157,780	2,182,270	29,197,020	84,724,900
Total ..	13,389,440	21,655,680	23,587,650	21,584,020	21,213,780	36,327,380	6,623,740	44,083,750	188,465,440
						42,951,120			
Accrued Interest Expenses of Flotation ..	221,502	324,169	326,887	254,071	239,319	423,589	72,767	361,010	2,223,314
	35,451	50,652	52,278	45,795	53,317	103,403	18,854	140,410	500,160
Total deductions	256,953	374,821	379,165	299,866	292,636	526,992	91,621	501,420	2,723,474
Net proceeds of Loan ..	13,132,487	21,280,859	23,208,485	21,284,154	20,921,144	35,800,388	6,532,119	43,582,330	185,741,966
						42,332,507			
Amount required	5,000,000	10,000,000	No definite amount asked for.	18,000,000	20,000,000	40,000,000		40,000,000	..

6. Total Commonwealth Public Debt.—Separate consideration has already been given to the items composing the Public Debt. The table appended to this sub-section shows the entire debt of the Commonwealth (apart from the States) at yearly intervals since 1914. The liability on account of the note issue is excluded, but the liability on account of the transferred properties has been included for the entire period. The Commonwealth Public Accounts first took cognizance of this item in 1913 although the debt had been incurred much earlier.

PUBLIC DEBT OF THE COMMONWEALTH AS AT 30th JUNE, 1914 TO 1919.

Details.	1914.	1915.	1916.	1917.	1918.	1919.
	£	£	£	£	£	£
Balance of loans taken over from South Australia—						
(a) On account of Northern Territory ..	3,359,891	3,359,891	2,778,266	2,772,516	2,772,516	2,433,108
(b) On account of Oodnadatta railway ..	1,935,431	1,920,354	1,896,132	1,759,003	1,759,003	1,759,003
Value of properties transferred by States ..	9,787,011	10,777,161	10,781,797	10,789,739	11,202,515	11,202,619
Amount of Commonwealth Loan Fund—						
Inscribed Stock ..	4,100,000	4,580,000	4,580,000	4,580,000	4,580,000	4,580,000
Treasury Bills ..	..	1,949,319	4,808,661	4,437,543	6,240,990	7,670,881
War Loan from British Government ..	..	14,842,105	36,774,269	47,774,269	49,082,059	49,082,059
Commonwealth Internal Loans ..	..	..	34,965,430	80,242,510	143,190,680	184,437,870
Accrued Deferred Pay, A.I.F. Loans raised on behalf of States ..	..	..	4,759,730	9,373,977	10,309,908	5,500,000
Miscellaneous ..	..	..	..	7,500,000	12,000,000	16,750,000
..	..	..	..	..	42,917,398	42,355,207
Total ..	19,182,333	37,423,830	101,344,285	169,229,557	284,055,069	325,770,747
Commonwealth Debt per capita ..	£3 17 11	£7 11 6	£20 13 5	£34 11 3	£57 0 8	£63 7 6

It will be noticed that the amount of the Commonwealth Internal Loans does not quite agree with the totals of the first seven issues in the table on page 783. This is owing to the fact that stock to a considerable amount has been presented as payment of Estate Duty, and cancelled, the payments being accepted in accordance with the provisions of section 5 of the Commonwealth Inscribed Stock Act 1915. The amount of £184,437,870 is the balance of the first seven issues. To this must be added £5,193,912 raised by the sale of War Savings Certificates, and £22,295 by the sale of War Savings Stamps. The item "Miscellaneous" is made up of the last two amounts and a sum of £37,139,000 due to the British Government for the maintenance of Australian troops.

7. *Place of Flotation.*—The loans taken over from South Australia, which constituted the first portion of the Federal Public Debt, included both London and Australian securities. The presence in the Treasury of a large holding of gold, and the moderate rate of interest ruling on gilt-edged securities, made the conditions in 1911, and for some little time afterwards, very favourable for the flotation of local loans. London securities were redeemed as they fell due, and replaced by the 3½ per cent. stock of the Loan Fund. Consequently, up to 1914 the amount of the securities repayable in London fell steadily, and the amount repayable in Australia rose rapidly. In 1915, however, the military loan from the Imperial Government caused a sharp rise in the amount of the securities repayable in London, which was maintained in the two following years. This was, however, more than offset by the flotation of the local war loans. Appended is a table shewing particulars of the loans of the Commonwealth for six financial years which have been floated in London and Australia respectively. A separate column is reserved for the cost of the transferred properties, which, for obvious reasons, it is impossible to allocate:—

COMMONWEALTH PUBLIC DEBT.—LONDON AND AUSTRALIAN FLOTATIONS, 1914 TO 1919.

Year ended 30th June—	Payable in—		Value of Transferred Properties.	Total.
	London.	Australia.		
	£	£		
1914	3,510,921	5,884,401	9,787,011	19,182,333
1915	18,337,949	8,313,720	10,777,161	37,428,830
1916	40,063,440	50,499,048	10,781,797	101,344,285
1917	58,426,312	100,013,506	10,789,739	169,229,557
1918	102,579,102	170,273,452	11,202,515	284,055,069
1919	106,123,102	208,445,026	11,202,619	325,770,747

8. **Rates of Interest.**—When the first debt was taken over from South Australia it consisted in the main of a mass of securities varying from 3 per cent. to 4 per cent., the average rate of interest for the first year being £3 12s. 4d. For the first three years the increase in the debt was due almost entirely to the expansion of the 3½ per cent. stock of the Loan Fund, and as a consequence the average rate of interest fell steadily, until on 30th June, 1914, it stood at £3 11s. 10d. Then came the loans for military purposes, and the fall in the average rate was ultimately converted into a rise which is likely to be maintained, since there is not likely to be any further borrowing for some time at a rate of less than 5 per cent. In fact, the influence of the heavy borrowing of the last four years at high rates is already reflected in the average rate of interest, which rose during that period by more than 1 per cent. It is notoriously difficult to forecast the future of the rate of interest, but the influence of the large Imperial War Loans on gilt-edged securities has been so far-reaching, that in all probability during the next decade the average rate of interest on the Federal Public Debt will rise continuously.

The accompanying table gives full particulars concerning the interest for the six financial years ended 30th June, 1919 :—

RATES OF INTEREST ON COMMONWEALTH PUBLIC DEBT, 1914 TO 1919.

Rates of Interest.	Year ended 30th June—					
	1914.	1915.	1916.	1917.	1918.	1919.
	£	£	£	£	£	£
Not bearing interest ..	..	..	4,759,730	9,373,977	..	..
3 ..	35,612	35,612	35,063	35,063	35,063	35,063
3½ ..	14,058,768	30,371,023	16,796,712	16,804,654	17,217,430	17,217,534
£3/12/3	748,404	748,404	720,411	720,411	720,411	720,411
3¾ ..	1,798,383	1,798,383	1,399,758	1,394,008	1,394,008	1,054,600
4 ..	2,541,166	4,475,408	7,156,070	6,647,823	8,451,270	9,881,161
4½ ..	..	..	56,076,541	101,353,621	200,261,846	192,766,897
5 ..	..	..	14,400,000	25,400,000	43,975,041	87,345,081
5¼ ..	..	..	..	4,000,000	4,000,000	4,000,000
5½ ..	..	..	..	3,500,000	8,000,000	12,750,000
Total ..	19,182,333	37,428,830	101,344,285	169,229,557	284,055,069	325,770,747
Average rate of interest ..	£3/11/10	£3/11/6	£4/2/10	£4/4/8	£4/10/9	£4/12/2

A table is appended shewing the amounts payable as interest on the Commonwealth Public Debt as at 30th June in the years 1914–19 inclusive. The rapid increase is due not only to the great expansion of the War Loan Fund, but also to the high rate of interest on recent loans.

AMOUNT OF INTEREST PAYABLE ON COMMONWEALTH PUBLIC DEBT AS AT 30th JUNE—

Year.	£
1914 ..	689,247
1915 ..	1,337,546
1916 ..	4,196,404
1917 ..	7,166,105
1918 ..	12,879,793
1919 ..	15,017,497

9. **Dates of Maturity.**—A table is appended giving the dates of maturity of the several portions of the Commonwealth debt. The Commonwealth Government has refrained from issuing interminable stock, although as regards about one-fifth of the

debt no definite date of maturity had been assigned on 30th June, 1918. It will be noticed that about £200,000,000 falls due in the space of four years, 1923-27, the bulk of this being represented by the balance of the first seven internal loans.

**DUE DATES OF THE COMMONWEALTH PUBLIC DEBT OUTSTANDING ON
30th JUNE, 1919.(a)**

Due Dates.	Amounts.	Due Dates.	Amounts.	Due Dates.	Amounts.
	£		£		£
1920 ..	176,714	1926 ..	66,801	1939 ..	860,291
1921 ..	47,100	1927 ..	76,126,565	1945 ..	11,500,000
1922 ..	4,000,125	1928 ..	1,263,158	1947 ..	36,318,901
1923 ..	43,381,370	1930 ..	750,950	1972 ..	4,580,000
1924 ..	1,553,952	1935 ..	40,063	Indefinite ..	66,783,620
1925 ..	77,694,380	1936 ..	626,757		
				Total ..	325,770,747

(a) Those loans in the case of which the Government has the option of redemption during a specified period have been in each case classified according to the latest date of maturity.

On pages 777 and 778 will be found a series of graphs illustrating the rise in the revenue, public debt, and taxation of the Commonwealth and States since 1902, the year 1901-2 being the first complete financial year since Federation.