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SECTION XIX.

COMMONWEALTH FINANCE.

§ 1. General.

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

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

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

Under proclamation dated 12th February, 1901, and published in the Commonwealth *Gazette* of the 14th of that month, the Departments of Posts, Telegraphs, and Telephones in each State became transferred to the Commonwealth as from the 1st March, 1901, while under a similar proclamation dated 19th February, 1901, and gazetted on the 20th, the Departments of Naval and Military Defence in each State also became transferred to the Commonwealth as from 1st March, 1901.

As the requisite proclamation of transfer has not yet been made in the case of departments dealing with "Lighthouses, light-ships, beacons, and buoys," nor in the case of those concerned in matters of "quarantine," these departments still remain under State control.

3. **Departments Transferable by Means of Commonwealth Legislation.**—In addition to the departments here mentioned which pass to the Commonwealth either automatically or by proclamation, there are several others whose duties the Commonwealth is empowered to undertake after the passing by the Commonwealth of the legislation necessary to authorise the assumption of such duties. These are referred to in section 51 of the Constitution, which contains a statement of all matters respecting which power is (subject to the Constitution) conferred on Parliament "to make laws for the peace, order and good government of the Commonwealth." The matters contained in this section include those already mentioned as being covered by section 69. The principal

matters involving for the due performance of the duties connected therewith the creation or transfer of departments of the Public Service are:—

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

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

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

6. **The "Braddon" Clause.**—This clause (section 87 of the Constitution) is so called after Sir Edward Braddon, a Tasmanian delegate to the Federal Convention of 1897 and 1898, by whom it was introduced. In its original form the clause provided that for all time the Commonwealth should return to the States not less than three-fourths of the

net revenue of the Commonwealth from duties of Customs and Excise, not prescribing, however, what should be returned to *each State*. At the Melbourne session of the Federal Convention, held in 1898, provision was made that surplus revenue, instead of being returned to a State, might be applied towards the payment of interest on debts of that State taken over by the Commonwealth, and at the Premiers' Conference, held in Melbourne in 1899, a further amendment of the clause was effected by limiting its operations to a "period of ten years after the establishment of the Commonwealth, and thereafter until Parliament otherwise provides." The provisions of this clause *per se* are complied with, so it would appear, if the total amount returned to the States as a whole is not less than three-fourths of the total net revenue from Customs and Excise, and the Commonwealth is not under an obligation to return to each State three-fourths of the net Customs and Excise revenue collected in respect thereof. Thus, since the establishment of Federation, although the total amount of surplus Commonwealth revenue distributed amongst the States has in every year except 1907-8 largely exceeded three-fourths of the total net revenue from Customs and Excise, the amount paid to one of the States, viz., Queensland, has in several of these years fallen short of three-fourths of the net Customs and Excise revenue collected in respect of that State.¹ This occurred in the years 1901-2, 1903-4, 1904-5, and 1907-8, and was due in a large measure to the heavy expense involved in working the Commonwealth departments in that State. The amount returned to Tasmania for 1907-8, also fell short of three-fourths of the net Customs and Excise Revenue collected in respect of that State.

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

8. Western Australian Sliding Scale.—Owing to the exceptional circumstances of Western Australia, and the fact that the immediate introduction of interstate freetrade would seriously interfere with the development of the State, through the diminution in the funds at the disposal of its Treasurer, provision was made in section 95 of the Constitution for the retention of interstate duties by Western Australia during the five years after the imposition of uniform duties, such duties to be collected by the Commonwealth. It was stipulated that during the first of these years the duty so imposed on any goods should not exceed the duty chargeable on the goods under the law of Western Australia in force at the imposition of uniform duties, and that during the succeeding years the amount imposed should not exceed four-fifths, three-fifths, two-fifths, and one-fifth respectively, and should cease at the expiration of the fifth year. This special concession to Western Australia, known as the "*Western Australian special tariff*," came to an end on 8th October, 1906, since when trade between all the States has been

1. See report of Treasurers' Conference, 5th to 12th February, 1904, pp. 3 *et seq.*

free. The amount collected under this special tariff during the five years of its operation from 9th October, 1901, to 8th October, 1906, was as follows:—

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

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

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

10. **Transfer and Consolidation of State Debts.**—Under section 105 of the Constitution power is given to the Commonwealth Parliament to take over from the States either the whole of the public debts of the States as existing at the establishment of the Commonwealth, or a proportion of that debt calculated on a population basis, and to defray the interest payable in respect of such debts from the portions of the surplus revenue of the Commonwealth payable to the several States. The prospective savings in the matter of interest to be effected by means of the consolidation of the State debts formed a strong argument in pre-federal days for those supporting the federal movement. Since the establishment of the Commonwealth, however, the individual States do not appear to have become willing to accept a Commonwealth control of State indebtedness.

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

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

12. **Proposa to modify present System.**—Various proposals have from time to time been made for modifying the present "book-keeping" system in such a manner as

to obviate certain of the disadvantages inherent therein. The principal of these proposals are those which may be classified under the following heads :—

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

Some of the proposals that have been made involve features of more than one of the systems here specified, and in certain cases combine them with those of the book-keeping system. A dissertation on the merits and demerits of any of the proposals would be beyond the scope of the present publication, but it may be noted that the scheme put forward by Sir George Turner when Commonwealth Treasurer was based on an increase in the liability transferred to the Commonwealth, while that of Sir John Forrest and that of Sir William Lyne were based mainly on the payment of a fixed annual sum.

13. **Interstate Conferences.**—Since the establishment of the Commonwealth, conferences of State Ministers have been held from time to time, at which proposals for adjusting the financial relations between the States and the Commonwealth have been considered. At the conference held in Melbourne in October, 1906, and that held in Brisbane in May, 1907, the scheme put forward by Sir John Forrest was very fully discussed, and in so far as the proposals for the allocation of surplus Commonwealth revenue are concerned was, with some minor amendments, agreed to. The proposals made by Sir John Forrest for the transfer of State debts did not, however, meet with the approval of the conferences. After the retirement of Sir John Forrest from the Commonwealth Ministry, his scheme was abandoned by the Commonwealth Government. A fresh proposal by Sir William Lyne was substituted for it, and was considered by the Conference of Premiers held in Melbourne in 1908, who expressed their dissent from its provisions. Numerous other schemes have been advanced, but none has yet received general approval.

§ 2. Consolidated Revenue Fund.

(A) Nature of Fund.

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

(B) Revenue.

1. **Total Collections.**—Particulars concerning the total amount of revenue collected by the Commonwealth Government and credited to the several States from 1st January, 1901, to 30th June, 1908, are contained in the following table:—

CONSOLIDATED REVENUE OF THE COMMONWEALTH, 1901 to 1907-8.

State to which Credited.	Half-year to 30th June, 1901.	1901-2.	1902-3.	1903-4.	1904-5.	1905-6.	1906-7.	1907-8.
	£	£	£	£	£	£	£	£
N.S.W. ...	1,296,963	3,894,266	4,391,020	4,168,289	4,021,310	4,314,829	4,782,122	5,816,755
Victoria ...	1,536,810	2,976,500	3,127,120	3,102,452	3,181,897	3,292,885	3,537,802	4,063,736
Queensland	806,717	1,611,502	1,563,791	1,458,287	1,430,755	1,550,360	1,707,136	1,967,618
South Aust.	443,050	978,098	946,707	963,103	953,608	987,792	1,113,450	1,355,711
West. Aust.	559,108	1,561,538	1,621,962	1,493,696	1,431,624	1,287,103	1,216,416	1,270,732
Tasmania ...	253,108	475,081	455,337	447,171	446,404	448,955	476,165	544,442
C'wealth ...	4,895,756	11,296,985	12,105,937	11,630,998	11,465,593	11,881,924	12,832,891	15,019,034

The revenue collected by the Commonwealth during the financial year 1907-8 was, in all the States except Western Australia, higher than in any preceding year, the large increase being mainly due to the additional revenue collected in connection with the new tariff introduced on the 8th August, 1907. In the case of Western Australia the year in which the maximum collection of Commonwealth revenue took place was 1902-3, a continuous decline having been experienced from that year until 1906-7, and a slight rise for 1907-8.

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

COMMONWEALTH REVENUE PER HEAD OF POPULATION, 1901 to 1907-8.

State to which Credited.	Half-Year to 30th June, 1901.	1901-2.	1902-3.	1903-4.	1904-5.	1905-6.	1906-7.	1907-8.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
N.S.W. ...	0 19 2	2 13 9	3 2 7	2 18 5	2 15 2	2 17 10	3 2 8	3 14 2
Victoria ...	1 5 7	2 9 2	2 11 8	2 11 4	2 12 7	2 14 1	2 17 5	3 5 1
Queensland	1 12 5	3 3 8	3 1 3	2 16 7	2 14 10	2 18 9	3 3 10	3 12 8
South Aust.	1 4 5	2 13 6	2 11 8	2 12 3	2 11 2	2 12 3	2 18 0	3 9 1
West. Aust.	3 0 9	8 0 11	7 12 1	6 11 8	5 18 2	5 1 0	4 12 11	4 17 2
Tasmania	1 9 4	2 14 6	2 11 4	2 9 10	2 9 7	2 9 7	2 12 10	2 19 2
C'wealth ...	1 5 11	2 19 1	3 2 4	2 19 3	2 17 11	2 18 8	3 2 4	3 11 7

It is remarkable that the revenue per head for the Commonwealth, and also that for New South Wales, were practically identical for the year 1902-3 and for 1906-7, and were also sensibly the same for those years (about £3 2s. 6d.). It will also be noticed that for the past six years the Commonwealth revenue per head has differed very slightly from that of New South Wales.

In all the States except Western Australia the Commonwealth revenue per head was higher for 1907-8 than for any previous year. In Western Australia, owing in part to the

special circumstances of that State as regards its general conditions, and also in part to the provision made under section 95 of the Constitution permitting the imposition in Western Australia of interstate Customs duties on a sliding scale, the revenue per head in 1901-2 reached the abnormal sum of £8 Os. 11d., or nearly three times the Commonwealth average for the year. A rapid decline has since been in evidence, but notwithstanding this the revenue per head for 1907-8 was £4 17s. 2d., or nearly 36 per cent. more than the average for the Commonwealth. For 1907-8 three of the States (New South Wales, Queensland, and Western Australia) exceeded the Commonwealth average per head, the other three falling short of it.

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

PROPORTION OF REVENUE COLLECTED IN RESPECT OF EACH STATE,

1901 TO 1907-8.

State.	Half-year to 30th June, 1901.	1901-2.	1902-3.	1903-4.	1904-5.	1905-6.	1906-7.	1907-8.
	%	%	%	%	%	%	%	%
N.S.W. ...	26.49	32.70	36.27	35.82	35.07	36.31	37.26	38.73
Victoria ...	31.39	26.35	25.83	26.67	27.75	27.71	27.57	27.06
Queensland	16.48	14.26	12.92	12.54	12.48	13.05	13.30	19.10
S. Australia	9.05	8.66	7.82	8.28	8.32	8.32	8.68	9.03
W. Australia	11.42	13.82	13.40	12.84	12.49	10.83	9.48	8.46
Tasmania ...	5.17	4.21	3.76	3.85	3.89	3.78	3.71	3.62
C'wealth...	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

A comparison of the percentages for 1907-8 with those for 1901-2 reveals the fact that, whilst the proportion of the Commonwealth revenue contributed by New South Wales has during the six years increased considerably, and that contributed by Victoria and South Australia has increased moderately, those for Western Australia, Queensland, and Tasmania exhibit decreases, the extent of the decrease being most marked in the case of Western Australia, where a fall in percentage took place from 13.82 in 1901-2 to 8.46 in 1907-8. This rapid decline in Western Australia is due to a variety of causes, the three most important being:—(i.) The abolition of interstate duties, (ii.) the increase in interstate trade, and (iii.) the gradual tendency to equalisation of conditions with those existing in the eastern States.

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

COMPARISON OF REVENUE AND POPULATION PROPORTIONS, 1907-8.

Particulars.	N.S.W.	Vic.	Q'land.	S.A.	W.A.	Tas.	Cwlth.
	%	%	%	%	%	%	%
Percentage on Commonwealth revenue	38.73	27.06	13.10	9.03	8.46	3.62	100.00
„ „ „ population	37.38	29.74	12.91	9.36	6.23	4.38	100.00

In the case of New South Wales, Queensland, and Western Australia the revenue percentage is higher than the population percentage, while in Victoria, South Australia,

and Tasmania the population percentage is the higher. The most extensive proportionate divergence occurs in the case of Western Australia.

4. **Details of Revenue, 1907-8.**—The principal revenue-producing departments of the Commonwealth are the Customs, Excise, and Postal, the Customs collections for 1907-8 representing more than 62 per cent. of the total revenue, Excise about 15½ per cent., and Postal nearly 22 per cent. Details of the Commonwealth revenue collected in respect of each State for the year 1907-8 are given in the following table:—

COMMONWEALTH REVENUE, 1907-8.

Source of Revenue.	Revenue Collected in respect of—						Total Revenue Collected by C'wealth Govt.
	N.S.W.	Victoria.	Qld.	S. Aust.	W. Aust.	Tasmania.	
	£	£	£	£	£	£	£
Customs ...	3,672,072	2,507,704	1,188,494	812,097	830,005	330,736	9,341,108
Excise ...	842,590	704,434	309,637	199,989	168,925	78,669	2,304,244
Postal ...	1,278,107	834,367	451,075	338,193	266,510	131,844	3,300,096
Defence ...	1,029	1,234	10,513	374	278	137	13,565
Patents ...	5,424	4,631	2,590	1,607	1,755	1,414	17,421
Trade Marks, Copyrights and Designs	3,242	2,568	1,112	807	546	382	8,657
New revenue...	9,658	7,683	3,335	2,418	1,611	1,132	25,837
Miscellaneous	4,633	1,115	862	266	1,102	128	8,106
Total ...	5,816,755	4,063,736	1,967,618	1,355,751	1,270,732	544,442	15,019,034

5. **Sources of Revenue.**—The following table furnishes particulars concerning the Commonwealth revenue derived from each source since the establishment of Federation:—

SOURCES OF COMMONWEALTH REVENUE, 1901 to 1907-8.

Sources of Revenue.	Half-year to 30th June, 1901.	1901-2.	1902-3.	1903-4.	1904-5.	1905-6.	1906-7.	1907-8.
	£	£	£	£	£	£	£	£
Customs ...	3,602,194	7,669,970	8,213,448	7,577,734	6,992,592	7,089,379	7,660,874	9,341,108
Excise ...	548,395	1,224,349	1,471,607	1,528,024	1,806,938	1,910,106	1,987,652	2,304,244
Postal ...	740,665	2,372,881	2,404,730	2,510,203	2,632,551	2,824,348	3,128,574	3,300,096
Defence ...	3,304	10,657	9,329	3,885	7,465	8,106	5,112	13,565
Patents ...	...	...	...	...	10,559	23,936	18,017	17,421
Trade Marks, Copyrights & Designs	...	...	...	...	...	...	6,890	8,657
New Revenue	25	2,775	4,710	5,100	7,355	11,854	12,529	25,837
M'cellaneous	1,173	16,373	2,113	6,052	8,138	14,196	13,713	8,106
Total ...	4,895,756	11,296,985	12,105,937	11,630,998	11,465,598	11,881,925	12,832,891	15,019,034

The maximum annual collection of Customs revenue during the period was the total of £9,341,108 obtained during 1907-8, the nearest approach to this figure being that of £8,213,448 obtained during the financial year 1902-3. The Customs revenue for 1906-7 was practically identical with that for 1901-2. The minimum annual collection was £6,992,592 in 1904-5. In the case of Excise and Postal revenue the amounts collected have increased continuously from year to year, the Excise revenue for 1907-8 exceeding that for 1901-2 by no less than 88 per cent., while the 1907-8 Postal revenue shewed an advance of 39 per cent. on that for 1901-2.

6. **Customs.**—As already noted, several of the provisions of the Constitution have been made dependent for their date of commencement on the imposition of uniform duties of Customs. Thus the book-keeping system and the Western Australian special tariff provisions both hinged upon the date on which the uniform duties of Customs were imposed. The Bill to provide for the collection of such duties was introduced in the Commonwealth House of Representatives on 9th October, 1901, and, in accordance with the usual practice, a resolution to protect the revenue and provide for the collection forthwith of the duties specified in the Bill, was duly carried. This date, 9th October, 1901, is consequently that on which the uniform duties of Customs are considered as having been imposed. A reference to the various enactments of the Commonwealth Legislature relative to the imposition of Customs duties will be found in Section XV., "Commerce," pages 593 to 596.

7. **Customs Revenue, 1907-8.**—The Customs revenue, after deduction of drawbacks and refunds, collected in respect of the several States during the year 1907-8, is given hereunder, details being furnished for the principal classes of dutiable articles imported :—

COMMONWEALTH CUSTOMS REVENUE, 1907-8.

Classes.	Customs Revenue Collected in respect of—						Total for Commonwealth.
	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tas.	
	£	£	£	£	£	£	£
Stimulants	910,795	559,842	352,182	149,282	236,515	72,808	2,281,424
Narcotics	381,544	320,122	133,429	74,860	101,448	46,593	1,057,996
Sugar	23,795	16,343	2,530	4,600	2,272	1,959	51,499
Agricultural products	320,154	201,930	113,069	54,745	89,990	26,638	806,526
Apparel and textiles ...	824,178	606,273	214,636	205,593	134,518	78,476	2,063,674
Metals and machinery	429,418	210,176	151,827	100,783	102,627	35,688	1,030,519
Oils, paints, etc. ...	69,708	54,154	30,913	22,095	14,893	6,077	197,840
Earthenware, etc. ...	101,943	84,820	29,289	26,189	26,315	9,645	278,201
Drugs and chemicals ...	28,688	19,228	11,734	6,854	8,198	2,579	77,281
Wood, wicker, and cane	130,757	129,602	15,963	51,775	22,871	9,731	360,699
Jewellery, etc. ...	105,278	63,294	33,244	27,753	17,423	9,843	256,835
Leather, etc. ...	85,835	56,904	24,093	23,294	21,440	7,352	218,918
Paper and stationery ...	77,114	57,511	20,357	18,507	13,959	6,365	193,813
Vehicles	60,468	35,889	18,496	14,964	10,017	8,169	148,003
Musical instruments ...	34,463	31,020	10,318	8,367	4,163	2,574	90,905
Miscellaneous articles	75,379	51,709	22,084	18,755	18,990	4,865	191,782
Other receipts ...	12,555	8,887	4,330	3,681	4,366	1,374	35,193
Total Customs...	3,672,072	2,507,704	1,188,494	812,097	830,005	330,736	9,341,108

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

8. **Customs Revenue for Past Six Years.**—Corresponding particulars for the Commonwealth as a whole, for the six years 1902-3 to 1907-8, are furnished in the following table :—

COMMONWEALTH CUSTOMS REVENUE, 1902-3 to 1907-8.

Classes.	1902-3.	1903-4.	1904-5.	1905-6.	1906-7.	1907-8.
	£	£	£	£	£	£
Stimulants ...	2,113,138	2,080,677	2,057,431	2,098,712	2,223,431	2,281,424
Narcotics ...	923,990	965,202	922,548	945,286	941,337	1,057,996
Sugar ...	519,451	500,763	192,385	129,692	143,830	51,499
Agricultural products ...	1,570,723	1,082,110	782,705	812,596	738,612	806,526
Apparel and textiles ...	1,275,322	1,240,230	1,354,476	1,416,977	1,578,414	2,063,674
Metals and machinery ...	598,107	489,086	464,683	482,427	625,227	1,030,519
Oils, paints, etc. ...	114,873	126,436	121,794	124,157	141,314	197,840
Earthenware, etc. ...	155,224	150,238	138,855	150,724	170,332	278,201
Drugs and chemicals ...	58,420	61,415	59,838	57,652	60,365	77,281
Wood, wicker, and cane ...	192,835	202,466	204,686	187,482	219,433	360,699
Jewellery, etc. ...	164,433	162,163	168,238	173,428	210,818	256,835
Leather, etc. ...	177,870	163,275	162,228	154,038	172,459	218,918
Paper and stationery ...	108,012	106,230	108,184	112,052	145,241	193,813
Vehicles ...	65,273	72,380	81,648	77,590	101,782	148,003
Musical instruments ...	41,504	46,827	47,712	50,672	60,117	90,905
Miscellaneous articles ...	78,542	81,173	85,624	80,112	97,403	191,782
Other receipts ...	55,731	47,063	39,557	35,782	30,759	35,193
Total Customs ...	8,213,448	7,577,734	6,992,592	7,089,379	7,660,874	9,341,108

It will be seen that throughout the period here dealt with the Customs revenue from stimulants and narcotics has represented, approximately, 40 per cent. of the total Customs revenue. The other principal articles from which Customs revenue was derived were "apparel and textiles," "agricultural products," and "metals and machinery." The most marked increase in the amount of duty collected is in the class of "apparel and textiles" the revenue under this head for 1907-8 exceeding that for 1902-3 by £788,352. The most marked decreases took place in the case of "agricultural products" and "sugar," the former declining during the period by £764,197 and the latter by £467,952. The former of these decreases is to a large extent due to the fact that the figures for 1902-3 were somewhat abnormal owing to the extraordinary importations of these commodities necessitated by the drought of 1902, while the latter has resulted in large measure from the increased local production of sugar, which the Commonwealth Government has aimed at encouraging.

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

The revenue collected in respect of each State during 1907-8, under each of these heads, is shewn in the following table:—

COMMONWEALTH EXCISE REVENUE, 1907-8.

Particulars.	Excise Revenue Collected in respect of—						Total for Commonwealth.
	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tas.	
	£	£	£	£	£	£	
Beer ...	183,973	187,468	766,880	40,324	56,527	20,548	555,720
Spirits ...	114,855	114,362	63,450	44,784	10,397	3,915	351,763
Starch ...	9,216	9,238	2,907	1,835	1,828	893	25,917
Sugar ...	266,876	226,638	103,272	63,788	46,238	35,116	741,928
Tobacco ...	265,128	163,937	70,233	48,100	53,129	18,072	618,599
Licenses ...	2,542	2,750	2,895	1,132	806	125	10,250
Agric. machinery ...	...	41	...	26	...	...	67
Total Excise ...	842,590	704,434	309,637	199,989	168,925	78,669	2,304,244

Of the total Excise revenue collected, beer, spirits, and tobacco were responsible for rather more than 66 per cent. The figures given in this table are those obtained after deducting drawbacks and refunds and making the necessary adjustments between the States in connection with goods produced or manufactured in one State and consumed in another.

The amount of £67 shewn in the above table under the head of agricultural machinery was collected under the provisions of Act No. 16 of 1906, which imposed Excise duties on agricultural machinery but provided that the Act should not apply to goods manufactured under certain conditions of remuneration of labour. In June, 1908, a judgment was delivered by the High Court to the effect that the Act was not authorised by the Constitution, and instructions were then issued that moneys collected under the Act may be refunded.

10. **Excise Collections, 1901 to 1907-8.**—Particulars concerning the amount of Excise collected under each head from the inauguration of Federation to 30th June, 1908, are given hereunder:—

COMMONWEALTH EXCISE REVENUE, 1901 to 1907-8.

Particulars.	Half-Yr. to 30th June, 1901.	1901-2.	1902-3.	1903-4.	1904-5.	1905-6.	1906-7.	1907-8.
	£	£	£	£	£	£	£	£
Beer ...	83,120	519,790	500,464	483,351	491,492	502,399	513,473	555,720
Spirits	4,742	198,055	225,712	249,717	262,035	276,516	285,295	351,763
Starch	...	1,766	18,937	21,206	22,471	24,597	27,321	25,917
Sugar	...	189,545	261,517	272,117	503,627	536,079	546,590	741,928
Tobacco	110,374	304,954	453,171	491,434	516,761	560,409	604,960	618,599
Licenses	760	10,239	11,806	10,199	10,552	10,106	10,043	10,250
Agric. mach'y	...	...	...	...	...	...	...	67
Total Excise	198,996	1,224,349	1,471,607	1,528,024	1,806,938	1,910,106	1,987,682	2,304,244

Comparing the Excise collections for 1907-8 with those for 1901-2 it will be seen that whilst the revenue obtained from spirits, sugar, and tobacco increased rapidly during the period, that derived from beer and from starch increased moderately, while the revenue from licenses was practically the same in 1907-8 as in 1901-2.

11. **Commonwealth Taxation.**—Under section 51, sub-section (ii.) of the Constitution, power is given to the Commonwealth Parliament to make laws with respect to taxation, but so as not to discriminate between States or parts of States. Section 90 of the Constitution makes the power of the Commonwealth Parliament to impose Customs and Excise duties an exclusive one, but it would appear that as regards all other forms of taxation the States and Commonwealth possess concurrent powers. The question of the imposition by the Commonwealth Parliament of direct taxes such as land and income taxes is one which has been the subject of considerable discussion, and the opinion has been expressed that the intention of the framers of the Constitution was that of restricting the taxation powers of the Commonwealth to the imposition of Customs and Excise duties except in cases of great national peril. Whatever the intention of the framers may have been in this matter, the Constitution itself contains no such provision, and the Commonwealth Parliament is given an absolutely free hand in the imposition of taxation. Up to the present time the only taxes so levied have been those of Customs and Excise, referred to in detail in the foregoing paragraphs. The total amounts obtained from these two sources in respect of each of the States since the inauguration of Federation are given hereunder:—

COMMONWEALTH TAXATION, 1901 to 1907-8.

Year.	Customs and Excise Revenue Collected in respect of—						Total for Commonwealth.
	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tasmania.	
Half-year to 30/6/01	£	£	£	£	£	£	£
1901-2	1,019,008	1,356,099	710,830	351,953	491,371	221,328	4,150,589
1902-3	2,812,731	2,376,524	1,297,663	698,647	1,335,614	373,140	8,894,819
1903-4	3,478,742	2,499,014	1,260,934	639,756	1,396,002	360,607	9,685,055
1904-5	3,229,786	2,443,505	1,131,761	699,792	1,258,725	342,189	9,105,758
1905-6	3,033,617	2,488,842	1,095,476	678,930	1,172,064	330,651	8,799,530
1906-7	3,233,922	2,537,070	1,183,244	688,041	1,030,813	326,395	8,999,485
1907-8	3,573,313	2,719,431	1,277,914	781,326	952,617	343,455	9,648,556
1907-8	4,614,662	3,212,138	1,498,131	1,012,086	998,930	409,405	11,645,352

12. **Taxation per Head.**—In the following table are given particulars concerning the amount of Commonwealth taxation per head of population contributed by the several States during the period from 1st January, 1901, to 30th June, 1908:—

COMMONWEALTH TAXATION PER HEAD, 1901 to 1907-8.

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

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

COMMONWEALTH POSTAL REVENUE, 1901 to 1907-8.

Year.	Postal Revenue Collected in respect of—						Total for Commonwealth.
	N.S.W.	Victoria.	Qld.	S. Aust.	W. Aust.	Tas.	
Four mths. to 30/6/01	£	£	£	£	£	£	£
1901-2 ...	276,936	177,931	95,586	90,703	67,735	31,774	740,665
1902-3 ...	873,312	591,470	312,905	277,812	225,752	91,610	2,372,861
1903-4 ...	906,798	622,700	300,737	255,214	225,244	94,037	2,404,730
1904-5 ...	941,529	650,583	324,013	258,461	230,858	104,759	2,510,203
1905-6 ...	980,151	683,480	331,774	266,719	257,503	112,924	2,632,551
1906-7 ...	1,065,633	735,563	359,752	291,929	252,741	118,730	2,824,348
1907-8 ...	1,191,489	797,972	422,346	327,269	259,688	129,810	3,128,574
1907-8 ...	1,278,107	834,367	451,075	338,193	266,510	131,844	3,300,096

A comparison of the figures for 1907-8 with those for 1901-2 indicates a substantial increase in the postal revenue of all the States, ranging from 46 per cent. in the case of New South Wales to 18 per cent. in that of Western Australia for the period of six years, and representing for the whole Commonwealth an increase of 39 per cent.

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

COMMONWEALTH POSTAL REVENUE PER HEAD, 1901-2 to 1907-8.

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

15. **Details of Postal Revenue, 1907-8.**—Particulars relative to postal revenue are, in the Treasury statements, now classified under six heads:—(i.) private boxes and bags; (ii.) commission on money orders and postal notes; (iii.) telegraphs; (iv.) telephones; (v.) postage, and (vi.) miscellaneous. Details under these heads concerning the revenue collected in respect of the several States for the year ended 30th June, 1908, are given hereunder:—

COMMONWEALTH POSTAL REVENUE, 1907-8.

Particulars.	Postal Revenue Collected in respect of—						Total for Commonwealth.
	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tas.	
	£	£	£	£	£	£	£
Private boxes and bags ...	6,561	2,960	2,723	1,245	1,592	787	15,863
Commission—Money orders and postal notes ...	39,008	23,915	11,067	6,093	9,991	4,550	94,624
Telegraphs ...	206,038	143,627	107,800	96,864	76,158	19,291	650,426
Telephones ...	161,016	122,434	46,103	34,386	32,791	14,011	410,741
Postage ...	834,915	522,994	270,654	185,506	138,520	91,183	2,043,777
Miscellaneous ...	29,921	18,437	12,728	14,099	7,458	2,017	84,660
Total ...	1,278,107	834,367	451,075	333,193	266,510	131,344	3,300,096

16. **Details of Postal Revenue, 1901 to 1907-8.**—Particulars concerning the postal revenue of the Commonwealth for each of the years which have elapsed since the date of Federation are contained in the following table. Owing to the change in classification of postal revenue, which took place in 1903-4, full details for the earlier years are not available:—

COMMONWEALTH POSTAL REVENUE, 1901 to 1907-8.

Particulars.	1st March to 30th June, 1901.	1901-2.	1902-3.	1903-4.	1904-5.	1905-6.	1906-7.	1907-8.
	£	£	£	£	£	£	£	£
Private boxes and bags ...	2,647	17,904	16,517	15,491	15,791	14,975	15,933	15,868
Commission— Money orders and postal notes	24,860	83,759	78,624	81,456	84,891	88,868	92,240	94,624
Telegraphs ...	708,037	2,208,346	2,264,262	498,957	525,054	565,422	598,167	650,426
Telephones ...				284,327	312,320	332,214	388,226	410,741
Postage ...	5,121	62,852	45,327	1,556,362	1,620,465	1,754,790	1,968,950	2,043,777
Miscellaneous ...				71,610	74,430	48,079	75,058	84,660
Total ...	740,665	2,372,861	2,404,730	2,510,203	2,632,551	2,824,348	3,128,574	3,300,096

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

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

COMMONWEALTH PATENTS REVENUE, 1903-4 to 1907-8.

Year.	Patents Revenue Credited to—						Total for Common- wealth.
	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tas.	
	£	£	£	£	£	£	
1903-4 (June only) ...	436	432	226	170	120	134	1,518
1904-5 ...	2,035	2,899	1,621	1,244	1,129	1,631	10,559
1905-6 ...	6,532	6,609	3,803	2,407	2,318	2,767	23,936
1906-7 ...	4,976	4,702	2,908	1,772	1,997	1,662	18,017
1907-8 ...	5,424	4,631	2,590	1,607	1,755	1,414	17,421

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

18. **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 financial year 1906-7 was the first in which this item appeared in the Commonwealth accounts, the total amount received being £6390, credited as follows:—New South Wales, £2305; Victoria, £1896; Queensland, £955; South Australia, £594; Western Australia, £437; and Tasmania, £303. For the year 1907-8 the figures were:—New South Wales, £3242; Victoria, £2568; Queensland, £1112; South Australia, £807; Western Australia, £546; Tasmania, £382; total for Commonwealth, £8657.

19. **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 1907-8 amounted to only £13,565.

20. **New Revenue.**—Under this head are included receipts in connection with exemption certificates under the Immigration Restriction Act, High Court fees, industrial fees, examination fees, forfeited electoral deposits, etc. The Surplus Revenue Act passed in 1908 defines the term "New Revenue," and authorises the Treasurer to decide what items of revenue should be carried to this head. This revenue is divided amongst the States *per capita*. The total revenue of this nature collected during 1907-8 was £25,837.

(C) **Expenditure.**

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

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

Of these three, only the two first are actual expenditure, the last being merely a transfer, the actual expenditure being incurred by the States. In accordance with the provisions of the Constitution the expenditure on transferred services is debited to the several States in respect of which such expenditure has been incurred, while the expenditure on new services is distributed *per capita*. Surplus Commonwealth revenue is 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 has been regarded as expenditure on new services and has been distributed amongst the States *per capita*.

2. **Expenditure Debited to the Several States.**—The total expenditure by the Commonwealth Government during the period 1901 to 1907-8 and the amounts debited to the several States are shewn in the following table:—

COMMONWEALTH EXPENDITURE, 1901 to 1907-8.

State to which Debited.	Half-year to 30/6/1901.	1901-2.	1902-3.	1903-4.	1904-5.	1905-6.	1906-7.	1907-8.
	£	£	£	£	£	£	£	£
N.S.W.	409,391	1,312,534	1,342,929	1,485,095	1,492,671	1,572,901	1,756,986	2,199,283
Victoria	360,026	1,056,771	1,018,829	1,098,015	1,166,532	1,198,382	1,336,589	1,686,028
Q'sland	224,029	706,611	652,662	656,089	675,474	691,898	768,201	929,350
S. Aust.	111,378	358,259	367,392	404,577	402,135	425,792	468,886	564,088
W. Aust.	114,178	339,589	365,038	424,495	400,565	415,143	441,533	518,997
Tas. ...	77,051	158,982	154,521	184,248	185,452	193,426	215,122	264,383
Cwth.	1,296,053	3,932,746	3,901,371	4,252,519	4,322,829	4,497,542	4,987,317	6,162,129

In all the States the expenditure for 1907-8 was higher than that for any preceding year, and was considerably higher than the expenditure for 1901-2. New South Wales, with an advance of £886,749, exhibited the largest numerical and also the largest proportional increase, the latter amounting to no less than 67½ per cent. Tasmania, whose expenditure increased by £105,401, had the next highest proportional increase, viz., 66 per cent.

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

COMMONWEALTH EXPENDITURE PER HEAD, 1901 to 1907-8.

State.	Half-year to 30/6/1901.	1901-2.	1902-3.	1903-4.	1904-5.	1905-6.	1906-7.	1907-8.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
N.S.W.	0 6 1	0 19 1	0 19 2	1 0 10	1 0 6	1 1 1	1 3 0	1 8 0
Victoria	0 6 0	0 17 5	0 16 10	0 18 2	0 19 3	0 19 8	1 1 8	1 7 0
Q'island	0 9 0	1 7 11	1 5 7	1 5 5	1 5 11	1 6 2	1 8 8	1 14 4
S. Aust.	0 6 2	0 19 7	1 0 0	1 1 11	1 1 7	1 2 6	1 4 5	1 8 9
W. Aust.	0 12 5	1 15 0	1 14 3	1 17 5	1 13 1	1 12 7	1 13 9	1 19 8
Tas.	0 8 11	0 18 3	0 17 5	1 0 6	1 0 7	1 1 4	1 3 11	1 8 9
Cwth.	0 6 10	1 0 7	1 0 1	1 1 8	1 1 8	1 2 2	1 4 3	1 9 4

4. Details of Expenditure.—Details of the expenditure of the Commonwealth Government since the inauguration of Federation are given hereunder:—

COMMONWEALTH EXPENDITURE, 1901 to 1907-8.

Heads of Expenditure.	Half-Year to 30th June, 1901.	1901-2.	1902-3.	1903-4.	1904-5.	1905-6.	1906-7.	1907-8.
	£	£	£	£	£	£	£	£
Transferred expenditure (incl. new works, etc.)—								
Trade & Customs	121,444	260,322	272,622	264,617	258,331	262,058	263,625	286,113
Defence ...	233,515	934,646	746,526	635,936	907,827	949,595	1,010,013	1,306,598
Postal ...	809,839	2,461,916	2,563,617	2,692,305	2,694,244	2,776,940	2,948,785	3,313,565
Sundry depts. ...	...	...	...	...	...	...	...	52
Refds & Advances	...	...	3,042	30	118	25	778	15,689
"Other" expenditure (excl. new works, etc.)—	131,255	275,862	315,564	459,571	462,309	508,924	764,116	1,240,112
Total ...	1,296,053	3,932,746	3,901,371	4,252,519	4,322,829	4,497,542	4,987,317	6,162,129

During the six years between 1901-2 and 1907-8 the total cost of the several departments increased from £3,932,746 to £6,162,129, an increase of £2,229,383, or about 57 per cent. The expenditure in the Department of Trade and Customs increased during the period by only £25,791, or about 10 per cent., but the advances under the other heads were very extensive, amounting to £361,952, or 39 per cent. in the case of Defence; £851,701, or 35 per cent., in that of the Postal Department; and no less than £964,250, or 350 per cent., in the case of "other" expenditure, exclusive of new works, etc. It should be noted in this connection, however, that the increase of £851,701 in the postal expenditure was accompanied by an increase of £927,235 in the postal revenue, and that a very considerable portion of the increase in "other" expenditure was due to the payment of sugar bounties, which amounted to £584,622 in 1907-8, as against *nil* in 1901-2, and to the provision of £193,621 towards the Old Age Pension scheme to come into force on 1st July, 1909.

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

COMMONWEALTH EXPENDITURE ON "NEW WORKS, ETC.," 1901-2 to 1907-8.

Departments.	1901-2.	1902-3.	1903-4.	1904-5.	1905-6.	1906-7.	1907-8.
	£	£	£	£	£	£	£
Trade & Customs	150	53	3,467	1,980	1,814	1,162	8,972
Defence ...	57,265	22,064	113,243	200,259	171,633	195,159	440,918
Postal ...	37,149	135,699	187,809	131,829	146,575	275,737	427,006
Sundry depts. ...	...	...	...	...	...	...	52
Total ...	94,564	157,816	304,519	334,068	320,022	472,058	876,948

It will be seen that the Commonwealth expenditure under this head has increased rapidly in recent years, the total for 1907-8 being nearly five and a-half times as great as that for 1902-3.

6. "Other" Expenditure.—In accordance with sections 89 and 93 of the Constitution, all expenditure of the Commonwealth other than that incurred solely for the maintenance or continuance as at the time of transfer of any department transferred from the State to the Commonwealth, is required to be apportioned to the several States, each being debited "according to the number of its people." In consequence of this provision all expenditure in connection with transferred departments on account of central office staffs is charged as "other" or new expenditure, and not as "transferred" expenditure. The effect of this is that the ordinary statement in which division is made into "transferred" and "other" expenditure does not, for the purpose of comparison, furnish such complete information as could be desired. It has therefore been deemed expedient to rearrange the items so as to obtain a more accurate statement of the cost of the several branches of the Commonwealth service. In this rearrangement the figures given for 1901-2 represent the cost of service actually rendered in that year, while those for 1902-3 and subsequent years represent in each case the payments made in the respective years. This has been done in order that a fair comparison might be instituted with succeeding years, 1901-2 having borne the very heavy arrears of the initial six months of Federation, and those attaching to the transferred departments at the date of transfer.

7. Cost of Departments, etc.—Prepared in the manner indicated in the preceding paragraph, the cost of the several branches of the Commonwealth service for the years 1901-2 to 1907-8 was as follows:—

COST OF COMMONWEALTH DEPARTMENTS, ETC., 1901-2 to 1907-8.

Departments, etc.	1901-2.	1902-3.	1903-4.	1904-5.	1905-6.	1906-7.	1907-8.
	£	£	£	£	£	£	£
Governor-General ...	23,185	14,832	16,793	17,170	23,759	18,612	18,927
Parliament ...	122,796	103,939	192,354	149,934	132,527	177,061	153,414
External Affairs ...	32,876	34,518	31,953	36,516	39,484	67,241	55,061
Attorney-General ...	2,680	2,627	16,347	18,583	20,894	27,609	32,216
Home Affairs...	12,232	32,967	32,613	35,013	35,643	41,385	61,590
Treasury ...	10,466	14,111	14,625	15,993	17,528	17,768	20,413
Trade and Customs ...	262,503	339,633	370,368	406,041	442,614	634,328	914,973
Defence ...	861,218	766,880	855,764	934,593	970,345	1,035,795	1,334,744
Postmaster-General...	2,389,815	2,568,846	2,697,454	2,699,667	2,784,664	2,966,098	3,359,290
All other Expenditure	15,397	18,018	24,248	9,514	30,094	1,420	211,511
Total ...	3,733,218	3,901,371	4,252,519	4,322,829	4,497,542	4,987,317	6,162,129

The largeness of the expenditure under the head of Parliament in the years 1903-4 and 1906-7 was in great measure due to the fact that the general elections were held in these years, while the expenditure in connection with the sugar bounties is

mainly responsible for the rapid increase which has taken place in the cost of the Department of Trade and Customs. More detailed reference to the items included under the above general heads is furnished in the succeeding paragraphs.

8. **Governor-General.**—In section 3 of the Constitution it is enacted that, until the Commonwealth Parliament otherwise provides, there shall be payable out of the Consolidated Revenue Fund for the salary of the Governor-General an annual sum of ten thousand pounds, and a proviso is made that the salary of the Governor-General shall not be altered during his continuance in office. The total expenditure in connection with the Governor-General and his establishment for the seven years 1901-2 to 1907-8 is as follows:—

EXPENDITURE, GOVERNOR-GENERAL AND ESTABLISHMENT, 1901-2 to 1907-8.

Details.	1901-2.	1902-3.	1903-4.	1904-5.	1905-6.	1906-7.	1907-8.
	£	£	£	£	£	£	£
Salary ...	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Royal visit ...	10,000	—	—	—	—	—	—
Repairs, etc., Govt. Houses	2,553	2,405	5,991	5,869	5,625	6,232	6,034
Contingencies	6,632	2,427	802	1,301	8,134	2,380	1,893
Total ...	29,185	14,832	16,793	17,170	23,759	18,612	18,927

The expenses connected with the Royal visit were responsible for the largeness of this item in 1901-2, while the heavy charge under the head of Contingencies in 1905-6 was to some extent due to payment of arrears of travelling expenses.

9. **Parliament.**—Under this head have been grouped all the items of expenditure connected with the Parliamentary Government of the Commonwealth, including the salaries of the Ministers and the allowances to senators and members of the House of Representatives. Details for the seven years 1901-2 to 1907-8 are furnished in the table given hereunder:—

EXPENDITURE, COMMONWEALTH PARLIAMENT, 1901-2 to 1907-8.

Details.	1901-2.	1902-3.	1903-4.	1904-5.	1905-6.	1906-7.	1907-8.
	£	£	£	£	£	£	£
Salaries of Ministers ...	12,000	12,000	11,929	12,000	12,000	11,947	12,000
Allowances to Senators ...	14,437	14,344	14,263	14,400	14,400	14,367	19,446
Allowances to Members of House of Representatives	29,918	30,000	28,259	30,025	30,000	27,389	41,231
Officers, staff, contingencies, etc. ...	30,317	27,878	28,236	28,964	29,309	27,745	32,273
Repairs, maintenance, etc.	1,983	200	782	991	170	846	672
Printing ...	22,621	13,332	14,891	14,306	16,615	12,346	19,139
Travelling expenses of Members and others ...	8,659	7,553	8,966	8,548	8,425	9,373	8,982
Insurance ...	312	337	342	342	342	342	342
Electoral Office ...	773	1,207	3,638	3,581	2,934	5,085	5,824
Election expenses ...	1,776	522	47,388	2,555	1,925	36,113	4,080
Referendum ...	...	...	...	...	...	793	...
Administration of Electoral Act ...	...	1,566	33,660	34,222	16,408	30,715	9,425
Total ...	122,796	108,939	192,354	149,934	132,528	177,061	153,414

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

10. **External Affairs.**—Since the establishment of the Commonwealth the portfolio taken by the Prime Minister has, with two exceptions, been that of Minister of State for External Affairs. Under the control of this department is placed the expenditure in connection with the Executive Council, the London Office, and Papua: Particulars for the seven years 1901-2 to 1907-8 are as follows:—

EXPENDITURE, EXTERNAL AFFAIRS DEPARTMENT, 1901-2 to 1907-8.

Details.	1901-2.	1902-3.	1903-4.	1904-5.	1905-6.	1906-7.	1907-8.
	£	£	£	£	£	£	£
Chief Office ...	7,718	9,491	8,308	7,500	7,500	9,248	9,172
Executive Council	1,263	1,477	1,103	830	836	887	870
London Office ...	...	...	...	...	673	1,559	2,215
Papua ...	20,000	20,000	20,000	21,003	20,000	23,626	25,084
Rents, repairs, &c.	1,732	377	142	191	437	498	469
Miscellaneous ...	2,163	3,173	2,400	6,992	10,038	31,423	17,251
Total ...	32,876	34,518	31,953	36,516	39,484	67,241	55,061

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 expended in 1904-5, 1906-7, and 1907-8. 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 seven years 1901-2 to 1907-8 are as follows:—

PAPUAN REVENUE, 1901-2 to 1907-8.

Details.	1901-2.	1902-3.	1903-4.	1904-5.	1905-6.	1906-7.	1907-8.
	£	£	£	£	£	£	£
Customs dues ...	13,161	13,420	17,911	15,692	15,990	15,924	18,206
Other collections	3,707	5,687	4,316	3,582	4,246	5,889	7,813
C'wealth grant	20,000	20,000	20,000	20,000	20,000	20,000	25,000
Total ...	36,868	39,107	42,227	39,274	40,236	41,813	51,019

One of the largest items of Papuan expenditure is the maintenance, etc., of vessels and boats, including the steam yacht "Merrie England," the total outlay under this head for 1907-8 being no less than £10,072. The expenditure on public justice for 1907-8 totalled £10,364, comprising "magistrates, etc.," £4782; "armed native constabulary," £3405, and gaols, £2177. The total expenditure for each of the seven years 1901-2 to 1907-8 was as follows:—

PAPUAN EXPENDITURE, 1901-2 to 1907-8.

Particulars.	1901-2.	1902-3.	1903-4.	1904-5.	1905-6.	1906-7.	1907-8.
	£	£	£	£	£	£	£
Total expenditure	38,467	37,577	35,492	36,217	41,804	45,336	48,525

12. **Attorney-General's Department.**—The rapid growth during recent years in the expenditure connected with this Department has been brought about in large measure by the creation and subsequent extension of the Federal High Court, the total cost of which for the year 1907-8 amounted to £22,522. Details for the seven years 1901-2 to 1907-8 are furnished hereunder:—

EXPENDITURE, ATTORNEY-GENERAL'S DEPARTMENT, 1901-2 to 1907-8.

Details.	1901-2.	1902-3.	1903-4.	1904-5.	1905-6.	1906-7.	1907-8.
	£	£	£	£	£	£	£
Attorney-General's Office	2,575	2,475	2,443	2,626	3,219	3,540	4,286
Crown Solicitor's Office...	...	...	1,687	1,816	1,922	2,613	2,993
Salaries of Justices of High Court ...	...	...	7,023	9,500	9,500	18,815	15,500
High Court expenses ...	...	...	3,791	4,078	5,697	6,063	7,022
Court of Conciliation and Arbitration ...	...	...	...	23	75	505	708
Rent, repairs, etc. ...	30	77	1,403	540	469	1,073	1,707
Miscellaneous...	75	75	...	...	...	...	...
Total ...	2,680	2,627	16,347	18,583	20,882	27,609	32,216

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. Particulars for the seven years 1901-2 to 1907-8 are as follows:—

EXPENDITURE, HOME AFFAIRS DEPARTMENT, 1901-2 to 1907-8.

Details.	1901-2.	1902-3.	1903-4.	1904-5.	1905-6.	1906-7.	1907-8.
	£	£	£	£	£	£	£
Chief Office ...	4,000	6,938	7,124	8,219	8,279	8,864	9,257
Public Service Commr.	292	11,605	13,519	13,973	13,759	12,738	14,818
Public Works ...	408	1,755	3,391	6,175	9,099	9,825	10,570
Census and Statistics	...	...	...	...	...	5,007	9,781
Meteorological Bureau	...	...	...	...	...	888	9,182
Rents, repairs, etc. ...	3,570	5,379	3,565	4,430	2,592	3,731	5,819
Miscellaneous ...	4,012	7,290	5,014	2,216	1,914	332	2,153
Total ...	12,232	32,967	32,613	35,013	35,643	41,385	61,580

14. **Treasurer's Department.**—The sub-departments under the control of the Commonwealth Treasurer are the Treasury and the Audit Office. Details of the expenditure of this department for each of the seven years 1901-2 to 1907-8 are furnished hereunder:—

EXPENDITURE, TREASURER'S DEPARTMENT, 1901-2 to 1907-8.

Details.	1901-2.	1902-3.	1903-4.	1904-5.	1905-6.	1906-7.	1907-8.
	£	£	£	£	£	£	£
Treasury ...	4,592	7,024	7,387	7,710	8,464	8,960	10,259
Audit ...	3,923	5,739	6,046	6,334	6,698	7,003	7,804
Rents, repairs, etc. ...	904	941	664	1,272	1,349	1,285	1,751
Miscellaneous ...	1,047	407	528	627	1,017	520	599
Total ...	10,466	14,111	14,625	15,993	17,528	17,768	20,418

15. **Trade and Customs.**—Under this head have been included the expenditure of all the sub-departments under the control of the Minister of Trade and Customs, as well as the amounts payable as sugar bounties and the expenses in connection therewith. The large increase in the total expenditure which these figures exhibit for recent years has been due in a large measure to the increased amount payable in respect of sugar bounties. Particulars for the seven years 1901-2 to 1907-8 are given in the following table:—

EXPENDITURE, TRADE AND CUSTOMS, 1901-2 to 1907-8.

Details.	1901-2.	1902-3.	1903-4.	1904-5.	1905-6.	1906-7.	1907-8.
	£	£	£	£	£	£	£
Chief Office... ..	3,694	6,175	6,189	6,251	6,625	7,449	10,880
Customs (ordinary) ...	251,285	260,062	249,853	241,173	243,074	244,574	255,531
Patents ... ..	...	...	1,489	8,051	8,915	10,017	12,960
Trade Marks & Copy'ts. ...	...	...	...	...	1,401	3,998	4,954
Audit (proportion) ...	1,557	4,620	4,850	4,601	4,259	4,053	6,153
Quarantine ... ..	...	...	...	...	...	...	53
Pensions and retiring allowances	689	346	1,973	4,541	5,196	6,194	6,586
Rents, repairs, etc. ...	5,035	7,169	5,332	7,589	9,357	9,144	10,648
Sugar bounties & expns. ...	...	60,827	97,045	128,178	154,709	335,916	584,622
Bounties ... ..	...	...	...	...	...	...	176
New works, etc. ...	150	53	3,467	1,980	1,814	1,162	8,972
Miscellaneous	93	381	170	3,677	7,264	11,821	13,437
Total ...	262,503	339,633	370,368	406,041	442,614	634,328	914,972

16. **Cost of Collection.**—Excluding from the above the expenditure incurred in connection with Patents, Trade Marks, Copyrights, Quarantine and Sugar and other Bounties, the balance may be considered as representing approximately the cost entailed by the collection of the Customs and Excise revenue of the Commonwealth. Details for the seven years 1901-2 to 1907-8 are as follows:—

COST OF CUSTOMS AND EXCISE COLLECTION, 1901-2 to 1907-8.

Particulars.	1901-2.	1902-3.	1903-4.	1904-5.	1905-6.	1906-7.	1907-8.
	£	£	£	£	£	£	£
Gross Customs & Excise revenue	8,894,319	9,635,055	9,105,758	8,799,530	8,999,485	9,643,556	11,645,352
Cost of collection	262,503	273,806	271,834	269,312	277,589	284,397	312,207
Net revenue	8,631,816	9,406,249	8,833,924	8,529,718	8,721,896	9,364,159	11,333,145
Percentage of cost of collection on gross revenue	2.95%	2.88%	2.99%	3.07%	3.08%	2.95%	2.68%

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

17. **Defence.**—The Commonwealth expenditure in connection with Defence, which in 1901-2 amounted to £861,218, had by 1907-8 grown to £1,334,744, the principal factors of this increase being the expenditure in connection with naval matters and that on new works, rifles, etc. Particulars for the seven years 1901-2 to 1907-8 are as follows:—

EXPENDITURE, DEFENCE, 1901-2 to 1907-8.

Details.	1901-2.	1902-3.	1903-4.	1904-5.	1905-6.	1906-7.	1907-8.
	£	£	£	£	£	£	£
Chief Office ...	11,717	19,747	19,128	20,716	18,832	19,246	21,934
Military ...	586,317	517,361	458,937	490,713	500,377	535,178	577,627
Naval ...	172,246	149,701	237,214	196,728	245,778	250,200	254,069
Audit (proportion) ...	446	1,422	929	789	754	802	809
Pensions and retiring allowances ...	...	934	670	712	907	974	974
Rents, repairs, etc. ...	26,516	22,796	24,551	23,923	29,732	27,386	32,023
New works, etc. ...	53,321	22,064	113,242	200,259	171,633	195,159	440,918
Miscellaneous ...	10,655	32,855	1,093	758	2,332	6,850	6,390
Total ...	861,218	766,880	855,764	934,598	970,345	1,035,795	1,334,744

18. **Postal.**—From a total of £2,383,815 in 1901-2 the cost of the department under the control of the Postmaster-General advanced to £3,345,840 in 1907-8, an increase of £962,025. Of this increase the ordinary cost of working the department was responsible for £530,057, while the expenditure on new works, etc., advanced by £389,857. Details for the seven years 1901-2 to 1907-8 are furnished hereunder:—

EXPENDITURE, POSTAL DEPARTMENT, 1901-2 to 1907-8.

Details.	1901-2.	1902-3.	1903-4.	1904-5.	1905-6.	1906-7.	1907-8.
	£	£	£	£	£	£	£
Chief Office ...	5,059	4,908	4,788	5,184	6,484	8,125	9,664
Postal Dept. (ordinary) ...	2,304,689	2,369,382	2,450,638	2,505,828	2,574,210	2,618,767	2,848,196
Audit (proportion) ...	693	2,433	2,267	2,145	1,755	2,194	1,985
Pensions and retiring allowances ...	1,988	3,862	4,556	8,091	12,768	16,573	19,419
Rents, repairs, etc. ...	33,470	50,146	42,035	42,916	40,550	43,235	49,257
New works, etc. ...	37,149	135,699	187,809	131,829	146,575	275,737	427,006
Miscellaneous ...	767	2,416	5,361	3,674	2,322	1,467	3,763
Total ...	2,383,815	2,568,846	2,697,454	2,699,667	2,784,664	2,966,098	3,359,290

19. **Miscellaneous.**—In addition to the foregoing there are certain items which do not come under any of the heads enumerated. For 1907-8 these comprised an expen-

diture of £1104 on machinery and plant for the printing office; £689 as refund of fines under the Immigration Restriction Act; £176 for bounties other than sugar; £15,000 as advance for money order purposes; £1044 towards survey of transcontinental railway route; and a provision of £193,621 towards the payment of old-age pensions.

) Surplus Revenue Paid to States.

1. **Net Revenue.**—As mentioned in sub-section 1 of this section, the Constitution provides under sections 87, 93 and 95 for the payment to the States of all surplus revenue of the Commonwealth, such payment to amount in the aggregate during the continuation of the Braddon clause to not less than three-fourths of the net revenue from Customs and Excise. The expression “net revenue” used in section 87 has been taken to mean the gross revenue less drawbacks and refunds, and in addition cost of collection. This view, adopted by the Commonwealth Government, is that indicated by Quick and Garran in their “Annotated Constitution of the Australian Commonwealth,” in which they say: “The net revenue from duties of Customs and Excise is the total receipts from these sources after deducting the cost of collection. No attempt is made in the Constitution to define the deductions which may be made in order to arrive at the net revenue; this is a matter of book-keeping, which is left wholly to the Executive Government.” In actual practice the statutory three-fourths of net Customs and Excise revenue is ascertained by the Commonwealth Treasury by deducting from the total Customs and Excise revenue (less drawbacks and refunds) the “transferred” expenditure of the Department of Trade and Customs and the expenditure on new works for that department, and taking three-fourths of the result.

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

PAYMENTS OF SURPLUS REVENUE, 1901 to 1907-8.

Year.	Payment on Account of Period.	Three-fourths of Net Customs and Excise Revenue.	Amount Paid to States out of the one-fourth retainable by Commonwealth.
	£	£	£
Half-year to 30th June, 1901 ...	3,599,702	3,021,857	577,845
1901-2 ...	7,364,236	6,475,495	888,741
1902-3 ...	8,204,563	7,059,329	1,145,234
1903-4 ...	7,373,479	6,633,147	745,332
1904-5 ...	7,142,769	6,407,483	735,286
1905-6 ...	7,384,383	6,554,473	829,910
1906-7 ...	7,845,574	7,039,573	806,001
1907-8 ...	8,856,905	8,526,165	330,740
Total ...	57,776,611	51,717,522	6,059,089

It will be seen from the foregoing table that during the seven and a-half years which elapsed since the foundation of the Commonwealth the surplus revenue returned to the States exceeded the statutory requirements by no less a sum than £6,059,089; in other words, the Commonwealth, during the period, returned to the States surplus revenue to the extent of about 84 per cent. of the net revenue from Customs and Excise instead of the 75 per cent. required under the Constitution.

3. **Payments to the Several States.**—In the following table are furnished particulars relative to the amounts actually paid to the several States on account of the half-year ended 30th June, 1901, and of each of the financial years 1901-2 to 1907-8:—

SURPLUS COMMONWEALTH REVENUE PAID TO STATES FOR 1901 to 1907-8.

State.	Half-y'ar to 30th June, 1901.	1901-2.	1902-3.	1903-4.	1904-5.	1905-6.	1906-7.	1907-8.	Aggre- gate, 1901-8.
	£	£	£	£	£	£	£	£	£
N.S.W. ...	887,573	2,381,735	3,048,091	2,691,287	2,532,156	2,741,929	3,025,187	3,617,472	20,925,378
Victoria ...	1,176,784	1,919,729	2,108,291	2,002,605	2,010,502	2,094,593	2,201,013	2,377,708	15,891,135
Queensland ...	582,688	904,891	911,129	804,325	755,705	858,462	938,935	1,088,267	6,794,402
S. Australia ...	331,671	619,838	579,316	551,710	553,295	562,000	644,564	791,664	4,634,058
W. Australia ...	444,929	1,221,948	1,256,924	1,064,035	1,031,223	871,960	774,382	751,735	7,417,636
Tasmania ...	176,057	316,100	300,815	264,517	250,888	255,529	261,043	280,059	2,114,008
Total ...	3,599,702	7,364,239	8,204,566	7,378,479	7,142,769	7,384,383	7,845,574	8,856,905	57,776,617

The surplus Commonwealth revenue paid on account of the year 1907-8 was higher than that paid on account of 1906-7 in the case of every State except Western Australia, where a decline of £23,147 was experienced. The payments on account of 1907-8 to New South Wales, Victoria, Queensland, and South Australia were the highest on record for those States, while Western Australia received its highest payments in 1902-3 and Tasmania in 1901-2. The largeness of the amount returned by the Commonwealth to the States in respect of 1907-8 was in great measure due to the increased Customs and Excise revenue collected under the new tariff of that year. Prior to 1907-8 the year 1902-3 was that on account of which the aggregate payment by the Commonwealth to the States was highest, caused to a great extent by the large amount collected in grain duties during that year.

4. **The Commonwealth Fourth of Net Customs and Excise Revenue.**—As noted in paragraph number two above, the Commonwealth has in each financial year paid to the States a considerable portion of the one-fourth of net Customs and Excise revenue which it was entitled under the Constitution to spend for its own purposes. The manner in which this extra payment was distributed amongst the several States from 1901 to 1907-8 is exhibited in the following table:—

PAYMENT TO STATES FROM COMMONWEALTH FOURTH OF NET CUSTOMS AND EXCISE REVENUE, 1901 to 1907-8.

State.	Half-y'ar to 30th June, 1901.	1901-2.	1902-3.	1903-4.	1904-5.	1905-6.	1906-7.	1907-8.	Aggre- gate, 1901-8.
	£	£	£	£	£	£	£	£	£
N.S.W. ...	145,070	319,771	491,859	327,337	306,166	371,023	400,937	292,121	2,654,284
Victoria ...	184,195	185,195	232,008	217,289	197,665	241,594	209,543	19,058	1,537,147
Q'land ...	70,525	20,188*	15,077	2,455*	28,811*	8,639	18,812	44,114*	17,485
S. Aust. ...	76,449	115,742	81,369	42,812	63,397	65,970	81,890	55,783	583,362
W. Aust. ...	87,904	244,232	235,977	144,890	177,628	124,922	84,521	27,573	1,127,647
Tasmania ...	13,702	43,989	38,344	15,459	19,241	17,762	10,298	—19,631*	139,164
Total ...	577,845	888,741	1,145,234	745,332	735,236	829,910	806,001	330,740	6,059,989

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

It will be seen that although the States as a whole received in each year more than three-fourths the net revenue from Customs and Excise, there were four occasions, viz., in 1901-2, 1903-4, 1904-5 and 1907-8 on which the amount returned to Queensland fell short of three-fourths of that State's net revenue from Customs and Excise, and one, viz., in 1907-8, on which the amount returned to Tasmania also exhibited a shortage.

For the whole period of seven and a-half years, however, each State received more than three-fourths of its net revenue from Customs and Excise, the largest aggregate excess being £2,654,284 in the case of New South Wales, and the smallest, £17,485, in that of Queensland.

5. Proportion Actually Paid.—For the period of seven and a half years from the 1st January, 1901, to 30th June, 1908, the percentage of net revenue from Customs and Excise duties paid to the several States was as follows:—New South Wales, 86 per cent.; Victoria, 83 per cent.; Queensland, 75 per cent.; South Australia, 86 per cent.; Western Australia, 88½ per cent.; Tasmania, 80 per cent.

(E) Interstate Customs and Excise Adjustments.

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

2. Interstate Adjustments for 1907-8.—Particulars for each of the States for the year ended 30th June, 1908; are furnished hereunder:—

INTERSTATE ADJUSTMENTS, 1907-8.

State.	Customs.		Excise.		Total Customs and Excise.		
	Credits.	Debits.	Credits.	Debits.	Credits.	Debits.	Net Results.
	£	£	£	£	£	£	£
New South Wales	299,673	415,571	76,799	127,929	376,472	543,499	Dr. 167,027
Victoria ...	151,595	547,773	37,519	162,535	189,114	710,308	Dr. 521,194
Queensland ...	238,898	28,928	86,524	13,343	325,332	42,271	Cr. 283,061
South Australia ...	170,010	121,611	49,582	30,313	219,592	151,924	Cr. 67,668
Western Australia	135,718	11,409	61,111	136	196,829	11,545	Cr. 185,284
Tasmania ...	144,527	15,039	31,704	8,984	176,231	24,023	Cr. 152,208
Total ...	1,140,331	1,140,331	343,239	343,239	1,483,570	1,483,570	—

3. Net Results, 1901-2 to 1907-8.—The net results of the interstate Customs and Excise adjustments for each of the seven years 1901-2 to 1907-8, since the imposition of uniform duties of Customs, are given in the following table.

It will be seen that Victoria and New South Wales are the principal distributing States, Victoria occupying the leading position, while Queensland, Western Australia, and Tasmania are the principal consuming States. South Australia occupies what may

be considered as a middle position, being both a distributor and a consumer on a large scale, though rather more of the latter than the former. The growth of Victoria as a distributing centre for the Commonwealth has been both continuous and rapid:—

INTERSTATE ADJUSTMENTS, 1901-2 to 1907-8.

State.	1901-2.	1902-3.	1903-4.	1904-5.	1905-6.	1906-7.	1907-8.
	£	£	£	£	£	£	£
New South Wales	Dr. 24,645	Dr. 75,608	Dr. 122,309	Dr. 117,953	Dr. 133,396	Dr. 150,215	Dr. 167,027
Victoria	Dr. 61,314	Dr. 196,152	Dr. 254,288	Dr. 316,006	Dr. 366,412	Dr. 424,828	Dr. 521,194
Queensland	Cr. 60,376	Cr. 114,935	Cr. 158,794	Cr. 175,510	Cr. 214,358	Cr. 247,719	Cr. 283,061
South Australia	Dr. 4,749	Cr. 21,184	Cr. 20,721	Cr. 28,498	Cr. 36,940	Cr. 37,724	Cr. 67,668
Westn. Australia	Cr. 1,766	Cr. 37,843	Cr. 90,442	Cr. 128,805	Cr. 135,918	Cr. 161,923	Cr. 185,284
Tasmania	Cr. 38,566	Cr. 97,798	Cr. 106,640	Cr. 101,146	Cr. 112,592	Cr. 127,677	Cr. 152,208

§ 3. Trust Fund.

1. **Trust Accounts.**—The Trust Fund credit balance on 30th June, 1908, amounted to £669,260, as compared with £158,141 for the corresponding date in the preceding year. Details concerning the various trust accounts contributing to this amount are as follows:—

COMMONWEALTH TRUST FUND, 30th JUNE, 1908.

Trust Accounts.	Balance at 30th June, 1908.	Trust Accounts.	Balance at 30th June, 1908.
	£		£
Harbour & Coastal Defence (naval)	250,000	Papua	287
C'wealth Ammunition Material	39	Officers' Assurance	258
Small Arms Ammunition	21,550	Defalcations	271
Defence Clothing Material	7,166	Guarantee Fund	8,691
Deferred Pay—military	989	Other Trust Moneys—	
Small Arms	8,062	Home Affairs	451
Unclaimed Militia Pay—military	1,279	Customs	53,054
" naval	361	Patents	118
Customs Officers' Overtime	625	Defence	2,252
Money Order	40,000	Post Office	40,678
Internat'n'l Postal & Money Order	5,563	Naval Agreement Act	219
Pacific Cable Board	43	Repatriation of Pacific Islanders	160
Government Printer	5,892	Treasury	78
Pensions, Departmental	27,553		
Invalid and Old Age Pensions	193,621	Total	669,260

An interesting feature of the balances at 30th June, 1908, is the inclusion of £250,000 set apart for naval purposes, and £193,621 for invalid and old age pensions. The constitutional right of the Commonwealth to treat moneys so allocated as part of the expenditure for the year, and consequently to exclude them from the surplus revenue returnable to the States, was contested in the High Court at the instance of the States, the verdict of the Court being in favour of the Commonwealth.

2. **Distribution.**—The amounts to credit of Trust Fund in the several States on 30th June, 1908, were as follows:—New South Wales, £297,159; Victoria, £166,613; Queensland, £120,161; South Australia, £38,523; Western Australia, £33,443, and Tasmania, £13,361. The total credit balance of £669,260 was held in the following manner:—On fixed deposit, £53,000; Savings Bank deposit, £31; advances to Postal Department, £40,002; held in London, £150; on current account, £572,328.