

SECTION XIX.

COMMONWEALTH FINANCE.

§ 1. General.

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

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

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

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

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

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

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

4. **Commonwealth Departments.**—As a result of legislation passed from time to time in accordance with section 51, various departments and sub-departments have been transferred from the States to the Commonwealth, whilst other departments necessary for the due performance of the Commonwealth functions have been brought into existence. In the former class are such departments as those of Patents, Trade Marks, Copyrights, Designs, Naturalisation and Meteorology, while in the latter are the Ministerial Departments of External Affairs, Home Affairs, Treasury, Trade and Customs, Defence, Attorney-General and Postmaster-General, as well as such general departments as Public Service Commissioner's Office, Treasury, Audit Department, Crown Law Department, Bureau of Census and Statistics, Federal Land Tax Office, and Prime Minister's Department. 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 was 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 became known as the "*book-keeping system*." (Sections 89 and 93.)

6. **The "Braddon" Clause.**—This clause (section 87 of the Constitution) was so called after Sir Edward Braddon, a Tasmanian delegate to the Federal Convention of 1897 and 1898, by whom it was introduced. In its original form the clause provided that for all time the Commonwealth should return to the States not less than three-fourths of the net revenue of the Commonwealth from duties of Customs and Excise, not prescribing, however, what should be returned to *each* State. At the Melbourne session of the Federal Convention, held in 1898, provision was made that surplus revenue, instead of

being returned to a State, might be applied towards the payment of interest on debts of that State taken over by the Commonwealth, and at the Premiers' Conference, held in Melbourne in 1899, a further amendment of the clause was effected by limiting its operations to a "period of ten years after the establishment of the Commonwealth, and thereafter until Parliament otherwise provides." The provisions of this clause *per se* were held to be complied with if the total amount returned to the States as a whole was not less than three-fourths of the total net revenue from Customs and Excise, and the Commonwealth was not under an obligation to return to each State three-fourths of the net Customs and Excise revenue collected in respect thereof. Thus, since the establishment of Federation, although the total amount of surplus Commonwealth revenue distributed amongst the States had in every year except 1907-8, 1908-9, and 1909-10 largely exceeded three-fourths of the total net revenue from Customs and Excise, the amount paid to one of the States, viz., Queensland, in several of these years fell short of three-fourths of the net Customs and Excise revenue collected in respect of that State. This occurred in the years 1901-2, 1903-4, 1904-5, 1907-8, 1908-9, and 1909-10, and was due in a large measure to the heavy expense involved in working the Commonwealth departments in that State. The amount returned to Tasmania for 1907-8, 1908-9 and 1909-10, also fell short of three-fourths of the net Customs and Excise revenue collected in respect of that State, while a similar shortage occurred in the two latter years in Victoria and Western Australia. In 1910-11 the payments to the States were for the first time made upon the new basis which will be treated more fully in paragraph 14.

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

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

ree. 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

It will be noticed on reference to paragraph 14 hereinafter that by section 5, subsection (a) of "The Surplus Revenue Act of 1910," a special concession to Western Australia has been granted in the new financial arrangement, similar in principle to the "Western Australian Special Tariff."

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 provided 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 was made on the part of any of the States up to the year 1911, although it appears that the framers of the clause anticipated that it might be required during the early years of Federation. A claim, however, has now been made by Tasmania, and during the session of 1911 a Royal Commission, which had been constituted to investigate it, issued a report. It recommended a payment to Tasmania of £900,000, spread out over a period of ten years in view of the dislocation of the State finances due to Federation. The Government has intimated that during the session of 1912 a proposal will be submitted to Parliament granting Tasmania the sum of £500,000, spread out over a period of ten years.

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

11. Disadvantages of the Book-keeping System.—Under the book-keeping system of regulating the financial relations of the States and Commonwealth an endeavour was made to distribute the surplus revenue in the exact proportion in which it had been contributed by the several States. If these be regarded as States which had merely transferred some of their ordinary functions to the Commonwealth, the crediting each with the revenue received in respect to itself, and debiting it with the expenditure which the administration of Commonwealth affairs on its behalf had occasioned, might be

deemed to be as equitable as any method that could be suggested. There were, however, certain practical objections to such a system, which may be summarised as follows :—

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

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

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

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

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

during the session of 1909, was passed by the statutory majority in both Houses of the Federal Parliament. It is not necessary to reproduce the exact provisions of the Agreement, which were given *in extenso* in the third issue of the Year Book. The proposed law was submitted to a referendum at the elections of 13th April, 1910, and rejected.

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

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

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

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

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

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

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

THE SCHEDULE.

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

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

§ 2. Consolidated Revenue Fund.

(A) Nature of Fund.

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

(B) Revenue.

1. **Total Collections.**—The consolidated revenue of the Commonwealth, which in 1901-2, the first complete financial year under the new régime, amounted to £11,296,985, had, in 1910-11, reached a total of £18,806,237, an increase in nine years of £7,509,252.

Particulars concerning the total amount of revenue collected by the Commonwealth Government from 1st July, 1906, to 30th June, 1911, are contained in the following table:—

CONSOLIDATED REVENUE OF THE COMMONWEALTH, 1906-7 to 1910-11.

—	1906-7.	1907-8.	1908-9.	1909-10.	1910-11.
Commonwealth ...	£ 12,832,891	£ 15,019,034	£ 14,350,793	£ 15,540,669	£ 18,806,237

The revenue collected by the Commonwealth during the financial year 1907-8 was 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. For 1908-9 the revenue was lower than that for the preceding year, but the total for the Commonwealth shews a substantial excess over any year prior to 1907-8. For 1909-10 the revenue in all the States shewed a marked increase, and the total for the Commonwealth was the largest collected until in its turn it was largely exceeded by the total for 1910-11.

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

COMMONWEALTH REVENUE PER HEAD OF POPULATION, 1906-7 to 1910-11.

—	1906-7.	1907-8.	1908-9.	1909-10.	1910-11.
Commonwealth ...	£ s. d. 3 2 7	£ s. d. 3 12 2	£ s. d. 3 7 9	£ s. d. 3 11 11	£ s. d. 4 5 0

3. **Sources of Revenue.**—The following table furnishes particulars concerning the Commonwealth revenue derived from each source during the years 1906-7 to 1910-11:—

SOURCES OF COMMONWEALTH REVENUE, 1906-7 to 1910-11.

Sources of Revenue.	1906-7.	1907-8.	1908-9.	1909-11.	1910-11.
	£	£	£	£	£
Customs	7,660,874	9,341,108	8,626,521	9,505,855	10,507,080
Excise	1,987,682	2,304,244	2,217,546	2,087,310	2,473,364
Postal	3,128,574	3,300,096	3,409,426	3,731,741	3,906,015
Defence	5,112	13,565	5,024	21,847	57,520
Patents	18,017	17,421	15,367	16,644	21,235
Trade Marks, Copyrights, and Designs	6,390	8,657	6,110	4,790	5,365
Quarantine ... ..	...	...	...	4,724	7,068
Coinage ... ..	...	...	...	69,646	198,893
New revenue	12,529	25,837	35,978	63,076	...
Miscellaneous	13,713	8,106	...	...	35,954
Public Service Pension Funds, Repayments and Transfers	...	...	34,821	35,036	61,405
Land Tax ... ..	...	...	...	...	1,370,344
Northern Territory ... ..	...	...	...	...	10,521
Credit Balance Northern Territory Funds	...	...	...	...	151,513
Total	12,832,891	15,019,034	14,350,793	15,540,669	18,806,237

The maximum annual collection of Customs revenue during the period was the total of £10,507,080 obtained during 1910-11, the nearest approach to this figure being that of £9,505,855 obtained during the financial year 1909-10. The Customs revenue for 1906-7 was practically identical with that for 1901-2. The minimum annual collection was £7,660,874 in 1906-7. In the case of Excise a maximum for the period was attained in 1910-11. In the case of Postal revenue the amounts collected have increased almost continuously from year to year, the Postal revenue for 1910-11 exceeding that for 1906-7 by 25 per cent.

4. **Customs.**—As already noted, several of the provisions of the Constitution were made dependent for their date of commencement on the imposition of uniform duties of Customs. Thus the book-keeping system and the Western Australian special tariff provisions both hinged upon the date on which the uniform duties of Customs were imposed. The Bill to provide for the collection of such duties was introduced in the Commonwealth House of Representatives on 9th October, 1901, and, in accordance with the usual practice, a resolution to protect the revenue and provide for the collection forthwith of the duties specified in the Bill, was duly carried. This date, 9th October, 1901, is consequently that on which the uniform duties of Customs are considered as having been imposed. A reference to the various enactments of the Commonwealth Legislature relative to the imposition of Customs duties will be found in Section XV., "Commerce," pages 597 to 601.

5. **Customs Revenue for Past Five Years.**—Particulars for the Commonwealth as a whole, for the five years 1906-7 to 1910-11, are furnished in the following table:—

COMMONWEALTH CUSTOMS REVENUE, 1906-7 to 1910-11.

Classes.	1906-7.	1907-8.	1908-9.	1909-10.	1910-11.
	£	£	£	£	£
Stimulants	2,223,431	2,281,424	2,252,380	2,330,215	2,564,101
Narcotics	941,337	1,057,996	961,411	994,077	1,089,932
Sugar	143,830	51,499	140,343	506,385	170,822
Agricultural products	738,612	806,526	886,612	855,313	869,708
Apparel and textiles	1,578,414	2,063,674	1,630,490	1,872,832	2,068,922
Metals and machinery	625,227	1,030,519	932,944	997,973	1,264,986
Oils, paints, etc.	141,314	197,840	206,688	199,377	239,229
Earthenware, etc.	170,332	278,201	230,795	247,491	334,834
Drugs and chemicals	60,365	77,281	71,589	76,898	92,857
Wood, wicker, and cane	219,433	360,699	336,361	324,197	463,289
Jewellery, etc.	210,818	256,835	198,196	222,749	263,818
Leather, etc.	172,459	218,918	208,120	253,376	303,988
Paper and stationery	145,241	193,813	164,677	167,531	204,009
Vehicles	101,782	148,003	95,888	122,212	170,940
Musical instruments	60,117	90,905	72,128	82,949	109,423
Miscellaneous articles	97,403	191,782	205,697	220,580	258,953
Other receipts	30,759	35,193	32,202	31,700	37,269
Total Customs	7,660,874	9,341,108	8,626,521	9,505,855	10,507,030

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 1910-11 exceeding that for 1906-7 by £639,759.

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.

6. **Excise Collections, 1906-7 to 1910-11.**—Particulars concerning the amount of Excise collected under each head during each of the years ending 30th June, 1907 to 1911, are given hereunder:—

COMMONWEALTH EXCISE REVENUE, 1906-7 to 1910-11.

Particulars.	1906-7.	1907-8.	1908-9.	1909-10.	1910-11.
	£	£	£	£	£
Beer	513,473	555,720	551,859	584,503	617,178
Spirits	285,295	351,763	243,736	267,877	331,024
Starch	27,321	25,917	23,558	3,897	507
Sugar	546,590	741,928	750,776	548,716	794,645
Tobacco	604,960	618,599	638,017	673,437	720,305
Licenses	10,043	10,250	9,667	8,880	9,705
Agricultural machinery ...	...	67	Dr. 67	...	...
Total Excise ...	1,987,682	2,304,244	2,217,546	2,087,310	2,473,364

Comparing the Excise collections for 1910-11 with those for 1906-7 it will be seen that the increase in the revenue from sugar was about 45 per cent., that from beer and tobacco about 20 per cent. each, and that from spirits about 16 per cent., while decreases were experienced in starch and licenses.

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

8. Commonwealth Land Tax.—(i.) *Legislation.* As previously indicated, the land taxation, as far as the Commonwealth is concerned, is regulated by "The Land Tax Assessment Act 1910," No. 22 of 1910, which received assent on 17th November, 1910. Under this Act the taxable value of all the land owned by any person is deemed to be (a) in the case of an absentee—the total sum of the unimproved value of each parcel of the land; (b) in the case of an owner not an absentee—the balance of the total sum of the unimproved value of each parcel of the land, after deducting the sum of £5000. Every part of a holding which is separately held by any occupier, tenant, lessee, or owner, is deemed to be a separate parcel. All land owned by a company is considered to be owned by the shareholders of the company as joint owners, in the proportion of their interests in the paid-up capital. It may be noted that a company is never treated as an absentee, but individual shareholders who are absentees are separately assessed and liable as such. Land owned by a Mutual Life Assurance Society (except such as it holds as mortgagee in possession, or which it has acquired by virtue of a mortgage) is deemed to be owned by the Society as trustee for the Australian policyholders in proportion to the surrender value of their policies. The amount of the tax collected during the financial year ending 30th June, 1911, was £1,370,344.

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

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

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

FIRST SCHEDULE.

Rate of tax when owner is not an absentee.

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

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

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

SECOND SCHEDULE.

Rate of tax when owner is an absentee.

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

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

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

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

Formation of the Land Tax Office. Immediately after the passage of the legislation referred to in the preceding paragraphs, a Commissioner was appointed to administer the Act, and a Land Tax Office was created with branches in every State. At the very inception of the office its existence was threatened by litigation—the outcome of a feeling in certain quarters that the Federal Government, in entering the field of direct taxation, had exceeded the powers entrusted to it by the Constitution. With the object

of testing the legal position, a case was brought before the High Court [*Osborne v. The Commonwealth*] which resulted in favour of the Government.

The First Assessments. The first assessments were completed and the first tax paid in the financial year ending 30th June, 1911. The following table, compiled from returns furnished by the Commissioner of Land Tax shews the amounts of tax assessed and paid as at 30th June, 1911, for each State. A distinction has been drawn between resident and absentee assessments; and—as far as the payment of tax is concerned—a still further subdivision has been effected into town and country properties.

**PARTICULARS OF LAND TAX ASSESSMENT FOR EACH STATE FOR YEAR
ENDING 30th JUNE, 1911.**

	No. of Returns Assessed.	Unim- proved Value as ascertained by Department.	Taxable Balance after deductions	Tax Assessed.			Yield per £ of taxable value.
				Town.	Country.	Total.	
New South Wales—		£	£	£	£	£	d.
Resident	4,514	79,188,969	53,762,042	194,037	495,004	689,041	
Absentee	548	2,073,068	2,063,032	12,419	11,780	24,199	
	5,062	81,262,037	55,825,074	206,456	506,784	713,240	3.07
Victoria—							
Resident	4,218	49,111,863	28,723,902	133,014	209,119	342,133	
Absentee	772	1,427,246	1,423,047	6,794	12,500	19,294	
	4,990	50,539,109	30,146,949	139,808	221,619	361,427	2.88
Queensland—							
Resident	1,709	15,513,613	10,298,928	39,131	75,848	114,979	
Absentee	288	452,518	451,792	2,298	1,677	3,975	
	1,997	15,966,131	10,750,720	41,429	77,525	118,954	2.66
South Australia—							
Resident	1,665	17,768,929	10,386,550	36,785	87,206	123,991	
Absentee	334	659,196	656,946	2,259	8,847	11,106	
	1,999	18,428,125	11,343,496	39,044	96,053	135,097	2.86
Western Australia—							
Resident	540	6,110,661	3,971,244	22,874	18,310	41,184	
Absentee	201	312,883	312,574	1,509	896	2,405	
	741	6,423,544	4,283,818	24,383	19,206	43,589	2.44
Tasmania—							
Resident	342	5,592,343	3,057,039	6,722	24,160	30,882	
Absentee	140	235,469	234,676	290	1,490	1,780	
	482	5,827,752	3,291,715	7,012	25,650	32,662	2.38
GRAND TOTAL—							
Resident	12,968	173,286,378	110,499,705	432,563	909,647	1,342,210	
Absentee	2,283	5,160,320	5,142,067	25,569	37,190	62,759	
	15,271	178,446,698	115,641,772	458,132	946,837	1,404,969	2.92

Although in the first column the total number of returns assessed appears as 15,271, the actual number of taxpayers was only 14,210. The difference is due to the fact that,

where the landowner is possessed of an estate in more than one State of the Commonwealth, one return is counted in each State affected for the interest concerned. The total number of taxpayers does not include those who are known as secondary taxpayers, viz., those who pay as company shareholders, or through trusts in cases where they own no land in severalty. The columns which relate to the amount of tax assessed and paid as at 30th June, 1911, will be subject to considerable modification, owing to the effect of the High Court's decisions in connection with the assessment of trust estates and secondary taxpayers. The work of re-assessment is not yet complete.

On reference to the first column, it will be seen that the number of absentee assessments is 2283, or about 15 per cent. of the total for the Commonwealth. When reference is made, however, to the total amount of tax paid it is found that only about $4\frac{1}{2}$ per cent. is contributed by absentee owners, and this in spite of the fact that their estates are not favoured by any statutory deduction. This points to the fact that, on the whole, the absentee owners possess estates of comparatively low taxable value.

On comparing town and country properties it is seen that the former contributes about one-third of the total amount of tax, and the latter about two-thirds. In fact, the country assessments largely exceed the town assessments in every State, except Western Australia. With regard to the respective shares of the different States, New South Wales contributes about half the tax, or about 9s. per head of population; Victoria, with its much closer settlement, comes next with about one quarter of the tax, or 5s. 6d. per head; South Australia, Queensland, Western Australia, and Tasmania contribute to the balance in the order named.

The last column shows the amount paid in each State, per £ of taxable value. The influence of the large aggregations of property in New South Wales is at once apparent, for that State with 3.07d. per £ not only heads the list, but is actually the only State which exceeds the Commonwealth average.

The following table shows the area of land in each State and the areas held under the different kinds of tenure. To each column a subsidiary column is attached shewing the percentage which the total for the State bears to the total for the Commonwealth:—

COMPARISON OF TENURES, TAXABLE AREAS, AND TAX AT 30th JUNE, 1911.

State.	Area.		Area of Alienated Land.		Area in process of Alienation (part only taxable).		Area held under Lease or License (part only taxable).		Area included in Taxable Returns.		Tax Assessed.	
	Acres.	% on T't'l	Acres.	% on T't'l	Acres.	% on T't'l	Acres.	% on T't'l	Acres.	% on T't'l	£	% on T't'l
N.S. Wales...	198,638,080	10.4	36,153,068	37.3	15,614,036	36.0	126,803,182	15.5	42,397,020	58.4	713,240	50.8
Victoria ...	56,245,760	3.1	23,442,000	24.2	5,094,000	11.7	15,378,000	1.8	8,962,838	12.5	361,427	25.8
Queensland	429,120,000	22.3	15,460,352	16.1	7,971,342	18.2	294,673,189	36.2	7,012,417	9.6	118,954	8.4
S. Australia	243,244,800	12.7	9,017,493	9.3	1,846,875	4.3	111,822,330	13.8	6,741,298	9.3	135,097	9.6
North Terr.	335,116,800	17.6	473,809	0.5	...	...	96,077,714	11.7	...	...	...	...
W. Australia	624,588,800	32.8	7,202,696	7.4	11,843,236	27.3	169,937,644	20.8	4,713,039	6.5	43,589	3.1
Tasmania ...	16,777,600	0.8	4,932,276	5.2	1,104,379	2.5	1,463,044	0.2	2,701,659	3.7	32,662	2.3
C'wealth ...	1,903,731,840	100.0	96,681,694	100.0	43,473,868	100.0	816,155,103	100.0	72,528,271	100.0	1,404,969	100.0

The areas given in this table are from the latest Lands Departments' Reports available. The column "Area of Alienated Land" refers to land held under deed only. Land in process of alienation does not include conditional leases in New South Wales which are taxable as leases. It includes, however, the tenure known as Conditional Purchase Lease in Victoria, which is the equivalent of a conditional purchase in New South Wales. Conditional Purchases are only taxable when all conditions except payment of balances have been fulfilled. With regard to areas held under lease or license, the total areas of this class in the several States are indicated.

It was only to be expected that there would be some movement of land consequent upon the operations of the Land Tax Act. The following table shews the number and unimproved value of estates bought and sold by taxpayers, for the period of nine months preceding 30th June, 1911 :—

**PURCHASES AND SALES BY TAXPAYERS OF TAXABLE LANDS FROM
1st OCTOBER, 1910, to 30th JUNE, 1911.**

State.	Sales.		Purchases.	
	Number.	Unimproved Value.	Number.	Unimproved Value.
		£		£
Victoria and Central* ...	7,032	7,684,221	1,601	3,798,275
New South Wales... ..	7,134	6,931,090	1,151	3,496,973
Queensland	1,109	1,027,206	166	511,328
South Australia	2,059	1,798,545	744	1,135,069
Western Australia... ..	656	391,555	107	121,022
Tasmania	298	355,676	105	203,839
Total	18,288	18,188,293	3,874	9,266,506

* Central returns relate to returns that include properties in more than one State.

It will be seen that there are many more sellers than buyers of the tax-paying class, but the average value of the purchases largely exceeds that of the sales.

The information necessary for grouping the estates into classes, according to their taxable value, is not yet available for publication.

9. **Details of Postal Revenue, 1906-7 to 1910-11.**—Particulars concerning the postal revenue of the Commonwealth for each of the financial years from 1906-7 to 1910-11 are contained in the following table :—

COMMONWEALTH POSTAL REVENUE, 1906-7 to 1910-11.

Particulars.	1906-7.	1907-8.	1908-9.	1909-10.	1910-11.
	£	£	£	£	£
Private boxes and bags ...	15,933	15,868	17,548	19,078	20,993
Commission—					
Money orders & postal notes	92,240	94,624	100,034	104,457	112,568
Telegraphs	588,167	650,426	642,548	681,038	740,428
Telephones	388,226	410,741	441,551	509,623	518,857
Postage	1,968,950	2,043,777	2,111,333	2,253,500	2,363,385
Miscellaneous	75,058	84,660	96,412	164,045	149,784
Total	3,128,574	3,300,096	3,409,426	3,731,741	3,906,015

10. **Revenue from Patents.**—Under the Commonwealth Patents Act 1903, which was assented to on 22nd October, 1903, and came into force on 1st June, 1904, the complete control of the Patents administration of Australia passed from the several State Governments to that of the Commonwealth, which, under section 19 (a) of the Act

mentioned, was authorised to collect for each State the fees to which it was entitled under the State Act in respect of proceedings then pending.

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

COMMONWEALTH PATENTS REVENUE, 1903-4 to 1910-11.

	*1903-4.	1904-5.	1905-6.	1906-7.	1907-8.	1908-9.	1909-10.	1910-11.
	£	£	£	£	£	£	£	£
Revenue ...	1,518	10,559	23,936	18,017	17,421	15,367	16,644	21,295

* June only.

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

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

**COMMONWEALTH TRADE MARKS, COPYRIGHTS, AND DESIGNS REVENUE,
1906-7 to 1910-11.**

	1906-7.	1907-8.	1908-9.	1909-10.	1910-11.
	£	£	£	£	£
Revenue ...	6,390	8,657	6,110	4,790	5,265

12. Defence Revenue.—The revenue appearing under the head of "Defence" comprises the receipts derived from the sale of stores and clothing, from fines, etc., and for 1910-11 amounted to £57,520.

13. Coinage.—The revenue for the Commonwealth under this head is derived from the profit on coin issued; and is made up of £191,509 from silver coin and £7384 from bronze coin.

(C) Expenditure.

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

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

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

departments were treated as transferred expenditure, and were charged to the States on whose behalf the expenditure had been incurred. In subsequent years all such expenditure was regarded as expenditure on new services and was distributed amongst the States *per capita*. Under the new system of keeping the accounts there is no further debiting of expenditure to the several States.

2. **Total Expenditure.**—The total expenditure by the Commonwealth Government during the period 1906-7 to 1910-11 is shewn in the following table :—

COMMONWEALTH EXPENDITURE, 1906-7 to 19 0-11.

	1906-7.	1907-8.	1908-9.	1909-10.	1910-11.
	£	£	£	£	£
Commonwealth ...	4,987,317	6,162,129	6,420,398	7,499,516	13,158,529

The expenditure for 1910-11 was higher than that for any preceding year, and was considerably higher than the expenditure for 1906-7.

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

COMMONWEALTH EXPENDITURE PER HEAD, 1906-7 to 1910-11.

	1906-7.	1907-8.	1908-9.	1909-10.	1910-11.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Commonwealth ...	1 4 5	1 9 7	1 10 4	1 14 8	2 19 6

4. **Details of Expenditure.**—During the five years between 1905-6 and 1910-11 the total cost of the several departments increased from £4,497,542 to £13,158,529, an increase of £8,660,987, or about 193 per cent. The expenditure in the Department of Trade and Customs increased during the period by £37,612, or about 14 per cent., and in the case of Defence by £446,203, or 47 per cent. Advances under other heads amounted to £782,845, or 28 per cent., in that of the Postal Department, and no less than £6,642,500, or 1305 per cent., in the case of remaining expenditure. It should be noted in this connection, however, that the increase of £782,845 in the postal expenditure was accompanied by an increase of £1,130,351 in the postal revenue, and that a very considerable portion of the increase in the remaining expenditure was due to the heavy annual appropriations for Invalid and Old Age Pensions and also for fleet construction.

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 up to 1909-10 has been treated as "other" expenditure and debited to the States *per capita*. Particulars of the expenditure on new works, etc., during the last five years are given in the following table :—

COMMONWEALTH EXPENDITURE ON NEW WORKS, etc., 1906-7 to 1910-11.

Departments.	1906-7.	1907-8.	1908-9.	1909-10.	1910-11.
	£	£	£	£	£
Trade and Customs ...	1,162	8,972	20,019	5,124	...
Defence ...	195,159	440,918	101,020	337,961	...
Postal ...	275,737	427,006	541,809	555,557	...
Sundry departments ...	...	52	4,339	2,526	2,452,960
Total ...	472,058	876,948	667,187	901,168	2,452,960

It will be seen that the Commonwealth expenditure under this head has increased considerably in recent years, the total for 1910-11 being more than five times as great as that for 1905-6. The main cause of the great increase in 1910-11 was the large expenditure on fleet construction.

6. **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 1906-7 to 1910-11 was as follows:—

COST OF COMMONWEALTH DEPARTMENTS, etc., 1906-7 to 1910-11.

Departments, etc.	1906-7.	1907-8.	1908-9.	1909-10.	1910-11.
	£	£	£	£	£
Governor-General	18,612	18,927	22,554	21,908	20,884
Parliament	177,061	153,414	163,991	220,233	211,558
External Affairs	67,241	55,061	53,513	80,469	454,128
Attorney-General	27,609	32,216	32,027	32,349	35,329
Home Affairs	41,385	61,580	110,291	88,112	179,097
Treasury	17,768	20,413	34,473	74,108	1,960,318
Trade and Customs	634,328	914,973	837,741	777,788	1,051,497
Defence	1,035,795	1,334,744	1,060,590	1,534,881	1,395,798
Postmaster-General	2,966,098	3,359,290	3,625,402	3,786,755	3,559,785
All other Expenditure	1,420	211,511	489,816	882,913	4,290,135
Total	4,987,317	6,162,129	6,420,398	7,499,516	13,158,529

The largeness of the expenditure under the head of Parliament in the years 1906-7 and 1909-10 was in great measure due to the fact that the general elections were held in those years, while the expenditure in connection with the sugar bounties is mainly responsible for the variations which have taken place in the cost of the Department of Trade and Customs. The amount paid in Old-Age and Invalid Pensions is included in Treasury expenditure for the first time in 1910-11. It may be noted that the great increase in the item "all other expenditure" for the year 1910-11 is owing to the inclusion in it for the first time of the expenditure on "new works" which had formerly been debited to the departments in which it had been incurred. More detailed reference to the items included under the above general heads is furnished in the succeeding paragraphs.

7. **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 1906-7 to 1910-11 is as follows:—

EXPENDITURE, GOVERNOR-GENERAL AND ESTABLISHMENT, 1906-7 to 1910-11.

Details.	1906-7.	1907-8.	1908-9.	1909-10.	1910-11.
	£	£	£	£	£
Salary	10,000	10,000	10,000	10,000	10,000
Repairs, etc., Government Houses	6,232	7,034	8,941	7,754	6,848
Contingencies	2,380	1,893	3,613	4,154	4,036
Total	18,612	18,927	22,554	21,908	20,884

8. **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 1906-7 to 1910-11 are furnished in the table given hereunder:—

EXPENDITURE, COMMONWEALTH PARLIAMENT, 1906-7 to 1910-11.

Details	1906-7.	1907-8.	1908-9.	1909-10.	1910-11.
	£	£	£	£	£
Salaries of Ministers	11,947	12,000	12,000	12,000	12,000
Allowances to Senators	14,367	19,446	20,406	21,368	21,519
Allowances to Members of House of Representatives	27,389	41,231	43,418	37,112	43,205
Officers, staff, contingencies, etc.	27,745	32,273	30,127	31,458	30,938
Repairs, maintenance, etc.	846	672	2,178	2,636	1,939
Printing	12,346	19,139	13,400	15,660	16,507
Travelling expenses of Members and others	9,373	8,982	8,841	9,767	9,153
Insurance	342	342	342	342	342
Electoral Office	5,085	5,824	6,002	6,191	5,288
Election expenses	36,113	4,080	54	49,958	5,364
Referendum	793	...	...	...	47,487
Administration of Electoral Act	30,715	9,425	27,223	33,602	17,437
Miscellaneous ... ..	...	...	...	139	379
• Total	177,061	153,414	163,991	220,233	211,558

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.

9. External Affairs.—Under the control of the department of External Affairs is placed the expenditure in connection with the Executive Council, the London Office, Papua and the Northern Territory. The expenditure in connection with the Northern Territory is exclusive of the Customs and Postal expenditure. Particulars for the five years 1906-7 to 1910-11 are as follows:—

EXPENDITURE, EXTERNAL AFFAIRS DEPARTMENT, 1906-7 to 1910-11.

Details.	1906-7.	1907-8.	1908-9.	1909-10.	1910-11.
	£	£	£	£	£
High Commissioner ... ..	...	...	...	...	3,000
Chief Office	9,248	9,172	11,329	13,882	13,862
Executive Council	887	870	970	781	737
London Office	1,559	2,215	3,650	4,647	17,286
Papua	23,626	25,084	22,100	28,549	30,615
Rents, repairs, &c.	498	469	541	820	655
Miscellaneous	31,423	17,251	14,923	31,790	61,626
Northern Territory ... ..	...	...	...	...	326,347
Total	67,241	55,061	53,513	80,469	454,128

10. **Northern Territory.**—The Department of External Affairs assumed control of the administration of the Northern Territory from 1st January, 1911, and separate accounts were issued in the Treasurer's statement for the financial year ending 30th June, 1911. The chief source of revenue for the year was the Customs and Excise, amounting to £12,366. The Postal revenue amounted to £2691, and the railway receipts for the half-year to £5567, whilst the total revenue was £25,578. The chief items of expenditure were as follows:—Postal Department, £15,797; goldfields and mining, £5425; railways, £5882; and police, £4388. The last three items represented expenditure for half a year only, and the total expenditure was £52,103. The Commonwealth received £151,513 from South Australia as the credit balance of the Northern Territory funds, but at the same time assumed responsibility for interest on loans and redemptions, which for the half-year ending 30th June, 1911, amounted to £291,844. Consequently at 30th June, 1911, there was a deficiency of £166,856.

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 1906-7 to 1910-11 are as follows:—

PAPUAN REVENUE, 1906-7 to 1910-11.

Details.	1906-7.	1907-8.	1908-9.	1909-10.	1910-11. (estimated).
	£	£	£	£	£
Customs dues	15,924	18,206	20,758	24,901	27,320
Other collections	5,889	7,813	9,948	12,017	8,568
Commonwealth grant	20,000	25,000	20,000	25,000	25,000
Total	41,813	51,019	50,706	61,918	60,888

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 1910-11 being no less than £6043. The expenditure on public justice for 1910-11 totalled £19,847, comprising "magistrates, etc.," £10,173; "armed native constabulary," £7200, and "gaols," £2474; on public works, £7420; and on the Department of Agriculture, £2479. The total expenditure for each of the five years 1906-7 to 1910-11 was as follows:—

PAPUAN EXPENDITURE, 1906-7 to 1910-11.

Particulars.	1906-7.	1907-8.	1908-9.	1909-10.	1910-11. (estimated).
	£	£	£	£	£
Total expenditure	45,336	48,525	51,036	64,874	60,888

12. **Attorney-General's Department.**—The rapid growth in the expenditure connected with this Department during 1906-7 and 1907-8 was brought about in large measure by the extension of the Federal High Court, the total cost of which, including the Court of Conciliation and Arbitration, for the year 1910-11 amounted to £25,850. Details for the five years 1906-7 to 1910-11 are furnished hereunder:—

EXPENDITURE, ATTORNEY-GENERAL'S DEPARTMENT, 1906-7 to 1910-11.

Details.	1906-7.	1907-8.	1908-9.	1909-10.	1910-11.
	£	£	£	£	£
Attorney-General's Office ...	3,540	4,286	3,705	3,684	3,805
Crown Solicitor's Office ...	2,613	2,993	3,242	3,458	4,472
Salaries of Justices of High Court ...	13,815	15,500	15,500	15,500	15,500
High Court expenses ...	6,063	7,022	6,791	6,888	7,459
Court of Conciliation & Arbitration ...	505	708	1,746	1,289	2,891
Rent, repairs, etc. ...	1,073	1,707	1,043	1,530	1,202
Total ...	27,609	32,216	32,027	32,349	35,329

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; whilst that of 1910-11 was mainly due to the appropriation for the census. Particulars for the five years 1906-7 to 1910-11 are as follows :—

EXPENDITURE, HOME AFFAIRS DEPARTMENT, 1906-7 to 1910-11.

Details.	1906-7.	1907-8.	1908-9.	1909-10.	1910-11.
	£	£	£	£	£
Chief Office ...	8,864	9,257	10,383	11,454	14,178
Public Service Commissioner ...	12,738	14,818	15,636	15,952	16,989
Public Works ...	9,825	10,570	15,686	17,738	11,505
Census and Statistics ...	5,007	9,781	12,394	15,137	106,567
Meteorological Bureau ...	888	9,182	16,818	16,414	17,389
Rents, repairs, etc. ...	3,731	5,819	5,039	5,882	4,845
Reception of United States Fleet ...	...	...	32,580	...	...
Miscellaneous ...	332	2,153	1,755	5,535	7,624
Total ...	41,385	61,580	110,291	88,112	179,097

14. **Treasurer's Department.**—The sub-departments under the control of the Commonwealth Treasurer are the Treasury, the Audit Office, the Old Age Pensions Department, and the newly-formed Land Tax Office. During the financial year 1908-9 the expenditure under this department was swelled by a donation of £10,000 to the Sicily Earthquake Relief Fund, and in 1909-10 by the increased expenditure on salaries, etc., in the Old Age Pensions Department. The statements in previous Year Books have been rearranged so as to include expenditure on Invalid and Old Age Pensions from 1907-8; consequently, from that year onward until 1910-11 the amounts given below differ from those on page 803 by the item "Invalid and Old Age Pensions." Details of the expenditure of this department for each of the five years 1906-7 to 1910-11 are furnished hereunder :—

EXPENDITURE, TREASURER'S DEPARTMENT, 1906-7 to 1910-11.

Details.	1906-7.	1907-8.	1908-9.	1909-10.	1910-11.
	£	£	£	£	£
Treasury	8,960	10,259	11,113	11,862	12,273
Old-age pensions—Salaries, etc. ...	...	...	2,297	36,423	37,492
Audit	7,003	7,804	7,996	8,593	8,819
Rents, repairs, etc.	1,285	1,751	1,884	3,410	5,293
Donation to Sicily earthquake relief funds ... ..	...	...	10,000	...	...
Miscellaneous	520	599	1,183	13,820	21,873
Invalid and Old-age pensions ...	...	193,621	462,528	841,181	1,874,568
Total	17,768	214,034	497,001	915,289	1,960,318

15. **Trade and Customs.**—Under this head have been included the expenditure of all the sub-departments under the control of the Minister of Trade and Customs, as well as the amounts payable as sugar bounties and the expenses in connection therewith. The large divergencies in the total expenditure which these figures exhibit for recent years have been mainly due to variations in the amount payable in respect of sugar bounties. Particulars for the five years 1906-7 to 1910-11 are given in the following table:—

EXPENDITURE, TRADE AND CUSTOMS DEPARTMENT, 1906-7 to 1910-11.

Details.	1906-7.	1907-8.	1908-9.	1909-10.	1910-11.
	£	£	£	£	£
Chief Office	7,449	10,902	12,223	11,954	13,260
Customs (ordinary)	244,574	255,531	256,937	255,779	286,410
Patents	10,017	12,960	14,245	19,284	20,140
Trade Marks and Copyrights	3,998	4,954	3,655	...	...
Fisheries ... ..	...	...	3,110	5,605	5,354
Analyst ... ..	...	...	2,010	1,995	2,511
Audit (proportion)	4,053	6,140	7,019	7,426	7,281
Quarantine ... ..	...	53	808	23,355	21,246
Pensions and retiring allowances ...	6,194	6,586	6,787	8,058	10,308
Rents, repairs, etc.	9,144	10,661	9,932	9,994	12,068
Sugar bounties and expenses	335,916	584,622	483,707	407,777	630,762
Bounties ... ..	...	176	2,633	5,885	11,740
New works, etc.	1,162	8,972	20,019	5,124	...
Miscellaneous	11,821	13,416	14,656	15,552	30,417
Total	634,328	914,973	837,741	777,788	1,051,497

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 1906-7 to 1910-11 are as follows:—

COST OF CUSTOMS AND EXCISE COLLECTION, 1906-7 to 1910-11.

Particulars.	1906-7.	1907-8.	1908-9.	1909-10.	1910-11.
	£	£	£	£	£
Gross Customs and Excise revenue	9,648,556	11,645,352	10,844,067	11,593,164	12,980,444
Cost of collection	284,397	312,207	329,583	313,887	330,318
Net revenue	9,364,159	11,333,145	10,514,484	11,279,277	12,650,126
Percentage of cost of collection on gross revenue	2.95%	2.68%	3.04%	2.71%	2.54%

It will be seen that throughout the period the cost of collecting the Customs and Excise revenue has been rather less than 3 per cent. of the revenue collected, varying only between 2.68 per cent. in 1907-8 and 3.04 per cent. in 1908-9.

17. **Defence.**—The Commonwealth expenditure in connection with Defence, which in 1901-2 amounted to £861,218, had by 1907-8 grown to £1,334,744, but there was a decrease in 1908-9 of nearly £300,000 on the previous year which was more than counterbalanced by a large rise in 1909-10. A slight fall was experienced in 1910-11 owing to the loss of the item "new works." 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 1906-7 to 1910-11 are as follows:—

EXPENDITURE, DEFENCE, 1906-7 to 1910-11.

Details.	1906-7.	1907-8.	1908-9.	1909-10.	1910-11.
	£	£	£	£	£
Chief Office	19,246	21,913	23,884	26,366	32,609
Military	535,178	577,627	625,600	853,420	1,040,981
Naval	250,200	254,069	259,251	263,143	273,076
Audit (proportion)	802	810	960	954	1,142
Pensions and retiring allowances	974	974	1,017	781	965
Rents, repairs, etc.	27,386	32,023	29,798	29,621	42,863
New works, etc.	195,159	440,918	101,020	337,961	...
Miscellaneous	6,850	6,410	9,060	22,635	4,162
Total	1,035,795	1,334,744	1,050,590	1,534,881	1,395,798

18. **Postal.**—From a total of £2,966,098 in 1906-7 the cost of the department under the control of the Postmaster-General advanced to £3,559,785 in 1910-11, an increase of £593,687. Details for the five years 1906-7 to 1910-11 are furnished hereunder:—

EXPENDITURE, POSTAL DEPARTMENT, 1906-7 to 1910-11.

Details.	1906-7.	1907-8.	1908-9.	1909-10.	1910-11.
	£	£	£	£	£
Chief Office	8,125	9,664	10,780	12,324	14,208
Postal Dept. (ordinary)	2,618,767	2,848,196	2,986,992	3,123,357	3,441,720
Audit (proportion)	2,194	1,981	2,393	2,398	2,704
Pensions and retiring allowances	16,573	19,419	26,186	32,083	31,209
Rents, repairs, etc.	43,235	49,257	51,454	54,484	62,454
New works, etc.	275,737	427,006	541,809	555,557	...
Miscellaneous	1,467	3,767	5,788	6,552	7,490
Total	2,966,098	3,359,290	3,625,402	3,786,755	3,559,785

19. **Miscellaneous.**—In addition to the foregoing there are certain items which do not come under any of the heads enumerated. For 1910-11 the total expenditure under this heading was £4,290,135, made up of £2,452,959 for new works, and two equal payments of £918,588 into the trust fund for the purposes respectively of old-age pensions and the construction of the fleet. The entire expenditure for new works now appears as a separate item instead of being debited to the different departments.

(D) **Subsidy Paid to States.**

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

2. **Payments to the Several States.**—In the following table are furnished particulars relative to the amounts actually paid to the several States on account of each of the financial years 1906-7 to 1910-11:—

COMMONWEALTH SUBSIDY PAID TO STATES, 1906-7 to 1910-11.

State.	1906-7.	1907-8.	1908-9.	1909-10.	1910-11.
	£	£	£	£	£
New South Wales ...	3,025,137	3,617,472	3,326,276	3,480,314	1,954,986
Victoria ...	2,201,013	2,377,708	1,987,435	2,109,379	1,617,572
Queensland ...	938,935	1,038,267	1,027,047	1,099,383	691,625
South Australia ...	644,564	791,664	716,957	842,508	514,622
Western Australia ...	774,882	751,735	627,933	707,672	591,243
Tasmania ...	261,043	280,059	244,747	253,180	233,143
Total ...	7,845,574	8,856,905	7,930,395	8,492,436	5,603,191

Taking the States as a whole the surplus Commonwealth revenue paid on account of the year 1907-8 was higher than that paid on account of any other financial year. As regards the individual States the maximum payment took place in New South Wales and Victoria in 1907-8, in Queensland and South Australia in 1909-10, in Western Australia in 1902-3, and in Tasmania in 1901-2. The largeness of the amount returned by the Commonwealth to the States in respect of 1907-8 was in great measure due to the increased Customs and Excise revenue collected under the new tariff of that year. For 1908-9 the surplus revenue paid to the States was lower in all cases than that for 1907-8. This was due in part to the fact that the 1907-8 payments were somewhat abnormal, and in part to the retention by the Commonwealth in 1908-9 of all revenue in excess of the statutory three-fourths of net Customs and Excise Revenue. In 1909-10 the surplus revenue returned to the States was higher in every case than in 1908-9. In 1910-11 owing to the new system of allotting the Commonwealth subsidy the amounts received by each State were the smallest for the period under review.

2. **Distribution.**—The amounts to credit of Trust Fund in the several States on 30th June, 1911, were as follows :—New South Wales, £490,297 ; Victoria, £10,669,688 ; Queensland, £175,902 ; South Australia, £92,138 ; Western Australia, £50,964 ; and Tasmania, £51,317.

3. **Australian Notes Account.**—After the passage of the Australian Notes Act, Australian notes began to appear in circulation in December, 1910. For the first half of the calendar year 1911, they circulated side by side with bank notes and Queensland Treasury notes. On 30th June, 1911, the notes issued and unredeemed amounted to £8,031,217. Against this there was a reserve in gold coin of £3,352,281 and other assets, of which the most important were investments in Government Stock and fixed deposits, totalling £4,642,500, and returning an annual income of £157,070. After 30th June, 1911, the penal clauses of the Notes Act came into operation and the banks and the Queensland Government began to withdraw their notes from active circulation. By the end of the year the process was virtually complete and the situation became normal.

The position, according to a Treasury return issued at the end of the March quarter of 1912, was as follows :—

COMMONWEALTH NOTES ISSUED AND UNREDEEMED AT 27th MARCH, 1912.

						£
£1	...	...	...	...	...	3,368,592
£5	...	...	...	...	...	3,235,360
£10	...	...	...	...	...	1,714,440
£20	...	...	...	...	...	382,780
£50	...	...	...	...	...	913,900
£100	...	...	...	...	...	433,400
						<hr/> 10,048,472

The amount of the gold reserve was £4,841,536, representing 48.18 per cent. of the liability. Out of this amount of Commonwealth notes the banks hold about £6,000,000, the balance being in active circulation.

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