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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. In the case of Quarantine, an Act (No. 3 of 1908) has been passed and control has tentatively been assumed by the Commonwealth, but the proclamation formally transferring the Quarantine Departments to the Commonwealth has not yet been issued.

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

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

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

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

4. Commonwealth Departments.—As a result of legislation passed from time to time, in accordance with section 51, various departments and sub-departments have been transferred from the States to the Commonwealth, whilst other departments necessary for the due performance of the Commonwealth functions have been brought into existence. In the former class are such departments as those of Patents, Trade Marks, Copyrights, Designs, Naturalisation and Meteorology, while in the latter are the Ministerial Departments of External Affairs, Home Affairs, Treasury, Trade and Customs, Defence, Attorney-General and Postmaster-General, as well as such general departments as Public Service Commissioner's Office, Treasury, Audit, 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 and 1908-9 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, 1907-8, and 1908-9, 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, and 1908-9, also fell short of three-fourths of the net Customs and excise Revenue collected in respect of that State, while a similar shortage occurred in the latter year in Victoria and Western Australia.

7. The "Book-keeping System."—The scheme set forth in the Constitution for determining the amount to be paid to the several States is contained in sections 89 and 93, the former of which relates to the period prior to the imposition of uniform duties of Customs, the latter to the first five years after the imposition of such duties, and thereafter until Parliament otherwise provides. The principle involved in this scheme is that of crediting each State with the Commonwealth revenue collected in respect of that State, and of debiting it with the expenditure incurred on its behalf in connection with transferred departments, as well as its share on a *per capita* basis of the new expenditure of the Commonwealth. On this account the method of allocation provided by the Constitution 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 those debts calculated on a population basis, and to defray the interest payable in respect of such debts from the portions of the surplus revenue of the Commonwealth payable to the several States. The prospective savings in the matter of interest to be effected by means of the consolidation of the State debts formed a strong argument in pre-federal days for those supporting the federal movement. A drawback to the scheme provided for in the Constitution lay in the fact that under it the maximum amount of debt which could be assumed by the Commonwealth was slightly more than two hundred millions, as existing at the establishment of the Commonwealth, whereas since that date an addition of upwards of fifty millions had been made to the debts of the States. A Bill to provide for an amendment of the Constitution, allowing the Commonwealth unlimited power to assume States debts, was passed by the Federal Parliament in the session of 1909, and the requisite referendum in connection with the amendment will take place at the General Elections on 13th April, 1910.

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. Proposals 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, that the scheme of Sir John Forrest and that of Sir William Lyne were based mainly on the payment of a fixed annual sum, while the scheme agreed to by the Commonwealth and State authorities in conference in 1909 and subsequently approved by the Federal Parliament is based on the payment of a fixed annual amount (25s.) per head of population.

13. Interstate Conferences.—Since the establishment of the Commonwealth, conferences of State Ministers have been held from time to time, at which proposals for adjusting the financial relations between the States and the Commonwealth have been considered. At the conference held in Melbourne in October, 1906, and that held in Brisbane in May, 1907, the scheme put forward by Sir John Forrest was very fully discussed, and, in so far as the proposals for the allocation of surplus Commonwealth revenue are concerned, was, with some minor amendments, agreed to. The proposals made by Sir John Forrest for the transfer of State debts did not, however, meet with the approval of the conferences. After the retirement of Sir John Forrest from the Commonwealth Ministry, his scheme was abandoned by the Commonwealth Government. A fresh proposal by Sir William Lyne was substituted for it, and was considered by the Conference of Premiers held in Melbourne in 1908, who expressed their dissent from its provisions. A further Conference of Premiers was held in Hobart in March, 1909, at which a scheme was drawn up providing for the unlimited extension of the Braddon clause in an amended form, the amount returnable to the States to be not less than three-fifths of the gross revenue from Customs and Excise nor less than £6,750,000 in any one year, and a special concession to be made in the case of Western Australia. In August, 1909, a conference between Commonwealth and State authorities was held in Melbourne at which an agreement was arrived at between the Prime Minister of the Commonwealth and the Premiers of the several States. This agreement was subsequently made the basis of a bill proposing an amendment of the Federal Constitution, which, during the session of 1909 was passed by the statutory majority in both Houses of the Federal Parliament. The matter will consequently be submitted to referendum on 13th April, 1910, in connection with the general elections to be held on that date.

14. Terms of the Financial Agreement between Commonwealth and States.—The exact terms of the agreement arrived at between the Prime Minister and the several State Premiers are as follows :—

“In the public interests of the people of Australia, to secure economy and efficiency in the raising and the spending of their revenues, and to permit their Governments to exercise unfettered control of their receipts and expenditure, it is imperative that the financial relations of the Federal and State Governments—which, under the Constitution, were determined only in part and for a term of years—should be placed upon a sound and permanent basis.

"It is therefore agreed by the Ministers of State of the Commonwealth and the Ministers of the component States in conference assembled, to advise:—

1. "That to fulfil the intention of the Constitution by providing for the consolidation and transfer of State debts, and in order to insure the most profitable management of future loans by the establishment of one Australian stock, a complete investigation of this most important subject shall be undertaken forthwith by the Governments of the Commonwealth and the States. This investigation shall include the question of the actual cost to the States of transferred properties as defrayed out of loan or revenue moneys.
2. "That in order to give freedom to the Commonwealth in levying duties of Customs and Excise, and to assure to the States a certain annual income, the Commonwealth shall, after the first day of July, one thousand nine hundred and ten, pay monthly to the States a sum calculated at the rate of one pound five shillings per annum per head of population, according to the latest statistics of the Commonwealth.
3. "That in recognition of the heavy obligations incurred in the payment of old-age pensions, the Commonwealth may, during the current financial year, withhold from the moneys returnable to the States such sum (not exceeding Six hundred thousand pounds) as will provide for the actual shortage in the revenue at the end of the said year. If such shortage amounts to six hundred thousand pounds the basis of contribution by the States shall be three shillings per head of population in the pension States (viz., New South Wales, Victoria, and Queensland) and two shillings per head of population in the non-pension States (viz., South Australia, Western Australia, and Tasmania). If such shortage be less than six hundred thousand pounds the contributions shall be reduced proportionately per head of population as between the pension and the non-pension States.
4. "That in view of the large contribution to the Customs revenue *per capita* made by the State of Western Australia, the Commonwealth shall (in addition to the payment provided for in paragraph No. 2) make to such State special annual payments, commencing at two hundred and fifty thousand pounds in the financial year one thousand nine hundred and ten and One thousand nine hundred and eleven, and diminishing at the rate of ten thousand pounds per annum. The Commonwealth shall in each year deduct on a *per capita* basis from the moneys payable to the States of the Commonwealth an amount equal to one-half of the sum so payable to the State of Western Australia.
5. "That the Government of the Commonwealth bring before the Parliament during this session the necessary measure to enable an alteration of the Constitution (giving effect to the preceding paragraphs, Nos. 2, 3, and 4) to be submitted to the electors."

ALFRED DEAKIN, Prime Minister of the Commonwealth of Australia.

C. G. WADE, Premier of the State of New South Wales.

J. MURRAY, Premier of the State of Victoria.

W. KIDSTON, Premier of the State of Queensland.

A. H. PEAKE, Premier of the State of South Australia.

N. J. MOORE, Premier of the State of Western Australia.

N. E. LEWIS, Premier of the State of Tasmania.

Conference Chamber, State Parliament House,
Melbourne, 20th August, 1909.

§ 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 July, 1904, to 30th June, 1909, are contained in the following table:—

CONSOLIDATED REVENUE OF THE COMMONWEALTH, 1904-5 to 1908-9.

State to which Credited.	1904-5.	1905-6.	1906-7.	1907-8.	1908-9.
	£	£	£	£	£
New South Wales ...	4,021,310	4,314,829	4,782,122	5,816,755	5,621,958
Victoria ...	3,181,897	3,292,885	3,537,602	4,063,736	3,750,161
Queensland ...	1,430,755	1,550,360	1,707,136	1,967,618	1,989,540
South Australia ...	953,608	987,792	1,113,450	1,355,751	1,307,621
Western Australia ...	1,431,624	1,287,103	1,216,416	1,270,732	1,166,126
Tasmania ...	446,404	448,955	476,165	544,442	515,387
Commonwealth ...	11,465,598	11,881,924	12,832,891	15,019,034	14,350,793

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

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

COMMONWEALTH REVENUE PER HEAD OF POPULATION, 1904-5 to 1908-9.

State to which Credited.	1904-5.	1905-6.	1906-7.	1907-8.	1908-9.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
New South Wales ...	2 15 2	2 17 10	3 2 8	3 14 2	3 10 8
Victoria ...	2 12 7	2 14 1	2 17 5	3 5 1	2 19 0
Queensland ...	2 14 10	2 18 9	3 3 10	3 12 8	3 12 0
South Australia ...	2 11 2	2 12 3	2 18 0	3 9 1	3 4 3
Western Australia ...	5 18 2	5 1 0	4 12 11	4 17 2	4 7 4
Tasmania ...	2 9 7	2 9 7	2 12 10	2 19 2	2 15 6
Commonwealth ...	2 17 7	2 18 8	3 2 4	3 11 7	3 7 2

In three of the States, viz., Western Australia, Queensland, and New South Wales, the revenue per head for 1908-9 exceeded the average for the Commonwealth. Throughout the period under review the revenue per head has been highest in Western Australia and lowest in Tasmania, with a distinct tendency in evidence for the former to diminish and the latter to increase.

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

**PROPORTION OF REVENUE COLLECTED IN RESPECT OF EACH STATE,
1904-5 TO 1908-9.**

State.	1904-5.	1905-6.	1906-7.	1907-8.	1908-9.
	%	%	%	%	%
New South Wales ...	35.07	36.31	37.26	38.73	39.18
Victoria ...	27.75	27.71	27.57	27.06	26.13
Queensland ...	12.48	13.05	13.30	13.10	13.86
South Australia ...	8.32	8.32	8.68	9.03	9.11
Western Australia ...	12.49	10.83	9.48	8.46	8.13
Tasmania ...	3.89	3.78	3.71	3.62	3.59
Commonwealth ...	100.00	100.00	100.00	100.00	100.00

A comparison of the percentages for 1908-9 with those for 1904-5 reveals the fact that, whilst the proportion of the Commonwealth revenue contributed by New South Wales has during the five years increased considerably and the proportions contributed by Queensland and South Australia have increased moderately, those for Victoria, Western Australia, and Tasmania exhibit decreases, the extent of the decrease being most marked in the case of Western Australia, where a fall in percentage took place from 12.49 in 1904-5 to 8.13 in 1908-9. 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, 1908-9.

Particulars.	N.S.W.	Vic.	Q'land.	S.A.	W.A.	Tas.	Cwllth.
	%	%	%	%	%	%	%
Percentage on Commonwealth revenue	39.18	26.13	13.86	9.11	8.13	3.59	100.00
„ „ „ population	37.23	29.73	12.92	9.52	6.25	4.35	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 divergences occur in the cases of Western Australia and Tasmania.

4. **Details of Revenue, 1908-9.**—The principal revenue-producing departments of the Commonwealth are the Customs, Excise, and Postal, the Customs collections for 1908-9 representing more than 60 per cent. of the total revenue, Excise about 15½ per cent., and Postal nearly 24 per cent. Details of the Commonwealth revenue collected in respect of each State for the year 1908-9 are given in the following table:—

COMMONWEALTH REVENUE, 1908-9.

Source of Revenue.	Revenue Collected in respect of—						Total Revenue Collected by C'wealth Govt.
	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tasmania.	
	£	£	£	£	£	£	£
Customs ...	3,465,950	2,204,638	1,177,472	765,450	717,343	295,668	8,626,521
Excise ...	797,756	657,330	323,443	190,921	169,703	78,393	2,217,546
Postal ...	1,319,755	856,632	476,335	345,282	272,952	138,470	3,409,426
Defence ...	1,181	2,249	683	441	296	174	5,024
Patents ...	5,101	4,433	2,240	1,521	1,221	851	15,367
Trade Marks, Copyrights and Designs	2,279	1,815	786	579	384	267	6,110
New revenue...	13,393	10,698	4,648	3,427	2,248	1,564	35,978
Public Service Pension Funds, Repayments and Transfers	16,543	12,366	3,933	...	1,979	...	34,821
Total ...	5,621,958	3,750,161	1,989,540	1,307,621	1,166,126	515,387	14,350,793

5. **Sources of Revenue.**—The following table furnishes particulars concerning the Commonwealth revenue derived from each source during the years 1904-5 to 1908-9:—

SOURCES OF COMMONWEALTH REVENUE, 1904-5 to 1908-9.

Sources of Revenue.	1904-5.	1905-6.	1906-7.	1907-8.	1908-9.
	£	£	£	£	£
Customs ...	6,992,592	7,089,379	7,660,874	9,341,108	8,626,521
Excise ...	1,806,938	1,910,106	1,987,682	2,304,244	2,217,546
Postal ...	2,632,551	2,824,348	3,128,574	3,300,036	3,409,426
Defence ...	7,465	8,106	5,112	13,565	5,024
Patents ...	10,559	23,936	18,017	17,421	15,367
Trade Marks, Copyrights and Designs	...	...	6,390	8,657	6,110
New Revenue ...	7,355	11,854	12,529	28,337	35,978
Miscellaneous ...	8,138	14,196	13,713	8,106	...
Public Service Pension Funds, Repayments and Transfers	...	...	...	...	34,821
Total...	11,465,598	11,881,925	12,832,891	15,019,034	14,350,793

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 £8,626,521 obtained during the financial year 1908-9. 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 almost continuously from year to year, the Excise revenue for 1908-9 exceeding that for 1904-5 by 23 per cent., while the 1908-9 Postal revenue shewed an advance of 29 per cent. on that for 1904-5.

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 591 to 594.

7. **Customs Revenue, 1908-9.**—The Customs revenue, after deduction of drawbacks and refunds, collected in respect of the several States during the year 1908-9, is given hereunder, details being furnished for the principal classes of dutiable articles imported:—

COMMONWEALTH CUSTOMS REVENUE, 1908-9.

Classes.	Customs Revenue Collected in respect of—						Total for Commonwealth.
	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tas.	
	£	£	£	£	£	£	£
Stimulants ...	904,173	552,780	355,595	152,247	221,474	66,111	2,252,380
Narcotics ...	358,820	253,229	140,149	73,184	89,755	46,274	961,411
Sugar ...	90,601	36,886	3,299	3,931	1,473	4,153	140,343
Agricultural products	358,124	222,260	123,452	64,297	89,100	29,379	886,612
Apparel and textiles ...	644,865	441,221	197,667	169,193	114,600	62,944	1,630,490
Metals and machinery	417,961	184,225	135,437	100,502	68,603	26,216	932,944
Oils, paints, etc. ...	75,655	59,211	28,797	21,626	14,304	7,095	206,688
Earthenware, etc. ...	81,813	74,411	26,348	22,134	18,346	7,743	230,795
Drugs and chemicals ...	26,635	16,645	11,781	6,321	7,538	2,669	71,589
Wood, wicker, and cane	136,202	116,861	15,778	43,570	16,309	7,641	336,361
Jewellery, etc. ...	73,671	48,252	32,747	23,277	11,980	8,269	198,196
Leather, etc. ...	76,985	56,525	25,487	21,809	19,479	7,835	208,120
Paper and stationery ...	64,465	46,448	21,292	15,468	11,124	5,880	164,677
Vehicles ...	38,816	18,370	15,643	13,646	5,016	4,397	95,888
Musical instruments ...	28,053	20,474	10,497	7,264	3,896	1,944	72,128
Miscellaneous articles	77,088	48,773	29,165	24,080	20,524	6,117	205,697
Other receipts ...	12,023	8,067	4,338	2,951	3,822	1,001	32,202
Total Customs...	3,465,950	2,204,638	1,177,472	765,450	717,343	295,668	8,626,521

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

8. Customs Revenue for Past Five Years.—Corresponding particulars for the Commonwealth as a whole, for the five years 1904-5 to 1908-9, are furnished in the following table :—

COMMONWEALTH CUSTOMS REVENUE, 1904-5 to 1908-9.

Classes.	1904-5.	1905-6.	1906-7.	1907-8.	1908-9.
	£	£	£	£	£
Stimulants	2,057,431	2,098,712	2,223,431	2,281,424	2,252,380
Narcotics	922,548	945,286	941,337	1,057,996	961,411
Sugar	192,385	129,692	143,830	51,499	140,343
Agricultural products	782,705	812,596	738,612	806,526	886,612
Apparel and textiles	1,354,476	1,416,977	1,578,414	2,063,674	1,630,490
Metals and machinery	464,683	482,427	625,227	1,030,519	932,944
Oils, paints, etc.	121,794	124,157	141,314	197,840	206,688
Earthenware, etc.	138,855	150,724	170,332	278,201	230,795
Drugs and chemicals	59,838	57,652	60,365	77,281	71,589
Wood, wicker, and cane	204,686	187,482	219,433	360,699	336,361
Jewellery, etc.	168,238	173,428	210,818	256,835	198,196
Leather; etc.	162,228	154,038	172,459	218,918	208,120
Paper and stationery	108,184	112,052	145,241	193,813	164,677
Vehicles	81,648	77,590	101,782	148,003	95,888
Musical instruments	47,712	50,672	60,117	90,905	72,128
Miscellaneous articles	85,624	80,112	97,403	191,782	205,697
Other receipts	39,557	35,782	30,759	35,193	32,202
Total Customs	6,992,592	7,089,379	7,660,874	9,341,108	8,626,521

It will be seen that throughout the period here dealt with the Customs revenue from stimulants and narcotics has represented, approximately, 40 per cent. of the total Customs revenue. The other principal articles from which Customs revenue was derived were "apparel and textiles," "metals and machinery," and "agricultural products." The most marked increase in the amount of duty collected is in the class of "metals and machinery" the revenue under this head for 1908-9 exceeding that for 1904-5 by £468,261. The most marked decrease took place in the case of "sugar," which declined during the period by £52,042, due in a large measure to the increased local production of sugar, which the Commonwealth Government has aimed at encouraging.

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

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

The revenue collected in respect of each State during 1908-9, under each of these heads, is shewn in the following table :—

COMMONWEALTH EXCISE REVENUE, 1908-9.

Particulars.	Excise Revenue Collected in respect of—						Total for Common- wealth.
	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tas.	
	£	£	£	£	£	£	£
Beer ...	184,920	181,303	70,137	39,932	56,230	19,337	551,859
Spirits ...	89,331	68,486	42,350	29,431	10,006	4,132	243,736
Starch ...	9,555	5,748	3,492	2,012	1,833	918	23,558
Sugar ...	250,329	229,409	116,215	69,267	49,434	36,122	750,776
Tobacco ...	261,213	169,842	88,746	49,000	51,484	17,732	638,017
Licenses ...	2,408	2,583	2,503	1,305	716	152	9,667
Agric. machinery ...	...	Dr. 41	...	Dr. 26	...	...	Dr. 67
Total Excise ...	797,756	657,330	323,443	190,921	169,703	78,393	2,217,546

Of the total Excise revenue collected, beer, spirits, and tobacco were responsible for about 64 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.

An amount of £67 was shewn in a corresponding table to above in Year Book No. 2 for the year 1907-8, under the head of agricultural machinery. This 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. It will be noticed from the above table that the amount mentioned was debited to this item during the year 1908-9.

10. **Excise Collections, 1904-5 to 1908-9.**—Particulars concerning the amount of Excise collected under each head during each of the years ending 30th June, 1905 to 1909, are given hereunder:—

COMMONWEALTH EXCISE REVENUE, 1904-5 to 1908-9.

Particulars.	1904-5.	1905-6.	1906-7.	1907-8.	1908-9.
	£	£	£	£	£
Beer ...	491,492	502,399	513,473	555,720	551,859
Spirits ...	262,035	276,516	285,295	351,763	243,736
Starch ...	22,471	24,597	27,321	25,917	23,558
Sugar ...	503,627	536,079	546,590	741,928	750,776
Tobacco ...	516,761	560,409	604,960	618,599	638,017
Licenses ...	10,552	10,106	10,043	10,250	9,667
Agricultural machinery	...	...	...	67	Dr. 67
Total Excise ...	1,806,938	1,910,106	1,987,682	2,304,244	2,217,546

Comparing the Excise collections for 1908-9 with those for 1904-5 it will be seen that whilst the revenue obtained from sugar increased by nearly 50 per cent., and that from tobacco by nearly 25 per cent. during the period, the increases in revenue from beer and starch were only moderate, while decreases were experienced in spirits and licenses.

11. Commonwealth Taxation.—Under section 51, sub-section (ii.) of the Constitution, power is given to the Commonwealth Parliament to make laws with respect to taxation, but so as not to discriminate between States or parts of States. Section 90 of the Constitution makes the power of the Commonwealth Parliament to impose Customs and Excise duties an exclusive one, but it would appear that as regards all other forms of taxation the States and Commonwealth possess concurrent powers. The question of the imposition by the Commonwealth Parliament of direct taxes such as land and income taxes is one which has been the subject of considerable discussion, and the opinion has been expressed that the intention of the framers of the Constitution was that of restricting the taxation powers of the Commonwealth to the imposition of Customs and Excise duties except in cases of great national peril. Whatever the intention of the framers may have been in this matter, the Constitution itself contains no such provision, and the Commonwealth Parliament is given an absolutely free hand in the imposition of taxation. Up to the 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 1908-9.

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

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

COMMONWEALTH TAXATION PER HEAD, 1901 to 1908-9.

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

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 postal revenue collected in respect of the several States since the federalisation of the department are given hereunder:—

COMMONWEALTH POSTAL REVENUE, 1901 to 1908-9.

Year.	Postal Revenue Collected in respect of—						Total for Commonwealth.
	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tas.	
	£	£	£	£	£	£	£
Four mths. to 30/6/01	276,936	177,931	95,586	90,703	67,735	31,774	740,665
1901-2 ...	873,312	591,470	312,905	277,812	225,752	91,610	2,372,861
1902-3 ...	906,798	622,700	300,737	255,214	225,244	94,037	2,404,730
1903-4 ...	941,529	650,583	324,013	258,461	230,858	104,759	2,510,203
1904-5 ...	980,151	683,480	331,774	266,719	257,503	112,924	2,632,551
1905-6 ...	1,065,633	735,563	359,752	291,929	252,741	118,730	2,824,348
1906-7 ...	1,191,489	797,972	422,346	327,269	259,688	129,810	3,128,574
1907-8 ...	1,278,107	834,367	451,075	338,193	266,510	131,844	3,300,096
1908-9 ...	1,319,755	856,632	476,335	345,282	272,952	138,470	3,409,426

A comparison of the figures for 1908-9 with those for 1901-2 indicates a substantial increase in the postal revenue of all the States, ranging from 52 per cent. in the case of Queensland to 21 per cent. in that of Western Australia for the period of seven years, and representing for the whole Commonwealth an increase of nearly 44 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 eight complete financial years since Federation are as follows:—

COMMONWEALTH POSTAL REVENUE PER HEAD, 1901-2 to 1908-9.

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

From 1903-4 onwards there has been a continuous increase in the postal revenue per head in the Commonwealth and in all the States except South Australia, where a slight decline is in evidence for 1908-9.

15. **Details of Postal Revenue, 1908-9.**—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, 1909, are given hereunder :—

COMMONWEALTH POSTAL REVENUE, 1908-9.

Particulars.	Postal Revenue Collected in respect of—						Total for Commonwealth.
	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tas.	
	£	£	£	£	£	£	£
Private boxes and bags ...	7,200	3,175	3,312	1,378	1,648	835	17,548
Commission—Money orders and postal notes ...	40,422	24,922	12,318	6,585	11,110	4,677	100,034
Telegraphs ...	206,758	138,939	106,686	97,950	73,732	18,483	642,548
Telephones ...	175,961	131,766	50,655	34,330	34,442	14,397	441,551
Postage ...	857,243	536,189	288,656	189,608	142,645	96,992	2,111,333
Miscellaneous ...	32,171	21,641	14,708	15,431	9,375	3,086	96,412
Total ...	1,319,755	856,632	476,335	345,282	272,952	138,470	3,409,426

16. **Details of Postal Revenue, 1904-5 to 1908-9.**—Particulars concerning the postal revenue of the Commonwealth for each of the financial years from 1904-5 to 1908-9 are contained in the following table :—

COMMONWEALTH POSTAL REVENUE, 1904-5 to 1908-9.

Particulars.	1904-5.	1905-6.	1906-7.	1907-8.	1908-9.
	£	£	£	£	£
Private boxes and bags ...	15,791	14,975	15,933	15,868	17,548
Commission—					
Money orders & postal notes	84,891	88,868	92,240	94,624	100,034
Telegraphs ...	525,054	565,422	588,167	650,426	642,548
Telephones ...	312,320	352,214	388,226	410,741	441,551
Postage ...	1,620,065	1,754,790	1,968,950	2,043,777	2,111,333
Miscellaneous ...	74,430	48,079	75,058	84,660	96,412
Total ...	2,632,551	2,824,348	3,128,574	3,300,096	3,409,426

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 shown in the following table :—

COMMONWEALTH PATENTS REVENUE, 1903-4 to 1908-9.

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

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 following table gives particulars of the amount credited to the several States since this item first appeared in the Commonwealth accounts :—

COMMONWEALTH TRADE MARKS, COPYRIGHTS, AND DESIGNS REVENUE,

1906-7 TO 1908-9.

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

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 1908-9 amounted to only £5024.

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 1908-9 was £35,978.

(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 1904-5 to 1908-9 and the amounts debited to the several States are shewn in the following table :—

COMMONWEALTH EXPENDITURE, 1904-5 to 1908-9.

State to which Debited.	1904-5.	1905-6.	1906-7.	1907-8.	1908-9.
	£	£	£	£	£
New South Wales ...	1,492,671	1,572,901	1,756,986	2,199,283	2,295,682
Victoria ...	1,166,532	1,198,382	1,336,589	1,686,028	1,762,726
Queensland ...	675,474	691,898	768,201	929,350	962,493
South Australia ...	402,135	425,792	468,886	564,088	590,664
Western Australia ...	400,565	415,143	441,533	518,997	538,193
Tasmania ...	185,452	193,426	215,122	264,383	270,640
• Commonwealth ...	4,322,829	4,497,542	4,987,317	6,162,129	6,420,398

In all the States the expenditure for 1908-9 was higher than that for any preceding year, and was considerably higher than the expenditure for 1904-5. New South Wales, with an advance of £803,011 for the period, exhibited the largest numerical and also the largest proportional increase, the latter amounting to 54 per cent. Victoria, whose expenditure increased by £596,194, had the next highest proportional increase, viz., 51 per cent.

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

COMMONWEALTH EXPENDITURE PER HEAD, 1904-5 to 1908-9.

State.	1904-5.	1905-6.	1906-7.	1907-8.	1908-9.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
New South Wales ...	1 0 6	1 1 1	1 3 0	1 8 0	1 8 10
Victoria ...	0 19 3	0 19 8	1 1 8	1 7 0	1 7 9
Queensland ...	1 5 11	1 6 2	1 8 8	1 14 4	1 14 10
South Australia ...	1 1 7	1 2 6	1 4 5	1 8 9	1 9 0
Western Australia ...	1 13 1	1 12 7	1 13 9	1 19 8	2 0 4
Tasmania ...	1 0 7	1 1 4	1 3 11	1 8 9	1 9 2
Commonwealth ...	1 1 8	1 2 2	1 4 3	1 9 4	1 10 0

4. **Details of Expenditure.**—Details of the expenditure of the Commonwealth Government from 1904-5 onwards are given hereunder :—

COMMONWEALTH EXPENDITURE, 1904-5 to 1908-9.

Heads of Expenditure.	1904-5.	1905-6.	1906-7.	1907-8.	1908-9.
	£	£	£	£	£
Transferred expenditure (including new works, etc.)—					
Trade and Customs ...	258,331	262,058	263,625	286,114	297,490
Defence ...	907,827	949,595	1,010,013	1,306,597	1,018,028
Postal ...	2,694,244	2,776,940	2,948,785	3,313,565	3,567,131
Sundry departments...	...	...	...	52	4,339
Refunds and Advances	118	25	778	15,689	484
"Other" expenditure (excluding new works, etc.) ...	462,309	508,924	764,116	1,240,112	1,532,926
Total ...	4,322,829	4,497,542	4,987,317	6,162,129	6,420,398

During the four years between 1904-5 and 1908-9 the total cost of the several departments increased from £4,322,829 to £6,420,398, an increase of £2,097,569, or about 48 per cent. The expenditure in the Department of Trade and Customs increased during the period by only £39,159, or about 15 per cent., and in the case of Defence by £110,201, or 12 per cent. The advances under the other heads were very extensive, amounting to £872,887, or 33 per cent., in that of the Postal Department; and no less than £1,070,617, or 232 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 £872,887 in the postal expenditure was accompanied by an increase of £776,875 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 £483,707 in 1908-9, as against £128,178 in 1904-5, and to the provision of £462,528 towards the Old Age Pension scheme, payments in connection with which commenced on 1st July, 1909.

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

COMMONWEALTH EXPENDITURE ON "NEW WORKS, ETC.," 1904-5 to 1908-9.

Departments.	1904-5.	1905-6.	1906-7.	1907-8.	1908-9.
	£	£	£	£	£
Trade and Customs ...	1,980	1,814	1,162	8,972	20,019
Defence ...	200,259	171,633	195,159	440,918	101,020
Postal ...	131,829	146,575	275,737	427,006	541,809
Sundry departments ...	...	...	...	52	4,339
Total ...	334,068	320,022	472,058	876,948	667,187

It will be seen that the Commonwealth expenditure under this head has increased considerably in recent years, the total for 1908-9 being nearly twice as great as that for 1904-5.

6. **"Other" Expenditure.**—In accordance with sections 89 and 93 of the Constitution, all expenditure of the Commonwealth other than that incurred solely for the maintenance or continuance as at the time of transfer of any department transferred from the States to the Commonwealth, 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. This rearrangement is given in the succeeding paragraphs.

7. **Cost of Departments, etc.**—Arranged in such a manner as to shew under each Department the expenditure on behalf of that Department, the cost of the several branches of the Commonwealth service for the years 1904-5 to 1908-9 was as follows:—

COST OF COMMONWEALTH DEPARTMENTS, ETC., 1904-5 to 1908-9.

Departments, etc.	1904-5.	1905-6.	1906-7.	1907-8.	1908-9.
	£	£	£	£	£
Governor-General ...	17,170	23,759	18,612	18,927	22,554
Parliament ...	149,934	132,528	177,061	153,414	163,991
External Affairs ...	36,516	39,484	67,241	55,061	53,513
Attorney-General ...	18,583	20,882	27,609	32,216	32,027
Home Affairs ...	35,013	35,643	41,385	61,580	110,291
Treasury ...	15,993	17,528	17,768	20,413	34,473
Trade and Customs ...	406,041	442,614	634,328	914,973	837,741
Defence ...	934,598	970,345	1,035,795	1,334,744	1,050,590
Postmaster-General ...	2,699,667	2,784,664	2,966,098	3,359,290	3,625,402
All other Expenditure ...	9,314	30,094	1,420	211,511	489,816
Total ...	4,322,829	4,497,541	4,987,317	6,162,129	6,420,398

The largeness of the expenditure under the head of Parliament in the year 1906-7 was in great measure due to the fact that the general elections were held in that year, 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 five years 1904-5 to 1908-9 is as follows:—

EXPENDITURE, GOVERNOR-GENERAL AND ESTABLISHMENT, 1904-5 to 1908-9.

Details.	1904-5.	1905-6.	1906-7.	1907-8.	1908-9.
	£	£	£	£	£
Salary ...	10,000	10,000	10,000	10,000	10,000
Repairs, etc., Government Houses ...	5,869	5,625	6,232	7,034	8,941
Contingencies ...	1,301	8,134	2,380	1,893	3,613
Total ...	17,170	23,759	18,612	18,927	22,554

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

9. **Parliament.**—Under this head have been grouped all the items of expenditure connected with the Parliamentary Government of the Commonwealth, including the salaries of the Ministers and the allowances to senators and members of the House of Representatives. Details for the five years 1904-5 to 1908-9 are furnished in the table given hereunder:—

EXPENDITURE, COMMONWEALTH PARLIAMENT, 1904-5 to 1908-9.

Details.	1904-5.	1905-6.	1906-7.	1907-8.	1908-9.
	£	£	£	£	£
Salaries of Ministers	12,000	12,000	11,947	12,000	12,000
Allowances to Senators	14,400	14,400	14,367	19,446	20,406
Allowances to Members of House of Representatives	30,025	30,000	27,389	41,231	43,418
Officers, staff, contingencies, etc.	28,964	29,309	27,745	32,273	30,127
Repairs, maintenance, etc.	991	170	846	672	2,178
Printing	14,306	16,615	12,346	19,139	13,400
Travelling expenses of Members and others... ..	8,548	8,425	9,373	8,982	8,841
Insurance	342	342	342	342	342
Electoral Office... ..	3,581	2,934	5,085	5,824	6,002
Election expenses	2,555	1,925	36,113	4,080	54
Referendum ... ..	...	...	793	...	...
Administration of Electoral Act	34,222	16,408	30,715	9,425	27,223
Total	149,934	132,528	177,061	153,414	163,991

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

10. **External Affairs.**—Under the control of the department of External Affairs is placed the expenditure in connection with the Executive Council, the London Office, and Papua. Particulars for the five years 1904-5 to 1908-9 are as follows:—

EXPENDITURE, EXTERNAL AFFAIRS DEPARTMENT, 1904-5 to 1908-9.

Details.	1904-5.	1905-6.	1906-7.	1907-8.	1908-9.
	£	£	£	£	£
Chief Office	7,500	7,500	9,248	9,172	11,329
Executive Council	830	836	887	870	970
London Office ... ..	...	673	1,559	2,215	3,650
Papua	21,003	20,000	23,626	25,084	22,100
Rents, repairs, &c.	191	437	498	469	541
Miscellaneous	6,992	10,038	31,423	17,251	14,923
Total	36,516	39,484	67,241	55,061	53,513

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

of Papua are kept distinct from those of the Commonwealth. Apart from the Commonwealth contribution the principal source of revenue is the Custom House. Details for the five years 1904-5 to 1908-9 are as follows :—

PAPUAN REVENUE, 1904-5 to 1908-9.

Details.	1904-5.	1905-6.	1906-7.	1907-8.	1908-9.
	£	£	£	£	£
Customs dues	15,692	15,990	15,924	18,206	20,758
Other collections	3,582	4,246	5,889	7,813	9,948
Commonwealth grant	20,000	20,000	20,000	25,000	20,000
Total	39,274	40,236	41,813	51,019	50,706

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 1908-9 being no less than £9867. The expenditure on public justice for 1908-9 totalled £11,516, comprising "magistrates, etc.," £5727; "armed native constabulary," £3697, and "gaols," £2092. The total expenditure for each of the five years 1904-5 to 1908-9 was as follows :—

PAPUAN EXPENDITURE, 1904-5 to 1908-9.

Particulars.	1904-5.	1905-6.	1906-7.	1907-8.	1908-9.
	£	£	£	£	£
Total expenditure	36,217	41,804	45,336	48,525	51,036

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 1908-9 amounted to £22,291. Details for the five years 1904-5 to 1908-9 are furnished hereunder :—

EXPENDITURE, ATTORNEY-GENERAL'S DEPARTMENT, 1904-5 to 1908-9.

Details.	1904-5.	1905-6.	1906-7.	1907-8.	1908-9.
	£	£	£	£	£
Attorney-General's Office	2,626	3,219	3,540	4,286	3,705
Crown Solicitor's Office... ..	1,816	1,922	2,613	2,993	3,242
Salaries of Justices of High Court	9,500	9,500	13,815	15,500	15,500
High Court expenses	4,078	5,697	6,063	7,022	6,791
Court of Conciliation and Arbitration	23	75	505	708	1,746
Rent, repairs, etc.	540	469	1,073	1,707	1,043
Total	18,583	20,882	27,609	32,216	32,027

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

the field of operations of the Public Works branch, all of which are grouped for general administrative purposes under the Department of Home Affairs, have led to a considerable increase in the expenditure. The heaviness of the expenditure of this department for 1908-9 was, in a large measure, due to the cost incurred by the Commonwealth in connection with the reception of the American fleet. Particulars for the five years 1904-5 to 1908-9 are as follows:—

EXPENDITURE, HOME AFFAIRS DEPARTMENT, 1904-5 to 1908-9.

Details.	1904-5.	1905-6.	1906-7.	1907-8.	1908-9.
	£	£	£	£	£
Chief Office	8,219	8,279	8,864	9,257	10,383
Public Service Commissioner	13,973	13,759	12,738	14,818	15,636
Public Works	6,175	9,099	9,825	10,570	15,686
Census and Statistics ... ..	...	...	5,007	9,781	12,394
Meteorological Bureau ... ..	...	...	888	9,182	16,818
Rents, repairs, etc.	4,430	2,592	3,731	5,819	5,039
Reception of United States Fleet ... ..	...	...	...	...	32,580
Miscellaneous	2,216	1,914	332	2,153	1,755
Total	35,013	35,643	41,385	61,580	110,291

14. **Treasurer's Department.**—The sub-departments under the control of the Commonwealth Treasurer are the Treasury and the Audit Office. During the financial year 1908-9 the expenditure under this department was swelled by a donation of £10,000 to the Sicily Earthquake Relief Fund. Details of the expenditure of this department for each of the five years 1904-5 to 1908-9 are furnished hereunder:—

EXPENDITURE, TREASURER'S DEPARTMENT, 1904-5 to 1908-9.

Details.	1904-5.	1905-6.	1906-7.	1907-8.	1908-9.
	£	£	£	£	£
Treasury	7,710	8,464	8,960	10,259	11,113
Old-age pensions—Salaries, etc. ... ..	...	...	...	...	2,297
Audit	6,384	6,698	7,003	7,804	7,996
Rents, repairs, etc.	1,272	1,349	1,285	1,751	1,884
Donation to Sicily earthquake relief funds ... ..	...	...	...	...	10,000
Miscellaneous	627	1,017	520	599	1,183
Total	15,993	17,528	17,768	20,413	34,473

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 five years 1904-5 to 1908-9 are given in the following table:—

EXPENDITURE, TRADE AND CUSTOMS, 1904-5 to 1908-9.

Details.	1904-5.	1905-6.	1906-7.	1907-8.	1908-9.
	£	£	£	£	£
Chief Office	6,251	6,625	7,449	10,902	12,223
Customs (ordinary)	241,173	243,074	244,574	255,531	256,937
Patents	8,051	8,915	10,017	12,960	14,245
Trade Marks and Copyrights ... ..	...	1,401	3,998	4,954	3,655
Fisheries ... ..	...	...	...	...	3,110
Analyst ... ..	...	...	...	...	2,010
Audit (proportion)	4,601	4,259	4,053	6,140	7,019
Quarantine ... ..	...	...	...	53	808
Pensions and retiring allowances	4,541	5,196	6,194	6,586	6,787
Rents, repairs, etc.	7,589	9,357	9,144	10,661	9,932
Sugar bounties and expenses	128,178	154,709	335,916	584,622	483,707
Bounties ... ..	...	...	...	176	2,633
New works, etc.	1,980	1,814	1,162	8,972	20,019
Miscellaneous	3,677	7,264	11,821	13,416	14,656
Total	406,041	442,614	634,328	914,973	837,741

16. **Cost of Collection.**—Excluding from the above the expenditure incurred in connection with Patents, Trade Marks, Copyrights, Quarantine, Fisheries, Analyst, and Sugar and other Bounties, the balance may be considered as representing approximately the cost entailed by the collection of the Customs and Excise revenue of the Commonwealth. Details for the five years 1904-5 to 1908-9 are as follows:—

COST OF CUSTOMS AND EXCISE COLLECTION, 1904-5 to 1908-9.

Particulars.	1904-5.	1905-6.	1906-7.	1907-8.	1908-9.
	£	£	£	£	£
Gross Customs and Excise revenue	8,799,530	8,999,485	9,648,556	11,645,352	10,844,067
Cost of collection... ..	269,812	277,589	284,397	312,207	329,583
Net revenue	8,529,718	8,721,896	9,364,159	11,333,145	10,514,484
Percentage of cost of collection on gross revenue	3.07%	3.08%	2.95%	2.68%	3.04%

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, but there was a decrease in 1908-9 of nearly £300,000 on the previous year. The largeness of the expenditure for 1907-8 was due mainly to the provision made in that year for new works. Particulars for the five years 1904-5 to 1908-9 are as follows:—

EXPENDITURE, DEFENCE, 1904-5 to 1908-9.

Details.	1904-5.	1905-6.	1906-7.	1907-8.	1908-9.
	£	£	£	£	£
Chief Office	20,716	18,832	19,246	21,913	23,884
Military... ..	490,713	500,377	535,178	577,627	625,600
Naval	196,728	245,778	250,200	254,069	259,251
Audit (proportion)	789	754	802	810	960
Pensions and retiring allowances	712	907	974	974	1,017
Rents, repairs, etc.	23,923	29,732	27,386	32,023	29,798
New works, etc.	200,259	171,633	195,159	440,918	101,020
Miscellaneous	758	2,332	6,850	6,410	9,060
Total	934,598	970,345	1,035,795	1,334,744	1,050,590

18. **Postal.**—From a total of £2,699,667 in 1904-5 the cost of the department under the control of the Postmaster-General advanced to £3,625,402 in 1908-9, an increase of £925,735. Of this increase the ordinary cost of working the department was responsible for £481,164, while the expenditure on new works, etc., advanced by £409,980. Details for the five years 1904-5 to 1908-9 are furnished hereunder:—

EXPENDITURE, POSTAL DEPARTMENT, 1904-5 to 1908-9.

Details.	1904-5.	1905-6.	1906-7.	1907-8.	1908-9.
	£	£	£	£	£
Chief Office	5,184	6,484	8,125	9,664	10,780
Postal Department (ordinary)	2,505,828	2,574,210	2,618,767	2,848,196	2,986,992
Audit (proportion)	2,145	1,755	2,194	1,981	2,393
Pensions and retiring allowances	8,091	12,768	16,573	19,419	26,186
Rents, repairs, etc.	42,916	40,550	43,235	49,257	51,454
New works, etc.	131,829	146,575	275,737	427,006	541,809
Miscellaneous	3,674	2,322	1,467	3,767	5,788
Total	2,699,667	2,784,664	2,966,098	3,359,290	3,625,402

19. **Miscellaneous.**—In addition to the foregoing there are certain items which do not come under any of the heads enumerated. For 1908-9 the total expenditure under this heading was £489,816, the principal items being £958 for machinery and plant for the printing office; £484 as refund of fines under the Immigration Restriction Act; £16,449 towards survey of transcontinental railway route; a provision of £462,528 towards the payment of old-age pensions; and £3648 on account of the Manufactures Encouragement Act.

(D) Surplus Revenue Paid to States.

1. **Net Revenue.**—As mentioned in sub-section 1 of this section, the Constitution 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 1908-9.

Year.	Payment on Account of Period.	Three-fourths of Net Customs and Excise Revenue.	Amount Paid to States out of the one-fourth retainable by Commonwealth.
	£	£	£
Half-year to 30th June, 1901 ...	3,599,702	3,021,857	577,845
1901-2	7,364,239	6,475,495	888,744
1902-3	8,204,566	7,059,329	1,145,237
1903-4	7,378,479	6,633,147	745,332
1904-5	7,142,769	6,407,483	735,286
1905-6	7,384,383	6,554,473	829,910
1906-7	7,845,574	7,039,573	806,001
1907-8	8,856,905	8,526,165	330,740
1908-9	7,930,395	7,930,395	...
Total	65,707,012	59,647,917	6,059,095

It will be seen from the foregoing table that during the eight 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 £6,059,095; in other words, the Commonwealth, during the period, returned to the States surplus revenue to the extent of about 82½ per cent. of the net revenue from Customs and Excise instead of the 75 per cent. minimum required under the Constitution.

3. Payments to the Several States.—In the following table are furnished particulars relative to the amounts actually paid to the several States on account of each of the financial years 1904-5 to 1908-9:—

SURPLUS COMMONWEALTH REVENUE PAID TO STATES FOR 1904-5 to 1908-9.

State.	1904-5.	1905-6.	1906-7.	1907-8.	1908-9.
	£	£	£	£	£
New South Wales ...	2,532,156	2,741,929	3,025,137	3,617,472	3,326,276
Victoria	2,010,502	2,094,503	2,201,013	2,377,708	1,987,435
Queensland	755,705	858,462	938,935	1,038,267	1,027,047
South Australia ...	553,295	562,000	644,564	791,664	716,957
Western Australia ...	1,031,223	871,960	774,882	751,735	627,933
Tasmania	259,888	255,529	261,043	280,059	244,747
Total	7,142,769	7,384,383	7,845,574	8,856,905	7,930,395

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, South Australia and Tasmania were the highest for those States during the period under review, while Western Australia received its highest payment for the period in 1904-5. The largeness of the amount returned by the Commonwealth to the States in respect of 1907-8 was in great measure due to the increased Customs and Excise revenue collected under the new tariff of that year. For 1908-9 the surplus revenue paid to the States was lower in all cases than that for 1907-8. This was due in part to the fact that the 1907-8 payments were somewhat abnormal, and in part to the retention by the Commonwealth in 1908-9 of all revenue in excess of the statutory three-fourths of net Customs and Excise Revenue.

4. Surplus Commonwealth Revenue per head of Population.—The following table furnishes particulars concerning the amount of surplus Commonwealth revenue per head of population which the several States received during the financial years 1904-5 to 1908-9, and is of interest in connection with the new financial agreement, under which the Commonwealth is to pay 25s. per head of population, in perpetuity, to all the States, subject to a special arrangement in favour of Western Australia during the first twenty-five years. (See pp. 785 and 786.)

SURPLUS COMMONWEALTH REVENUE PER HEAD OF POPULATION PAID TO STATES FOR 1904-5 to 1908-9.

State.	1904-5.	1905-6.	1906-7.	1907-8.	1908-9.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
New South Wales ...	1 14 9	1 16 9	1 19 8	2 6 1	2 1 10
Victoria ...	1 13 3	1 14 5	1 15 9	1 18 1	1 11 3
Queensland ...	1 9 0	1 12 6	1 15 1	1 18 4	1 17 2
South Australia ...	1 8 3	1 9 9	1 13 7	2 0 4	1 15 3
Western Australia ...	4 5 1	3 8 5	2 19 2	2 17 6	2 7 0
Tasmania ...	1 8 10	1 8 3	1 9 0	1 10 5	1 6 4
Total ...	1 15 2	1 16 5	1 18 1	2 2 3	1 17 1

5. The Commonwealth Fourth of Net Customs and Excise Revenue.—As noted in paragraph number two above, the Commonwealth has in each financial year except 1908-9 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 1904-5 to 1908-9 is exhibited in the following table:—

PAYMENT TO STATES FROM COMMONWEALTH FOURTH OF NET CUSTOMS AND EXCISE REVENUE, 1904-5 to 1908-9.

State.	1904-5.	1905-6.	1906-7.	1907-8.	1908-9.
	£	£	£	£	£
New South Wales ...	306,166	371,023	400,937	292,121	186,754
Victoria ...	197,665	241,594	209,543	19,058	— 109,019*
Queensland ...	28,811*	8,639	18,812	44,114*	— 60,128*
South Australia ...	63,397	65,970	81,890	55,733	23,027
Western Australia ...	177,628	124,922	84,521	27,573	— 12,414*
Tasmania ...	19,241	17,762	10,298	19,631*	— 28,220*
Total ...	735,286	829,910	806,001	330,740	...

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

Although the States as a whole received in each year not less than three-fourths of the net revenue from Customs and Excise, there were five occasions, viz., in 1901-2, 1903-4, 1904-5, 1907-8, and 1908-9, on which the amount returned to Queensland fell short of three-fourths of that State's net revenue from Customs and Excise; two, viz., in 1907-8, 1908-9, on which the amount returned to Tasmania exhibited a shortage; and one, viz., in 1908-9, in which Victoria and Western Australia also received less than three-fourths of their respective net revenues from Customs and Excise. For the whole period of eight and a-half years, however, each State except Queensland received more than three-fourths of its net revenue from Customs and Excise, the largest aggregate excess being £2,841,038 in the case of New South Wales. In the case of Queensland the aggregate amount received for the period fell short of three-fourths of the net Customs and Excise revenue by £42,643.

6. Proportion Actually Paid.—For the period of eight and a-half years from the 1st January, 1901, to 30th June, 1909, the percentage of net revenue from Customs and Excise duties paid to the several States was as follows:—New South Wales, 85 per cent.; Victoria, 82 per cent.; Queensland, 75 per cent.; South Australia, 85 per cent.; Western Australia, 87 per cent.; Tasmania, 79 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 1908-9.—Particulars for each of the States for the year ended 30th June, 1909, are furnished hereunder:—

INTERSTATE ADJUSTMENTS, 1908-9.

State.	Customs.		Excise.		Total Customs and Excise.		
	Credits.	Debits.	Credits.	Debits.	Credits.	Debits.	Net Results.
	£	£	£	£	£	£	£
New South Wales	277,763	436,735	77,087	143,905	354,850	580,640	Dr. 225,790
Victoria ...	169,734	569,311	41,774	174,356	211,508	743,667	Dr. 532,159
Queensland ...	271,270	32,329	110,562	13,907	381,832	46,236	Cr. 335,596
South Australia ...	173,178	98,159	50,658	27,888	223,836	126,047	Cr. 97,789
Western Australia	130,396	11,486	59,780	288	190,176	11,774	Cr. 178,402
Tasmania ...	139,193	13,514	31,647	11,164	170,840	24,678	Cr. 146,162
Total ...	1,161,534	1,161,534	371,508	371,508	1,533,042	1,533,042	...

3. Net Results, 1904-5 to 1908-9.—The net results of the interstate Customs and Excise adjustments for each of the five years 1904-5 to 1908-9, 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 considerably 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, 1904-5 to 1908-9.

State.	1904-5.	1905-6.	1906-7.	1907-8.	1908-9.
	£	£	£	£	£
New South Wales	Dr. 117,953	Dr. 133,396	Dr. 150,215	Dr. 167,027	Dr. 225,790
Victoria	Dr. 316,006	Dr. 366,412	Dr. 424,828	Dr. 521,194	Dr. 532,159
Queensland	Cr. 175,510	Cr. 214,358	Cr. 247,719	Cr. 283,061	Cr. 335,596
South Australia	Cr. 28,498	Cr. 36,940	Cr. 37,724	Cr. 67,668	Cr. 97,739
Western Australia	Cr. 128,805	Cr. 135,918	Cr. 161,923	Cr. 185,284	Cr. 178,402
Tasmania	Cr. 101,146	Cr. 112,592	Cr. 127,677	Cr. 152,208	Cr. 146,162

§ 3. Trust Fund.

1. **Trust Accounts.**—The Trust Fund credit balance on 30th June, 1909, amounted to £1,072,654, as compared with £669,260 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, 1909.

Trust Accounts.	Balance at 30th June, 1909.	Trust Accounts.	Balance at 30th June, 1909.
	£		£
Harbour & Coastal Defence (naval)	225,145	Papua	275
C'wealth Ammunition Material	39	Officers' Assurance	404
Small Arms Ammunition	18,889	Defalcations	613
Defence Clothing Material	7,532	Guarantee Fund	7,448
Deferred Pay—military	560	Other Trust Moneys—	
Small Arms	9,296	Home Affairs	224
Unclaimed Militia Pay—military	1,373	Customs	23,701
" " naval	355	Patents	37
Customs Officers' Overtime	556	Defence	1,946
Money Order	40,600	Post Office	34,436
Internat'n'l Postal & Money Order	6,282	Naval Agreement Act	77
Pacific Cable Board	43	Repatriation of Pacific Islanders	15
Government Printer	8,888	Treasury	3,248
Stamp Printing	144		
Pensions, Departmental	24,379		
Invalid and Old Age Pensions	656,149	Total	1,072,654

An interesting feature of the balances at 30th June, 1909, is the inclusion of £225,145 set apart for naval purposes, and £656,149 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, 1909, were as follows:—New South Wales, £433,663; Victoria, £419,676; Queensland, £67,138; South Australia, £50,034; Western Australia, £87,459, and Tasmania, £14,684. The total credit balance of £1,072,654 was held in the following manner:—On fixed deposit, £663,000; Savings Bank deposit, £136; advances to Postal Department, £40,000; Victorian Government securities, £7127; on current account, £362,391.