

## 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. For subsequent modification of, and addition to, the original clauses, the enquirer is referred to sub-sections 5 and 6 hereunder.

2. **Departments Transferred or Transferable under the Constitution.**—In section 69 it was 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 was assumed by the Commonwealth on 1st July, 1909.

The requisite proclamation of transfer in the case of departments dealing with "Lighthouses, lightships, beacons, and buoys," was made so as to effect the transfer on 1st July, 1915, although legislation relative thereto was passed by the Federal Parliament very much earlier (Act No. 14, 1911).

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

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

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

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

**5. Financial Relations between Commonwealth and States.**—For the first ten years after Federation the financial relations between the Commonwealth and State Governments were regulated by section 87 of the Constitution, known generally as the "Braddon Clause." This provided that the Commonwealth should, until 31st December, 1910—and thereafter so long as Parliament should decide—retain for its own use an amount not exceeding one-fourth of the net revenue from Customs and Excise duties, the balance being returned to the States. The framers of the Constitution only contemplated a moderate Federal expenditure, and doubtless considered that one-fourth of the

Customs and Excise revenue would be sufficient, as, indeed, it was in the earlier years. It began to be realised, however, later on, that if the Commonwealth was to undertake large national duties such as Defence, a greatly increased expenditure must be faced. Consequently, on the expiry of the "Braddon Clause" in 1910, it was replaced by an agreement much more favourable to the Commonwealth. This agreement, known as the "Commonwealth Surplus Revenue Act 1910" was passed by the Fisher Administration for a period of ten years, after which time it would be subject to revision. It provided that the Commonwealth was to retain the whole of the Customs and Excise revenue, and to make to the Government of each State (by monthly instalments) an annual payment equal to 25s. per head of the population of the State. The population of a State in any financial year was considered, for the purposes of this Act, to be the number estimated by the Commonwealth Statistician as existing in the State on the 31st December falling in that financial year.

In view of the early expiry of the "Commonwealth Surplus Revenue Act," the whole subject of the financial relations between Commonwealth and States was discussed at a conference of Commonwealth and State Ministers, held in January, 1919, at Melbourne. The Commonwealth Treasurer made the following tentative proposal as the basis of a new arrangement:—In 1920–21 the States were to receive 22s. 6d. per head of population, and in each succeeding year an amount diminishing by 2s. 6d. per head until 1925–26, when they would receive 10s. per head; then the arrangement would come up for further revision. This represents a further serious decline in the amount of the Commonwealth subsidy to the States, but it seems to be unavoidable in view of the heavy national commitments of the Federal Government. In fact the Commonwealth Treasurer foreshadowed a time when the States might have to make their way without Commonwealth assistance at all.

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

Assistance has also been granted to Tasmania, partly by means of the "Tasmania Grant Act of 1912," and partly by means of a special sum allocated by the Budget of 1913. According to the "Grant Act" a sum of £500,000 was set aside to be paid to Tasmania by ten annual instalments, starting at £95,000, and progressively diminishing by £10,000 until £5,000 is reached. In the Budget of 1913 a further sum of £400,000 was allotted to Tasmania, to be paid in nine annual instalments, starting at £5,000 and progressively increasing by £10,000 until the last payment, which will, however, be £80,000 instead of £85,000. As the result of these two grants Tasmania will have a first annual instalment of £95,000, then eight instalments of £90,000 each, and a final one of £85,000.

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

7. **Accounts of Commonwealth Government.**—The Commonwealth Government, like the States Governments, operates nearly all its accounts by means of three funds, the Consolidated Revenue Fund, the Trust Fund, and the Loan Fund. The latter only came into existence in the financial year 1911–12, but on the outbreak of war became so important that it is now treated in two parts: a General Loan Fund mainly for purposes of Public Works, and a War Loan Fund for purely military purposes. The

accounts of these funds are now so interwoven that a proper conspectus of the Commonwealth Accounts can hardly be obtained by an analysis of each of them singly. Two tables are therefore appended, showing receipts and disbursements from all sources for the last five years. The different funds will then be treated in detail in the subsequent sections.

## COMMONWEALTH RECEIPTS, 1913-14 TO 1917-18.

Heading.	1913-14.	1914-15.	1915-16.	1916-17.	1917-18.
	£	£	£	£	£
Consolidated Revenue ..	21,741,775	22,419,798	30,762,216	34,067,434	36,839,868
Trust Funds in aid of Revenue ..	1,418,958	1,224,347	..	3,000,000	2,077,427
Total .. ..	23,160,733	23,644,145	30,762,216	37,067,434	38,917,295
General Loan Fund .. ..	2,100,000	2,058,201	2,859,341	..	1,803,447
Unexpended Balance of General Loan Fund from previous years ..	151,498	96,237	..	..	..
Total .. ..	2,251,498	2,154,438	2,859,341	..	1,803,447
War Loan Fund in aid of Revenue ..	..	(a)14,471,118	57,656,683	(b) 70,844,925	(c) 78,595,883
Grand Total .. ..	25,412,231	40,269,701	91,278,240	107,912,359	119,316,625

(a) Credited by the Treasury to Consolidated Revenue. (b) Including £20,233,115 unexpended balance from previous year. (c) Including £17,730,688 unexpended balance from previous year.

## COMMONWEALTH EXPENDITURE, 1913-14 TO 1917-18.

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

(a) See footnote (a) to previous table. (b) Includes £271,118 repayment of advance from Notes Fund in 1914-15. See footnote (a) to previous table.

## § 2. Consolidated Revenue Fund.

### (A) Nature of Fund.

The provisions made for the formation of a Commonwealth Consolidated Revenue Fund, and the means to be adopted for operating on that fund, are contained in sections 81, 82, and 83 of the Constitution. In section 81 it is provided that "All revenues or moneys raised or received by the Executive Government of the Commonwealth shall form one Consolidated Revenue Fund, to be appropriated for the purposes of the Commonwealth in the manner and subject to the charges and liabilities imposed by this Constitution." A strictly literal interpretation of this section would appear to require all loan and trust moneys received by the Commonwealth Executive to be paid to Consolidated Revenue. It is, however, held by Quick and Garran, in their "Annotated Constitution," that the "generic word *moneys* must be controlled by the preceding specific word *revenues*, and limited to moneys in the nature of revenue." This is the view of the matter which has been adopted by the Commonwealth Treasury in the preparation of its accounts. At present certain moneys received by the Commonwealth, which are not of the nature of revenue, are paid to Trust Account. 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 1917–18, reached a total of £36,839,868, an increase in the period of £25,542,883.

Particulars concerning the total amount of revenue collected by the Commonwealth Government from 1st July, 1913, to 30th June, 1918, are contained in the following table:—

#### CONSOLIDATED REVENUE OF THE COMMONWEALTH, 1913–14 TO 1917–18.

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

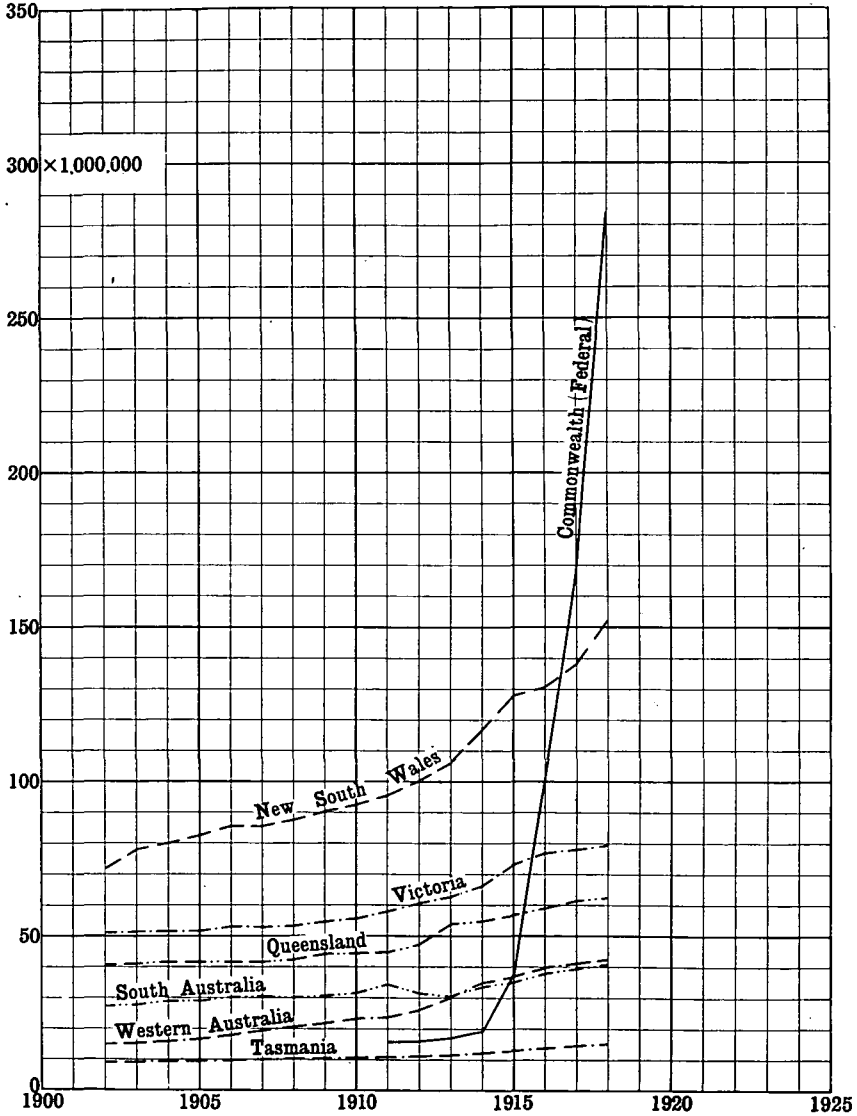
Since 1913–14 the revenue has increased steadily every year. In 1914–15 it was augmented by instalments, amounting to £14,100,000, of the War Loan from the British Government, and also by £371,118 Treasury Bills in aid of revenue. The great increase in the last three years is due to the large expansion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

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, 1913–14 TO 1917–18.

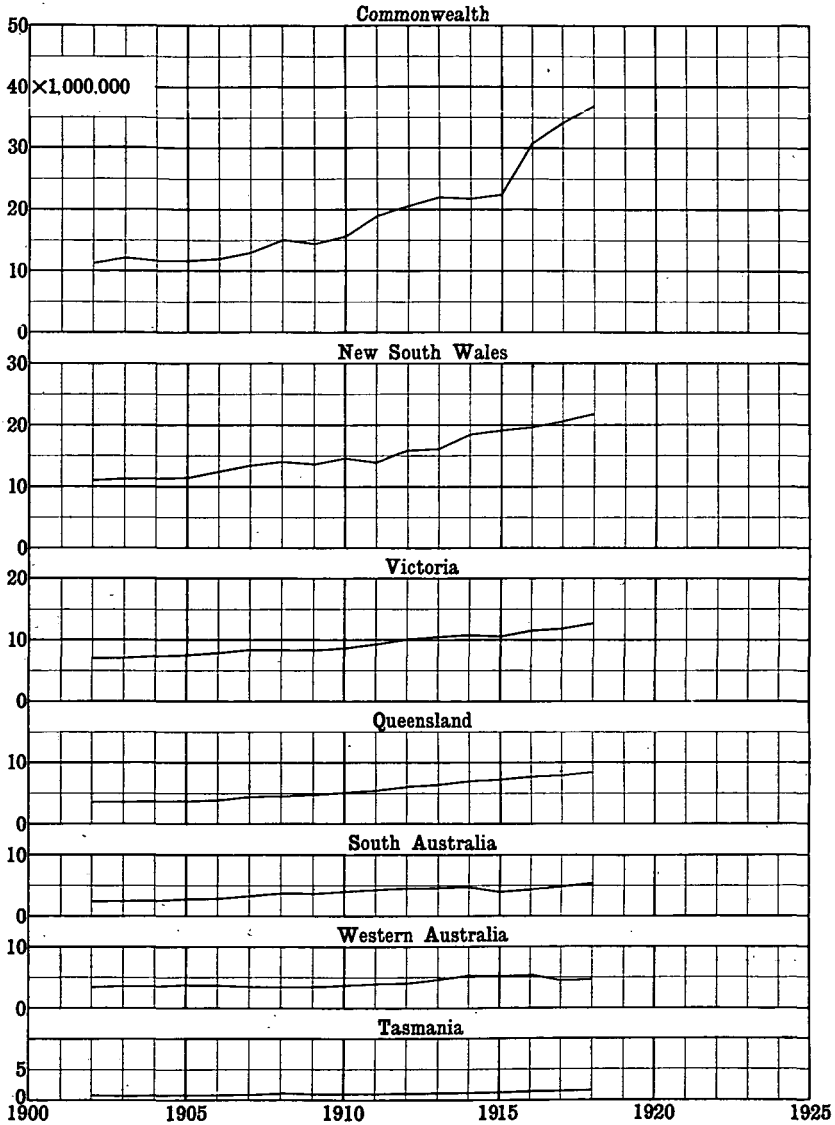
—	1913–14.	1914–15.	1915–16.	1916–17.	1917–18.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Commonwealth ..	4 9 3	4 10 9	6 4 9	6 19 9	7 9 3

## AUSTRALIAN PUBLIC DEBT—COMMONWEALTH AND STATES, 1901-2 TO 1917-18.



EXPLANATION OF GRAPH.—The base of each small square represents an interval of one year, while the vertical height represents £10,000,000. The Commonwealth (Federal) debt commenced in the year 1911.

## AUSTRALIAN CONSOLIDATED REVENUE—COMMONWEALTH AND STATES, 1901-2 TO 1917-18.



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

3. Sources of Revenue.—The following table furnishes particulars concerning the Commonwealth revenue derived from each source during the years 1913-14 to 1917-18 :—

SOURCES OF COMMONWEALTH REVENUE, 1913-14 TO 1917-18.

Sources of Revenue.	1913-14.	1914-15.	1915-16.	1916-17.	1917-18.
	£	£	£	£	£
Customs .. .. .	12,652,737	12,105,698	13,610,684	12,373,664	9,486,555
Excise .. .. .	2,325,333	2,771,556	3,323,419	3,236,623	3,737,757
Land Tax .. .. .	1,609,836	1,953,696	2,040,436	2,121,952	2,123,779
Probate and Succession Duties .. .. .	..	39,646	626,215	1,062,168	947,232
Income Tax .. .. .	..	..	3,932,775	5,621,950	7,385,514
Entertainments Tax .. .. .	..	..	..	110,683	245,898
War-time Profits Tax .. .. .	..	..	..	..	680,008
Postal .. .. .	4,511,307	4,594,542	5,053,596	5,498,517	5,762,190
Defence .. .. .	22,936	219,152	881,115	478,326	384,114
Patents .. .. .	22,393	17,165	15,487	15,167	15,671
Trade Marks, Copyrights and Designs .. .. .	5,932	4,741	5,175	5,432	4,611
Quarantine .. .. .	15,173	13,768	19,242	19,671	16,453
Coinage .. .. .	208,348	208,515	359,720	354,276	229,378
Public Service Pension Funds, Repayments and Transfers .. .. .	36,824	44,817	47,604	47,737	48,911
Northern Territory .. .. .	54,777	53,026	64,780	40,650	39,621
Miscellaneous .. .. .	270,179	393,476	781,968	3,080,618	5,732,176
<b>Total .. .. .</b>	<b>21,741,775</b>	<b>22,419,798</b>	<b>30,762,216</b>	<b>34,067,434</b>	<b>36,839,868</b>

In addition to the new direct taxation, there was for some time a fairly steady return from customs and excise. In the last two years, however, there has been a striking fall in the customs returns, due probably to the diminution of imports caused by a scarcity of tonnage. The postal revenue has shewn a consistent upward tendency. The principal items included in the "Miscellaneous" are set out in detail on page 755.

4. Customs Revenue for Past Five Years.—Particulars for the Commonwealth as a whole, for the five years 1913-14 to 1917-18, are furnished in the following table :—

COMMONWEALTH CUSTOMS REVENUE, 1913-14 TO 1917-18.

Classes.	1913-14.	1914-15.	1915-16.	1916-17.	1917-18.
	£	£	£	£	£
Stimulants .. .. .	2,810,222	2,899,540	2,500,606	1,986,321	1,693,957
Narcotics .. .. .	1,175,404	1,257,223	1,333,516	1,300,683	1,236,085
Sugar .. .. .	209,375	60,403	587,028	453,380	51,119
Agricultural products .. .. .	1,002,363	1,087,133	1,310,437	862,227	603,605
Apparel and textiles .. .. .	2,514,170	2,302,764	2,902,012	3,197,778	2,393,518
Metals and machinery .. .. .	1,672,125	1,638,416	1,572,536	1,404,705	1,000,943
Oils, paints, etc. .. .. .	310,847	311,545	386,994	338,202	267,129
Earthenware, etc. .. .. .	426,134	338,095	368,300	249,525	176,244
Drugs and chemicals .. .. .	122,960	131,764	160,997	163,027	163,623
Wood, wicker and cane .. .. .	553,843	455,860	365,969	277,396	203,430
Jewellery, etc. .. .. .	272,214	253,290	335,147	325,718	279,785
Leather, etc. .. .. .	470,382	428,106	505,652	498,874	346,073
Paper and stationery .. .. .	234,504	269,443	346,158	419,323	299,330
Vehicles .. .. .	343,633	303,868	499,140	429,077	322,344
Musical instruments .. .. .	166,059	83,570	100,562	107,915	110,413
Miscellaneous articles .. .. .	330,548	248,977	295,895	320,334	298,661
Other receipts .. .. .	35,954	35,701	39,735	39,179	40,296
<b>Total Customs .. .. .</b>	<b>12,652,737</b>	<b>12,105,698</b>	<b>13,610,684</b>	<b>12,373,664</b>	<b>9,486,555</b>

It will be seen that during the period here dealt with, the Customs revenue from stimulants and narcotics has represented, approximately, a proportion of the total



varying from one-fourth to one-third. The other principal articles from which Customs revenue was derived were "apparel and textiles," "metals and machinery," and "agricultural products."

5. Excise Collections, 1913-14 to 1917-18.—Particulars concerning the amount of Excise collected under each head during each of the years ending 30th June, 1914 to 1918, are given hereunder :—

COMMONWEALTH EXCISE REVENUE, 1913-14 TO 1917-18.

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

(a) Debit.

Comparing the Excise collections for 1917-18 with those for 1913-14, it will be seen that the increase in the revenue from tobacco was about 30 per cent., the yield from beer was more than doubled, and that from spirits increased about 90 per cent., while the revenue from sugar has vanished, owing to the abolition of the Excise duties.

6. Commonwealth Direct Taxation.—(a) *General.* Under section 51, sub-section (ii) of the Constitution, power is given to the Commonwealth Parliament to make laws with respect to taxation, but so as not to discriminate between States or parts of States. Section 90 of the Constitution makes the power of the Commonwealth Parliament to impose Customs and Excise duties an exclusive one, but it would appear that as regards all other forms of taxation the States and Commonwealth possess concurrent powers. The question of the imposition by the Commonwealth Parliament of direct taxes such as land and income taxes is one which has been the subject of considerable discussion, and the opinion has been expressed that the intention of the framers of the Constitution was that of restricting the powers of taxation of the Commonwealth to the imposition of Customs and Excise duties except in case of great national peril. Whatever the intention of the framers may have been in this matter, the Constitution itself contains no such provision, and the Commonwealth Parliament is given an absolutely free hand in the imposition of taxation. Up to the end of the financial year 1909-10 the only taxes so levied were those of Customs and Excise, referred to in detail in the foregoing paragraphs. During the 1910 session of the Federal Parliament, however, an Act—assented to on 17th November, 1910—was passed, giving to the Commonwealth the power of levying a tax upon the unimproved value of all lands within the Commonwealth which were owned by taxpayers, and not specially exempted. Detailed reference to this Act will be found in Commonwealth Year Books Nos. 5 and 6. The Act No. 30 of 1918 increased the existing rates of land tax by 20 per cent.

(b) *Budget of 1914-15.* The fact stated in the previous paragraph, that there was nothing in the Constitution itself to restrain the Federal Government from entering the field of direct taxation, received further exemplification by the Budget of 1914-15. In the first place the Land Tax was raised by altering the graduation so that the increase in rate over the whole taxable value of the estate, for each succeeding pound of taxable value between £5,000 and £75,000, was one eighteen-thousand seven-hundred and fiftieth of a penny, instead of one thirty-thousandth of a penny, as hitherto. The maximum rate for resident owners became 9d. in the £ on estates whose taxable value was more

than £75,000. Corresponding increases in the rates payable by absentee owners were made, rising to a maximum of 10d. in the £ on estates whose taxable value is more than £80,000. These advances were estimated as likely to increase the annual yield of the Land Tax by £1,000,000. In addition to this substantial increase in an already existing tax, the Federal Government, for the first time, introduced Succession Duties on estates of deceased persons, in addition to those already imposed by the State Governments. The Commonwealth scale of succession duty, after starting by the exemption of all estates of less than £1,000, ranges from a minimum of 1 per cent. to a maximum of 15 per cent. on estates of a higher taxable value than £71,000. The rate of duty for any estate may be found by the following rule. Divide the number of thousands of pounds in the estate by five, and to the quotient thus obtained add  $\frac{2}{3}$  per cent. in the case of an exact thousand, and  $\frac{1}{2}$  per cent. in every other case. Thus for an estate of £43,000 the duty would be  $9\frac{1}{2}$  per cent. (i.e.  $\frac{43}{5} + \frac{2}{3}$ ), but for an estate of £43,001 the duty would be  $9\frac{2}{3}$  per cent. (i.e.  $\frac{43}{5} + \frac{1}{2}$ ). The succession duties thus outlined yielded £39,646 up to 30th June, 1915, an amount very much less than the estimate. It is probable, however, that sufficient account was not taken of the interval that frequently elapses between a person's death and the taking out of probate on the estate. This is borne out by the great increase in the yield in the more recent years. The respective contributions of the several States are as follows :—

COMMONWEALTH PROBATE AND SUCCESSION DUTIES, 1914-15 TO 1917-18.

Year.	N.S.W.	Vic.	Q'land.	S. Aust.	W. Aust.	Tas.	Total.
	£	£	£	£	£	£	£;
1914-15 ..	18,474	9,216	4,774	1,900	1,912	3,370	39,646
1915-16 ..	261,477	276,923	23,928	32,790 <sup>a</sup>	8,530	22,567	626,215
1916-17 ..	306,249	588,125	61,239	65,130	30,064	11,361	1,062,168
1917-18 ..	338,006	448,225	55,181	69,737	18,616	17,467	947,232

(a) Including Northern Territory, £164.

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

COMMONWEALTH INCOME TAX COLLECTIONS, 1915-16 TO 1917-18.

States.	1915-16.	1916-17.	1917-18:
	£	£	£
New South Wales .. ..	1,462,418	1,670,829	2,543,427
Victoria .. ..	1,476,690	2,547,222	2,847,448
Queensland .. ..	497,059	545,475	795,717
South Australia .. ..	245,063	433,446	612,225
Western Australia .. ..	185,003	314,374	433,703
Tasmania .. ..	66,183	108,837	149,947
Northern Territory .. ..	359	1,767	3,047
Total .. ..	3,932,775	5,621,950	7,385,514

- (ii) The principal exemptions are as follows :—
- (a) The salaries of the Governor-General and the various State Governors.
  - (b) Income derived from the different Commonwealth securities issued for the purposes of certain of the War Loan Acts 1915.
  - (c) The revenue of a municipal corporation or other local governing body.
  - (d) The income of religious, scientific or charitable institutions.
  - (e) The income of friendly societies, trade unions, or any associations registered under an Act for the settlement of industrial disputes.
- (iii) *Deductions.* The following deductions, amongst others, are allowed :—
- (a) All rates and taxes paid in Australia, exclusive of those paid under this Act.
  - (b) Life assurance premiums and fidelity guarantee payments not exceeding a total of £50.
  - (c) Payments not exceeding £50 to a friendly society, sustentation fund, superannuation, widows or orphans fund.
  - (d) Gifts exceeding £5 each to public charitable institutions, and contributions in cash or kind to a patriotic fund connected with the present war or to any public authority for repatriation purposes.
  - (e) The sum of £26 in respect of each child under sixteen years at the beginning of the financial year, wholly maintained by any taxpayer who is not an absentee.
- (iv) *Special deduction to a person (other than a company, an absentee, or a person who is not married and has no dependents) :*
- (a) The sum of £156 less £1 for every £3 by which the income exceeds £156.
- Special deduction to a person who is not married and has no dependents (not being a company or an absentee) :*
- (b) The sum of £100 less £1 for every £5 by which the income exceeds £100.
- When the total taxable income consists partly of income from personal exertion and partly of income from property, the deduction is to be made in the first place from the income from property and any excess is to be deducted from the income from personal exertion.
- (v) It is worthy of note that in the taxation of companies there is deducted from the income not only all the deductions already allowed for, but also so much of the income as is distributed to the members, or shareholders.
- (d) *Entertainments Tax.* This tax was to amount to 1d. for a ticket not exceeding 1s., and  $\frac{1}{2}$ d. for each additional 6d., or part thereof. An exception was made in the case of payments not exceeding 3d. for the admission, on Saturdays between the hours of twelve o'clock noon and six o'clock in the afternoon, of children apparently under the age of twelve years.
- (e) *War Time Profits Tax.* This tax was recently passed by Parliament. It provides for a tax on the amount by which the profits made in the war-time financial year (1st July to 30th June following), exceeds the pre-war standard of profits, which may be either :—(a) the average profits of two of the three years before 4th August, 1917, or (b) 10 per cent. on the capital employed in a business. The tax in respect of profits derived in the financial year 1st July, 1915, to 30th June, 1916, was 50 per cent., and in all subsequent years 75 per cent. The collections up to 30th June, 1918, were £680,008, with £435,972 outstanding.

7. *Commonwealth Land Tax.*—Particulars as to the Land Tax assessment for each State for the year ending 30th June, 1917, the latest available return at the time of writing, will be found in the following table. Details in regard to rate of tax, etc., will be found in Year Books Nos. 5, 6.

PARTICULARS OF LAND TAX ASSESSMENT FOR EACH STATE OF THE COMMONWEALTH FOR THE YEAR ENDING 30th JUNE, 1917.

State.	Number of Taxable Returns.	Unimproved Value as ascertained by Department.	Tax Assessed.		
			Town.	Country.	Total.
		£	£	£	£
Central—					
Resident .. ..	1,446	36,378,682	291,337	376,493	667,830
Absentee .. ..	219	508,809	5,505	2,465	7,970
	1,665	36,887,491	296,842	378,958	675,800
New South Wales—					
Resident .. ..	4,740	72,613,655	252,092	434,926	687,018
Absentee .. ..	642	1,287,348	12,105	2,204	14,309
	5,382	73,901,003	264,197	437,130	701,327
Victoria—					
Resident .. ..	4,377	48,522,928	113,524	191,397	304,921
Absentee .. ..	704	1,119,776	11,989	3,976	15,965
	5,081	49,642,704	125,513	195,373	320,886
Queensland—					
Resident .. ..	1,123	13,616,557	28,446	73,026	101,472
Absentee .. ..	274	374,578	1,537	2,186	3,723
	1,397	13,991,135	29,983	75,212	105,195
South Australia—					
Resident .. ..	1,631	17,205,505	44,498	74,520	119,018
Absentee .. ..	320	371,250	2,666	675	3,341
	1,951	17,576,755	47,164	75,195	122,359
Western Australia—					
Resident .. ..	569	6,830,617	25,421	26,781	52,202
Absentee .. ..	1,052	445,150	2,350	962	3,312
	1,621	7,275,767	27,771	27,743	55,514
Tasmania—					
Resident .. ..	477	5,321,566	8,360	26,409	34,769
Absentee .. ..	300	238,217	528	941	1,469
	777	5,559,783	8,888	27,350	36,238
Grand Total—					
Resident .. ..	14,363	200,489,510	763,678	1,203,552	1,967,230
Absentee .. ..	3,511	4,345,128	36,680	13,409	50,089
	17,874	204,834,638	800,358	1,216,961	2,017,319

The foregoing table relates to the assessments for the latest year in regard to which figures are available. In addition to this, a further table is appended shewing the actual amounts received by the Treasury for five years, after the "central" returns have been allocated to each State.

**COMMONWEALTH LAND TAX COLLECTIONS IN EACH STATE, 1913-14 TO 1917-18.**

State.	1913-14.	1914-15.	1915-16.	1916-17.	1917-18.
	£	£	£	£	£
New South Wales ..	661,344	865,791	925,055	921,974	889,164
Victoria ..	669,724	751,870	760,205	822,946	844,872
Queensland ..	84,054	107,891	100,588	143,317	149,989
South Australia ..	113,373	133,522	154,689	150,670	145,852
Western Australia ..	51,233	55,983	61,485	47,365	58,743
Tasmania ..	30,108	38,639	38,414	35,680	35,159
Total .. ..	1,609,836	1,953,696	2,040,436	2,121,952	2,123,779

8. Details of Postal Revenue, 1913-14 to 1917-18.—Particulars concerning the postal revenue of the Commonwealth for each of the financial years from 1913-14 to 1917-18 are contained in the following table:—

**COMMONWEALTH POSTAL REVENUE, 1913-14 TO 1917-18.**

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

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

The revenue collected since the financial year 1913-14 is shewn in the following table:—

**COMMONWEALTH PATENTS REVENUE, 1913-14 TO 1917-18.**

	1913-14.	1914-15.	1915-16.	1916-17.	1917-18.
	£	£	£	£	£
Revenue .. ..	22,393	17,165	15,487	15,167	15,671

10. 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 received for the last five years:—

COMMONWEALTH TRADE MARKS, COPYRIGHTS AND DESIGNS REVENUE,  
1913-14 TO 1917-18.

	1913-14.	1914-15.	1915-16.	1916-17.	1917-18.
Revenue .. .. .	£ 5,932	£ 4,741	£ 5,175	£ 5,432	£ 4,611

11. 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 1917-18 amounted to £384,114.

12. Coinage.—The revenue for the Commonwealth under this head is derived from the profit on coin issued, and is made up of £209,952 from silver coin and £19,426 from bronze coin.

13. Miscellaneous.—This includes a large number of items which cannot be conveniently allotted under any of the preceding heads. The outbreak of war has very largely increased the “miscellaneous” revenue by the profits of certain enterprises, controlled for the time being by the Federal Government. In the financial year 1917-18 no less an amount than £5,732,176 was available from this source, the principal contributing items being as follows:—Interest, discount, exchange, etc., £995,576; profit on sale of rabbit-skins, £301,000; profit on charter of vessels, £166,790; detained enemy vessels, £2,173,418; Commonwealth Government line of steamers—surplus earnings, £880,000; receipts from railways, £200,403; lighthouses and light dues, £108,556; unexpended balances of London orders, £186,149; and balance of Defence Trust Accounts, £250,310. As it is possible that many of these items will not re-appear in subsequent years, they have not been presented in tabular form.

(C) Expenditure.

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

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

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

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

was regarded as expenditure on new services, and was distributed amongst the States *per capita*. Under the new system of keeping the accounts there is no further debiting of expenditure to the several States.

2. **Total Expenditure.**—The expenditure by the Commonwealth Government during the period 1913–14 to 1917–18 is shown in the following table :—

**COMMONWEALTH EXPENDITURE, 1913–14 TO 1917–18.(a)**

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

(a) Including balance paid into Trust Funds.

The largely increased expenditure of recent years is due partly to Old-age and Invalid Pensions, partly to fleet construction, and partly to such public works as the Trans-Australian Railway, Federal Capital, etc. In 1914–15 an additional amount of £14,471,118 was spent, made up of £14,100,000 war loan from the Imperial Government, and £371,118 Treasury Bills in aid of revenue. In 1915–16 the expenditure included £3,000,000 set aside for the purposes of Invalid and Old-age Pensions in subsequent years, and this item came to £2,077,427 in 1916–17 and £3,925,820 in 1917–18. These totals include amounts paid into Trust Funds, but exclude subsidy to States.

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

**COMMONWEALTH EXPENDITURE PER HEAD OF POPULATION, 1913–14 TO 1917–18.**

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

4. **New Works, etc.**—As previously mentioned, the Commonwealth expenditure on new works, etc., for transferred departments was, prior to 1904–5, included under the head of “transferred” expenditure, but in that and subsequent years up to 1909–10 was treated as “other” expenditure, and debited to the States *per capita*. Particulars of the expenditure on new works, etc., during the last six years are given in the following table :—

**COMMONWEALTH EXPENDITURE ON NEW WORKS FOR SIX YEARS,  
1913 TO 1918.**

Year ended 30th June—	Defence.	Trade and Customs.	Postmaster- General.	Home Affairs.	External Affairs.	Treasury.	Prime Minister's Department.	Home and Territories.	Works and Railways.	Total.
	£	£	£	£	£	£	£	£	£	£
1913	1,258,277	51,272	1,088,022	186,345	65,290	4,076	..	..	..	2,653,282
1914	1,079,940	56,014	1,121,632	266,124	50,653	1,637	..	..	..	2,576,000
1915	1,520,684	66,338	831,828	217,784	30,647	6,396	..	..	..	2,673,939
1916	1,940,682	133,976	644,134	168,898	50,598	2,547	..	..	..	2,940,835
1917	1,765,253	201,419	590,770	(b)	(b)	2,085	120,591	293,836	1,314,793	4,288,747
1918	245,501	109,164	233,255	(b)	(b)	2,377	..	27,718	4,188	622,203

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

It will be seen that the Commonwealth expenditure under this head was very considerable up to 1916-17. The main cause of this heavy increase was the large expenditure on fleet construction, but in the year 1916-17 a very large expenditure was debited to the Works and Railways Department.

5. Cost of Departments, etc.—Arranged in such a manner as to shew under each Department the expenditure on behalf of that Department, the cost of the several branches of the Commonwealth service for the years 1913-14 to 1917-18 was as follows :—

**COST OF COMMONWEALTH DEPARTMENTS, ETC., 1913-14 TO 1917-18.**

Departments, etc.	1913-14.	1914-15.	1915-16.	1916-17.	1917-18.
	£	£	£	£	£
Governor-General .. ..	17,815	24,750	23,535	25,279	26,893
Parliament .. .. .	243,163	340,605	263,397	344,060	237,464
Prime Minister .. .. .	82,847	56,642	60,790	155,797	234,568
External Affairs .. .. .	678,974	595,178	840,199	..	..
Attorney-General .. .. .	82,442	78,466	86,164	94,195	96,930
Home Affairs .. .. .	152,299	440,932	592,251	..	..
Treasury .. .. .	2,787,034	2,527,833	3,817,851	(b)1,545,923	(c)2,902,578
Trade and Customs .. .. .	730,458	551,318	589,121	648,147	715,129
Defence .. .. .	2,950,722	3,545,086	1,512,340	1,544,775	1,283,063
Navy .. .. .	..	..	1,552,318	1,514,661	1,551,258
Postmaster-General .. .. .	5,157,022	5,221,274	5,358,371	5,288,998	5,349,994
Home and Territories .. .. .	..	..	..	484,274	468,701
Works and Railways .. .. .	..	..	..	886,661	672,893
All other Expenditure .. .. .	2,576,000	2,673,939	9,718,684	15,264,245	16,960,023
<b>Total .. .. .</b>	<b>15,458,776</b>	<b>16,056,023</b>	<b>24,415,221</b>	<b>27,797,015</b>	<b>30,499,494</b>

(a) Exclusive of £14,471,118 spent from loans in aid of Revenue. (b) In addition £3,000,000 was spent on Invalid and Old-age Pensions from Trust Funds. (c) In addition £2,077,427 was spent on Invalid and Old-age Pensions from Trust Funds.

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 every year. The heading "all other expenditure" includes War Services since 1915-16. More detailed reference to the items included under the above general heads is furnished in the succeeding paragraphs.

6. Governor-General.—In section 3 of the Constitution it is enacted that, until the Commonwealth Parliament otherwise provides, there shall be payable out of the Consolidated Revenue Fund for the salary of the Governor-General an annual sum of ten thousand pounds, and a proviso is made that the salary of the Governor-General shall not be altered during his continuance in office. The total expenditure in connection with the Governor-General and establishment for the five years 1913-14 to 1917-18 is as follows :—

**EXPENDITURE, GOVERNOR-GENERAL AND ESTABLISHMENT, 1913-14 TO 1917-18.**

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

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



7. **Parliament.**—Under this head have been grouped all the items of expenditure connected with the Parliamentary government of the Commonwealth, including the salaries of the Ministers and the allowances to senators and members of the House of Representatives. Details for the five years 1913-14 to 1917-18 are furnished in the table given hereunder :—

**EXPENDITURE, COMMONWEALTH PARLIAMENT, 1913-14 TO 1917-18.**

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

In section 66 of the Constitution, provision is made that there shall be payable out of the Consolidated Revenue Fund of the Commonwealth, for the salaries of Ministers of State, an annual sum which, until Parliament otherwise provides, shall not exceed £12,000. This was modified in 1915-16, when the Minister of the Navy was given separate Cabinet rank. Allowances to senators and members of the House of Representatives are also provided for in the Constitution, section 48 of which specifies that until Parliament otherwise provides, each such allowance shall consist of £400 a year, reckoned from the day on which the member takes his seat. During the second session of the Commonwealth Parliament in 1907 the question of allowances to members came under consideration, and an Act was passed raising the annual allowance from £400 to £600, such increase to date from 1st July, 1907. This provision is still in force.

8. **Prime Minister's Department.**—This was a new department created during the financial year 1911-12. In addition to the Prime Minister's Office it includes the Audit Office taken from the Treasury, the Executive Council taken from the External Affairs Department, and the Public Service Commissioner's Office taken from the Home Affairs Department. In 1916-17 it assumed control of the High Commissioner's Office in London, which was detached from the old External Affairs Department when the latter was merged in the Home and Territories Department. The expenditure for the last five years is shown in the following table :—

**EXPENDITURE, PRIME MINISTER'S DEPARTMENT, 1913-14 TO 1917-18.**

Details.	1913-14.	1914-15.	1915-16.	1916-17.	1917-18.
	£	£	£	£	£
Salaries, contingencies, etc. .. ..	8,961	11,087	11,906	21,691	25,764
Executive Council .. ..	152	164	137	170	160
Audit Office .. ..	12,167	10,943	11,574	16,726	18,480
Rent, repairs, etc. .. ..	2,552	2,829	3,021	4,678	16,489
Public Service Commissioner's Office ..	22,303	23,255	21,252	22,142	22,329
High Commissioner's Office .. ..	..	..	..	31,518	52,166
Miscellaneous .. ..	36,712	8,364	12,900	58,872	99,180
<b>Total .. ..</b>	<b>82,847</b>	<b>56,642</b>	<b>60,790</b>	<b>155,797</b>	<b>234,568</b>

The principal items in the rather large "Miscellaneous" vote for 1917-18 are "Shipping and mail service to Pacific Islands," £35,021; "Interest on Commonwealth Inscribed Stock," £17,034; "Rent of buildings," £15,346; and "Working expenses, Port Pirie wharf," £13,831.

9. Home and Territories.—Under this new department, created in the financial year 1916-17, is placed the bulk of the old External Affairs Department (after the removal of the London office), and the Census and Statistics, and Meteorological Offices taken from the old Home Affairs Department. The expenditure for the two years of its existence was as follows:—

EXPENDITURE, HOME AND TERRITORIES DEPARTMENT, 1916-17 TO 1917-18.

Details.	1916-17.	1917-18.
	£	£
Chief Office .. .. .	17,065	14,737
Census and Statistics .. .. .	18,505	15,013
Meteorological Branch .. .. .	27,499	25,971
Papua .. .. .	61,746	51,918
Rents, repairs, etc. .. .. .	1,951	10,493
Northern Territory .. .. .	293,183	264,360
Federal Capital Territory .. .. .	..	23,382
Miscellaneous .. .. .	64,325	62,827
<b>Total .. .. .</b>	<b>484,274</b>	<b>468,701</b>

10. Northern Territory.—The Department of External Affairs assumed control of the administration of the Northern Territory from 1st January, 1911, and separate accounts were issued for the first time in the Treasurer's statement for the financial year ending 30th June, 1911. The chief sources of revenue for the year ending 30th June, 1918, were the Customs and Excise, amounting to £13,919, and railways £35,172. The Postal revenue amounted to £10,711, whilst the total revenue was £101,483. The chief items of expenditure were as follows:—Postal Department, £20,768; goldfields and mining, £17,678; and railways, £56,144. The total expenditure was £248,305. In addition to this expenditure the Commonwealth is liable for interest on loans and redemption, which for this financial year totalled £242,517. The deficiency for the year was £389,339.

REVENUE, NORTHERN TERRITORY, 1913-14 TO 1917-18.

Details.	1913-14.	1914-15.	1915-16.	1916-17.	1917-18.
	£	£	£	£	£
Customs and Excise .. .. .	12,628	13,466	21,282	19,156	13,919
Miscellaneous .. .. .	61,029	69,599	75,898	83,824	87,564
Deficiency for year .. .. .	458,878	391,862	649,518	702,385	389,339
<b>Total .. .. .</b>	<b>532,535</b>	<b>474,927</b>	<b>746,698</b>	<b>805,365</b>	<b>490,822</b>

## EXPENDITURE, NORTHERN TERRITORY, 1913-14 TO 1917-18.

Details.	1913-14.	1914-15.	1915-16.	1916-17.	1917-18.
	£	£	£	£	£
Interest and Redemption ..	246,271	246,442	464,510	389,819	242,517
Miscellaneous ..	286,264	228,485	282,188	415,546	248,305
Total ..	532,535	474,927	746,698	805,365	490,822

11. Papua.—The sums shewn in the table on page 759 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 Customs House. Details for the five years 1913-14 to 1917-18 are as follows :—

## REVENUE, PAPUA, 1913-14 TO 1917-18.

Details.	1913-14.	1914-15.	1915-16.	1916-17.	1917-18.
	£	£	£	£	£
Customs dues ..	37,341	32,244	33,931	45,353	48,067
Other collections ..	17,363	19,717	15,380	18,215	24,527
Commonwealth grant ..	30,000	30,000	30,000	30,000	30,000
Total ..	84,704	81,961	79,311	93,568	102,594

The expenditure for 1917-18 totalled £103,176, the main outlay being on the Government Secretary's Department and the Departments of Agriculture, Lands, and Public Works. The total expenditure for each of the five years 1913-14 to 1917-18 was as follows :—

## EXPENDITURE, PAPUA, 1913-14 TO 1917-18.

Particulars.	1913-14.	1914-15.	1915-16.	1916-17.	1917-18.
	£	£	£	£	£
Total expenditure ..	81,095	82,535	77,913	83,740	103,176

12. *Attorney-General's Department.*—The extra expenditure connected with this Department of late years has been 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 1914–15, amounted to £34,623, in 1915–16 to £40,084, in 1916–17 to £42,848, and in 1917–18 to £39,252. Details for the five years 1913–14 to 1917–18 are furnished hereunder :—

**EXPENDITURE, ATTORNEY-GENERAL'S DEPARTMENT, 1913-14 TO 1917-18.**

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

13. *Works and Railways Department.*—The great extension of Commonwealth Works and Railways led, in 1916–17, to the separation of these functions from the old Home Affairs Department and the constitution of a separate office. This new office also administers the Railways, formerly under the control of the old External Affairs Department. The expenditure for the two years of its existence is as follows :—

**EXPENDITURE, WORKS AND RAILWAYS DEPARTMENT, 1916-17 AND 1917-18.**

Details.	1916-17.	1917-18.
	£	£
Chief Office .. .. .	40,558	31,162
Trans-Australian Railway .. .. .	302,550	232,726
Port Augusta—Oodnadatta Railway, and Northern Territory Railways .. .. .	312,907	172,676
Interest and Sinking Fund on Commonwealth Securities .. .. .	210,363	220,768
Miscellaneous .. .. .	20,283	15,561
<b>Total .. .. .</b>	<b>886,661</b>	<b>672,893</b>

14. *Treasurer's Department.*—The sub-departments under the control of the Commonwealth Treasurer are the Treasury, the Pensions Department, and the Taxation Office. The Audit Office was transferred to the Prime Minister's Department in 1911–12. The rather large item for "Miscellaneous" in 1914–15 includes the

Belgian grant of £100,000. Details of the expenditure of this department for each of the five years 1913-14 to 1917-18 are furnished hereunder :—

EXPENDITURE, TREASURER'S DEPARTMENT, 1913-14 TO 1917-18.

Details.	1913-14.	1914-15.	1915-16.	1916-17.	1917-18.
	£	£	£	£	£
Treasury .. .. .	22,696	26,291	26,996	37,993	29,391
Old-age pensions—Salaries, etc. ..	44,942	46,421	42,796	52,214	53,391
Rents, repairs, etc. .. .. .	6,294	6,654	17,103	15,487	14,243
Invalid and Old-age pensions ..	a1,881,794	b1,479,963	2,859,766	c453,344	d1,781,564
Taxation .. .. .	79,525	78,737	131,089	193,923	230,242
Maternity allowance .. .. .	674,990	694,275	659,745	662,030	634,428
Miscellaneous .. .. .	76,793	195,492	80,356	126,832	109,319
<b>Total .. .. .</b>	<b>2,787,034</b>	<b>2,527,833</b>	<b>3,817,851</b>	<b>1,545,923</b>	<b>2,902,578</b>

(a) In addition, £697,471 was spent from Trust Funds. (b) In addition, £1,224,347 was spent from Trust Funds. (c) In addition, £3,000,000 was spent from Trust Funds, and the War Services include £1,149,242 for War Pensions, £37,090 for Pensions Administration, and £156 Miscellaneous, all debited to this Department. (d) In addition, £2,077,427 was spent from Trust Funds.

15. Trade and Customs:—Under this head have been included the expenditure of all the sub-departments under the control of the Minister of Trade and Customs, as well as the amounts payable as sugar and other bounties and the expenses in connection therewith. The administration of Patents, Trade Marks, and Copyright is now entrusted to the Attorney-General's Department. The fluctuations in the total expenditure of this Department in recent years have been mainly due to variations in the amount payable in respect of sugar bounties. Particulars for the five years 1913-14 to 1917-18 are given in the following table :—

EXPENDITURE, TRADE AND CUSTOMS DEPARTMENT, 1913-14 TO 1917-18.

Details.	1913-14.	1914-15.	1915-16.	1916-17.	1917-18.
	£	£	£	£	£
Chief Office .. .. .	14,429	16,240	15,986	19,223	21,849
Customs (ordinary) .. .. .	341,116	354,205	323,309	344,303	361,547
Fisheries .. .. .	7,443	4,447	492	170	224
Analyst .. .. .	3,441	3,441	3,576	4,440	3,498
Audit (proportion) .. .. .	8,144	7,427	6,722	5,786	4,525
Quarantine .. .. .	44,063	32,057	38,804	46,251	50,748
Pensions and retiring allowances	13,318	16,041	14,524	16,215	16,545
Rents, repairs, etc. .. .. .	14,872	15,448	21,067	19,103	20,945
Sugar bounties and expenses ..	149,244	4	..	174	..
Bounties .. .. .	14,304	28,286	6,767	2,995	15,418
Iron bonus .. .. .	51,810	15,072	24,465	11,454	..
Lighthouses .. .. .	..	..	86,524	128,767	133,837
Interest on transferred properties	49,350	29,556	30,125	29,933	79,294
Miscellaneous .. .. .	18,924	29,094	16,760	19,333	6,699
<b>Total .. .. .</b>	<b>730,458</b>	<b>551,318</b>	<b>589,121</b>	<b>a648,147</b>	<b>b715,129</b>

(a) In addition, £10,030 was spent as War Services.

(b) In addition, £7,179 was spent as War Services.

16. Defence.—The Commonwealth expenditure in connection with Defence, which in 1901-2 amounted to £861,218, had by 1917-18 grown to £1,283,063. The bulk of the immense war expenditure is provided for out of loan. Particulars for the five years 1913-14 to 1917-18 are as follows :—

EXPENDITURE, DEFENCE, 1913-14 TO 1917-18.

Details.	1913-14.	1914-15.	1915-16.	1916-17.	1917-18.
	£	£	£	£	£
Chief Office .. .. .	86,191	88,233	46,441	49,267	50,163
Military .. .. .	1,547,921	2,977,903	1,273,885	1,311,481	1,052,848
Naval .. .. .	979,554				
Audit (proportion) .. .. .	1,362	2,398	5,486	11,117	21,548
Pensions and retiring allow- ances .. .. .	1,103	1,427	363	191	380
Rents, repairs, etc. .. .. .	70,471	79,665	76,744	68,314	54,599
Interest on transferred properties .. .. .	94,859	177,740	88,519	88,512	88,490
Miscellaneous .. .. .	169,261	217,720	21,102	15,893	15,035
<b>Total .. .. .</b>	<b>2,950,722</b>	<b>3,545,086</b>	<b>1,512,540</b>	<b>1,544,775</b>	<b>1,283,063</b>

(a) Now a separate Department. (b) In addition £3,005,994 was spent on War Services from Revenue. (c) Excluding appropriations for Interest and Sinking Fund.

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

EXPENDITURE, NAVY DEPARTMENT, 1915-16 TO 1917-18.

Details.	1915-16.	1916-17.	1917-18.
	£	£	£
Chief Office .. .. .	39,170	40,747	39,176
Naval .. .. .	1,444,521	1,401,659	1,426,988
Audit (proportion) .. .. .	1,166	1,272	1,017
Pensions and retiring allowances .. .. .	899	899	899
Rents, repairs, etc. .. .. .	17,402	15,969	19,079
Interest on transferred properties .. .. .	39,920	41,058	41,058
Miscellaneous .. .. .	9,240	13,057	23,041
<b>Total .. .. .</b>	<b>(a)1,552,318</b>	<b>1,514,661</b>	<b>1,551,258</b>

(a) In addition £771,855 was spent on War Services from Revenue.

18. Postal.—From a total of £5,157,022 in 1913-14, the cost of the Department under the control of the Postmaster-General advanced to £5,349,994 in 1917-18, an increase of £192,972. Details for the five years 1913-14 to 1917-18 are furnished hereunder :—

## EXPENDITURE, POSTAL DEPARTMENT, 1913-14 TO 1917-18.

Details.	1913-14.	1914-15.	1915-16.	1916-17.	1917-18.
	£	£	£	£	£
Chief Office .. ..	22,506	23,606	21,400	22,821	21,960
Postal Department (ordinary)	4,752,652	4,809,672	4,904,839	4,853,886	4,920,251
Audit (proportion) ..	3,340	3,955	3,670	2,981	2,635
Pensions and retiring allowances .. ..	48,400	48,073	53,358	55,877	59,174
Rents, repairs, etc. ..	88,884	84,044	92,083	67,494	60,070
Interest on transferred properties .. ..	217,730	217,640	217,625	217,602	(a)212,227
Miscellaneous .. ..	23,510	34,284	65,396	68,337	73,677
<b>Total .. ..</b>	<b>5,157,022</b>	<b>5,221,274</b>	<b>5,358,371</b>	<b>5,288,998</b>	<b>5,349,994</b>

(a) An amount of £5,368 was paid as Betterment Tax in addition, on account of the G.P.O., Sydney.

19. Miscellaneous.—In addition to the foregoing there are certain items which do not come under any of the heads enumerated. They consist in the main of war services, expenditure on new works which has already been treated in detail on page 756, and sums carried forward in respect of pensions in subsequent years. The particulars for the preceding five years are given in detail.

## ALL OTHER EXPENDITURE, 1913-14 TO 1917-18.

Detail.	1913-14.	1914-15.	1915-16.	1916-17.	1917-18.
	£	£	£	£	£
New Works .. ..	2,576,000	2,673,939	2,940,835	4,288,747	622,203
War Services—					
Special Appropriations ..	..	..	..	5,988,058	7,813,296
Prime Minister's Department .. ..	..	..	..	..	999,197
Treasury .. ..	..	..	..	1,186,488	3,043,046
Defence .. ..	..	..	3,005,994	550,377	532
Navy .. ..	..	..	771,855	686,701	..
Trade and Customs .. ..	..	..	..	10,030	7,179
Carried forward in respect of					
Pensions .. ..	..	..	3,000,000	2,077,427	3,925,820
Miscellaneous .. ..	..	..	..	476,417	548,750
<b>Total .. ..</b>	<b>2,576,000</b>	<b>2,673,939</b>	<b>9,718,684</b>	<b>15,264,245</b>	<b>16,960,023</b>

20. Cost of the War.—A substantial amount of the cost of the war has been paid out of consolidated revenue in the last two years under the heading "War Services." The expenditure on the war from revenue has already been dealt with in the previous table,

but a table is here presented shewing the total expenditure from the different funds during the four years for which the war lasted up to 1917-18. The armistice was signed in November, 1918, but, in view of the expenses of maintenance and repatriation, the expenditure in 1918-19 is quite likely to reach at least the standard of the two previous years.

**COST OF WAR TO COMMONWEALTH.**

Year.	From Consolidated Revenue.	From War Loan Fund.	Total.
	£	£	£
1914-15 .. .. .	640,217	14,471,118	15,111,335
1915-16 .. .. .	3,777,949	37,423,568	41,201,417
1916-17 .. .. .	8,421,654	53,114,237	61,535,891
1917-18 .. .. .	11,863,251	55,095,109	66,958,360
Total .. .. .	24,702,971	160,104,032	184,807,003

The expenditure in 1918-19 has been returned approximately as £21,165,495 from Consolidated Revenue, and £62,467,776 from War Loan Fund, a total of £83,633,271.

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

1. Payments to the Several States.—In the following table are furnished particulars relative to the amounts actually paid to the several States on account of each of the financial years 1913-14 to 1917-18 :—

**COMMONWEALTH SUBSIDY PAID TO STATES, 1913-14 TO 1917-18.**

State.	1913-14.	1914-15.	1915-16.	1916-17.	1917-18.
	£	£	£	£	£
New South Wales .. .. .	2,248,241	2,287,295	2,297,872	2,286,913	2,317,783
Victoria .. .. .	1,733,229	1,757,894	1,743,467	1,722,409	1,739,431
Queensland .. .. .	810,274	831,486	836,743	823,771	845,913
South Australia .. .. .	540,113	542,715	540,649	531,340	535,808
Western Australia .. .. .	613,606	606,900	591,064	569,982	561,129
(a) Tasmania .. .. .	247,536	247,485	247,200	246,004	250,260
(a) Total .. .. .	6,192,999	6,273,775	6,256,995	6,180,419	6,250,374

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

The normal rate of increase was checked in 1914-15 owing to the departure of the troops, and in 1915-16 four of the States, from this cause, shewed a decrease. This was still more marked in 1916-17, but, owing to the return of invalided soldiers, an increase was manifested in 1917-18. The amounts allotted to Tasmania are exclusive of the instalments of the special payment to which reference has already been made (see, page 744).

**§ 3. Trust Fund.**

1. Trust Accounts.—The Trust Fund credit balance on 30th June, 1918, amounted to £71,189,698, as compared with £60,154,961 for the corresponding date in the year ending 30th June, 1917. These enormous amounts are due mainly to the Australian



Notes Account referred to in detail in para. 3 hereunder. Other large items are "London Liabilities" and "Invalid and Old-age Pensions." Details concerning the most important trust accounts contributing to this amount are as follows:—

COMMONWEALTH TRUST FUND, 30th JUNE, 1918.

Trust Accounts.	Balance at 30th June, 1918.	Trust Accounts.	Balance at 30th June, 1918.
	£		£
Debts due to Enemy Subjects .. .. .	99,848	Loans Sinking Fund .. .. .	1,255,186
Public Trustee .. .. .	67,823	War Savings Certificates, Interest Account .. .. .	133,333
General Average Deposits .. .. .	11,767	Commonwealth Government Steamers, Earnings and Expenses .. .. .	53,614
Defence Clothing Material .. .. .	157,732	Detained Enemy Vessels .. .. .	49,129
Small Arms Ammunition .. .. .	30,332	Williamstown Dockyard .. .. .	23,978
Small Arms .. .. .	17,584	Australian Metal Company .. .. .	14,159
Unclaimed Pay .. .. .	16,015	Norfolk Island Account .. .. .	10,378
Naval Dockyard .. .. .	28,858	Northern Territory .. .. .	31,658
Deferred Naval Pay .. .. .	324,051	Commonwealth Railways .. .. .	128,635
War Contributions .. .. .	42,769	Other Trust Moneys .. .. .	364,992
Money Order .. .. .	819,500	Miscellaneous .. .. .	34,646
International Postal Order .. .. .	20,080		
Invalid and Old-age Pensions .. .. .	4,067,695	Total .. .. .	71,189,698
London Liabilities .. .. .	7,146,634		
Australian Notes Account .. .. .	56,185,004		
Northern Territory Sinking Fund .. .. .	67,195		
Port Augusta Railway Sinking Fund .. .. .	42,063		

2. **Distribution.**—The amounts to credit of Trust Fund in the several States on 30th June, 1918, were as follows:—New South Wales, £2,085,070; Victoria, £67,338,621; Queensland, £685,645; South Australia, £533,959; Western Australia, £277,482; and Tasmania, £268,921.

3. **Australian Notes Account.**—After the passage of the Australian Notes Act, Australian notes began to appear in circulation in December, 1910. For the first half of the calendar year 1911, they circulated side by side with bank notes and Queensland Treasury notes. After 30th June, 1911, the penal clauses of the Notes Act came into operation, and the banks and the Queensland Government began to withdraw their notes from active circulation. By the end of the year the process was virtually complete. On 30th June, 1918, the notes issued and unredeemed amounted to £52,501,948. Against this there was a reserve in gold coin of £17,783,742 or 33.87 per cent., and other assets, of which the most important were investments in Government Stock and fixed deposits, totalling £36,671,750, and returning an annual income of £1,444,073.

The position, according to a Treasury return issued at the end of June, 1919, was as follows:—

COMMONWEALTH NOTES ISSUED AND UNREDEEMED AT 25th JUNE, 1919.

	£
10s. .. .. .	1,995,779
£1 .. .. .	13,178,099
£5 .. .. .	7,601,495
£10 .. .. .	3,551,330
£20 .. .. .	595,220
£50 .. .. .	1,327,000
£100 .. .. .	1,206,500
£1,000 .. .. .	26,112,000
	<u>£55,567,423</u>

The amount of the gold reserve was £24,273,622, representing 43.68 per cent. of the liability.

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

4. Advances by Commonwealth Government to States.—Reference has been made in the previous paragraph to the investments of the gold reserve from the Australian Notes Account. A large proportion has been advanced to the respective State Governments for short periods, sometimes as low as one year. This is an interesting departure in Australian Public Finance, and in view of the financial relations thus brought about between the Commonwealth and State Governments, the following table is appended, giving full particulars of the investments of £36,671,750, to which reference has already been made:—

**AUSTRALIAN NOTES ACCOUNT.—PARTICULARS OF INVESTMENT AS AT  
30th JUNE, 1918.**

Investment.	Amount.	Rate of Interest.	Date of Maturity.	Annual Amount of Interest.
	£	%		£
Commonwealth Inscribed Stock ..	3,830,000	3½	1962-1972	134,050
Commonwealth War Loan Stock ..	63,640	4½	1925	2,864
Commonwealth Treasury Bills ..	6,082,610	4	(a)	243,304
<b>STATE GOVERNMENT SECURITIES—</b>				
New South Wales Stock ..	800,000	3½	1919	30,000
New South Wales Treasury Bills ..	7,400,000	4½	(b)	305,250
Victorian Debentures (face value, £800,000) ..	784,000	3½	1921	28,000
Victorian Debentures ..	3,900,000	4½	(b)	160,875
South Australian Treasury Bills ..	2,600,000	4½	(b)	107,250
Western Australian Stock ..	590,000	3½	1926	22,125
Western Australian Treasury Bills ..	3,100,000	4½	(b)	127,875
Tasmanian Stock ..	460,000	3½	1921	17,250
Tasmanian Treasury Bills ..	1,000,000	4½	(b)	41,250
<b>FIXED DEPOSITS—</b>				
Sundry Banks ..	6,061,500	4	1916-17	223,980
<b>Total</b> ..	<b>36,671,750</b>	..	..	<b>1,444,073</b>

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

In the financial year 1913-14 the Commonwealth Government called in as far as possible its outstanding advances to the State Governments. The money lent on fixed deposit was taken up as the term expired; and furthermore, the Commonwealth Government, requiring additional money for the expenditure on public works, etc., induced some of the State Governments to discount a portion of their securities held by the Commonwealth. The money thus obtained was spent in the purchase of further Commonwealth Inscribed Stock, thus increasing the Loan Fund, to which reference is made in the next section. On the outbreak of war the Commonwealth Government agreed to lend to the States (Queensland standing out of the arrangement) the sum of £18,000,000 for the purpose of maintaining the expenditure on public works. The bulk of the money, lent to the States from the Note Account, was advanced in pursuance of that undertaking.

5. London Flotations on behalf of States.—Act No. 17 of 1916 authorised the Treasurer to borrow £8,940,000 in the United Kingdom, and Act No. 16 of 1917 to raise £8,000,000, and to lend the amount to the several States, other than that of New South Wales, and, pending the borrowing of the money, to advance the amounts set forth in the Acts out of loans made by the Government of the United Kingdom to the Commonwealth. In pursuance of these Acts, £11,533,571 was distributed to the States up to 30th June, 1918, being the proceeds of two loans amounting to £12,000,000. In addition, a sum of £1,560,000 was advanced from loans received for war purposes. Flotation

expenses and discount together amounted to £466,429, and these were debited to the States. Consequently the total charged to the States by the Commonwealth under this head at 30th June, 1918, was £13,560,000, allocated as follows:—

**COMMONWEALTH LOANS RAISED IN LONDON ON BEHALF OF STATES  
AS AT 30th JUNE, 1918.**

State.	£
Victoria .. .. .	1,954,000
Queensland .. .. .	4,297,000
South Australia .. .. .	2,847,000
Western Australia .. .. .	3,546,000
Tasmania .. .. .	916,000
Total .. .. .	13,560,000

6. **Surplus Revenue.**—It has been the practice to transfer to the Trust Accounts mentioned below the amount of the Surplus Revenue, and the amount was expended in subsequent years as required.

**COMMONWEALTH SURPLUS REVENUE.**

—	Invalid and Old-age Pensions Account.	Naval Defence Account. (Fleet construction.)	Total.
—	£	£	£
<b>Surplus transferred—</b>			
1910-11 .. .. .	918,587	918,588	1,837,175
1911-12 .. .. .	146,256	278,242	424,498
1912-13 .. .. .	856,974	..	856,974
1915-16 .. .. .	3,000,000	..	3,000,000
1916-17 .. .. .	2,077,427	..	2,077,427
1917-18 .. .. .	3,925,820	..	3,925,820
Total .. .. .	10,925,064	1,196,830	12,121,894
<b>Surplus expended—</b>			
1912-13 .. .. .	..	475,342	475,342
1913-14 .. .. .	697,470	721,488	1,418,958
1914-15 .. .. .	1,224,347	..	1,224,347
1916-17 .. .. .	3,000,000	..	3,000,000
1917-18 .. .. .	2,077,427	..	2,077,427
Total .. .. .	6,999,244	1,196,830	8,196,074

### § 4. Commonwealth Public Debt.

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

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

required being taken from the Loan Fund, which was created for this reason, amongst others. This item is thus a constantly diminishing one, and on 30th June, 1918, stood at £4,531,519, of which £2,772,516 was on account of the Northern Territory, and £1,759,003 on account of the railway.

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

**SECURITIES CONSTITUTING COMMONWEALTH LOAN FUND FOR WORKS, ETC., AND EXPENDITURE THEREFROM, 1912 TO 1918.**

Year ended 30th June—	Commonwealth Loan Fund.			Expenditure in year ended 30th June.	Total Expenditure up to year ended 30th June.	Unexpended Balance.
	Inscribed Stock.	Treasury Bills.	Total Receipts.			
	£	£	£	£	£	£
1912 ..	700,000	..	700,000	660,475	660,475	39,525
1913 ..	2,000,000	..	2,000,000	1,188,027	1,848,502	151,498
1914 ..	4,100,000	..	4,100,000	2,155,261	4,003,763	96,237
1915 ..	4,580,000	1,578,202	6,158,202	2,154,439	6,158,202	..
1916 ..	4,580,000	4,437,543	9,017,543	2,859,341	9,017,543	..
1917 ..	4,580,000	4,437,543	9,017,543	..	9,017,543	..
1918 ..	4,580,000	6,240,990	10,820,990	1,803,447	10,820,990	..

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

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

**COMMONWEALTH LOAN EXPENDITURE, DETAILS, 1914 TO 1918.(b)**

Particulars.	1913-14.	1914-15.	1915-16.	1916-17.	1917-18.
	£	£	£	£	£
Railways Construction—Trans-Australian Railway	1,346,040	1,070,459	1,046,953	..	410,506
Northern Territory ..	128,529	94,392	128,592	..	42,178
Loan Redemption—Oodnadatta Railway	135,627	15,077	923	..	..
Northern Territory ..	..	..	400,000	..	3½ ..
Papua—Railways and wharves ..	685	13,042	12,829	..	..
Posts and Telegraphs—Purchase of land ..	42,598	84,500	92,712	..	2,811
Construction of conduits ..	258,407	178,142	271,211	..	67,375
Acquisition of Land—London (a) ..	64,887	19,274	113,744	..	69,991
Perth, Western Australia ..	..	..	..	..	24,347
Federal Territory ..	180,488	36,770	127,537	..	90,703
Defence machinery, etc. : Dockyards, Cockatoo	..	..	..	..	..
Island ; Naval Bases, etc. ..	..	42,782	66,840	..	440,200
Fleet Construction ..	..	..	..	..	355,397
Miscellaneous ..	..	..	..	..	299,849
<b>Total .. .. .</b>	<b>2,155,261</b>	<b>2,154,438</b>	<b>2,859,341</b>	<b>..</b>	<b>1,803,447</b>

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

The main items in the "Miscellaneous" for 1917-18 were £200,000 capital required for the "Plant and Stores Suspense Account" established by the Commonwealth Railways Act 1917, and £52,410 for an Acetate of Lime Factory. The expenses of interest and sinking fund are allocated among the different departments which have benefited, as follows:—

**LIABILITIES OF DIFFERENT DEPARTMENTS WITH REGARD TO LOAN FUND,  
1917-18.**

	Interest on Inscribed Stock.	Sinking Fund. Inscribed Stock.	Interest on Treasury Bills.	Total.
	£	£	£	£
Prime Minister .. .. .	17,034	2,433	6,433	25,900
Home and Territories .. .. .	13,972	1,996	7,694	23,662
Treasury .. .. .	..	..	12,273	12,273
Defence .. .. .	..	..	1,839	1,839
Navy .. .. .	28	40	16,967	17,035
Trade and Customs .. .. .	..	..	726	726
Works and Railways .. .. .	83,697	11,957	125,114	220,768
Postmaster-General .. .. .	18,567	16,271	23,583	58,421
Northern Territory and Port Augusta- Oodnadatta Railway .. .. .	27,002	3,957	25,880	56,739
<b>Total .. .. .</b>	<b>160,300</b>	<b>36,554</b>	<b>220,509</b>	<b>417,363</b>

3. **Properties Transferred from States.**—At the time of Federation, when the Commonwealth undertook control of a great many departments which had previously been administered by the States, a large amount of property was handed over to the Commonwealth Government. This consisted mainly of Post Offices, Customs Houses, Defence works, and other buildings necessary to the effective working of the transferred departments. In the early days of the "Braddon Clause," when the Federal Government was spending less than its statutory proportion of the Customs revenue, the question of suitable compensation to the States did not become acute; but, when the "Braddon Clause" was replaced by another arrangement between Commonwealth and States, much less favourable to the latter, the time had evidently come to put matters on a more definite footing. In the Commonwealth accounts of the last five years, certain amounts (independent entirely of the subsidy) have been paid to the States as "Interest on Transferred Properties." These amounts have been substantially based upon a valuation made by the old Home Affairs Department, with the following result:—

**ORIGINAL VALUATION OF TRANSFERRED PROPERTIES.**

State.	Department.				Total.
	Postmaster- General.	Defence.	Trade and Customs.	Home Affairs.	
	£	£	£	£	£
New South Wales .. .. .	2,337,316	1,182,003	154,009	1,320	3,674,648
Victoria .. .. .	1,332,862	805,389	190,657	1,266	2,330,174
Queensland .. .. .	925,628	386,802	202,082	7,356	1,521,868
South Australia .. .. .	842,281	161,140	28,486	815	1,032,722
Western Australia .. .. .	600,895	64,842	37,714	835	704,286
Tasmania .. .. .	214,906	121,490	48,212	143	384,751
<b>Total .. .. .</b>	<b>6,253,888</b>	<b>2,721,666</b>	<b>661,160</b>	<b>11,735</b>	<b>9,648,449</b>

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

4. War Loan from the Imperial Government.—On the outbreak of the European war in 1914, the Commonwealth Government contracted a loan from the Imperial Government for the purpose of financing the large military expenditure which was seen to be inevitable. At first, the arrangement was that the Imperial Government should advance the sum of £18,000,000 in twelve monthly instalments of £1,500,000 each. It was soon found, however, that this would be insufficient, and consequently the Imperial Government made a fresh advance of £6,500,000, also to be paid in monthly instalments. A third loan of £25,000,000 was subsequently contracted for, of which £12,000,000 was received by 30th June, 1916, and £11,000,000 in 1916–17. The total capital debt thus created up to 30th June, 1918, is set out in the following table :—

**CAPITAL DEBT TO IMPERIAL GOVERNMENT ON ACCOUNT OF WAR LOANS  
AS AT 1917-18.**

Authority.	Imperial Loans—Capital Debt created up to 30th June, 1918.			
	Issues, 3½%.	Issues, 4½%.	Issues, 5%.	Total.
	£	£	£	£
War Loan Act 1914—£18,000,000 ..	1,263,158	11,500,000	5,757,540	18,520,698
War Loan Act No. 2 1915—£6,500,000 ..	..	..	6,885,656	6,885,656
War Loan Act (United Kingdom) No. 2 1916—£25,000,000 (a) .. ..	..	..	23,675,705	23,675,705
	1,263,158	11,500,000	36,318,901	49,082,059

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

Interest is paid on these loans in London as at 31st March and 30th September in each year. The amounts paid in the four financial years comprising the currency of the loans are as follows :—1914–15, £36,489; 1915–16, £843,893; 1916–17, £2,082,258; and £2,477,288 in 1917–18.

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

A fifth Commonwealth War Loan, floated in November, 1917, realised £21,213,780, and a sixth loan, floated in April, 1918, realised £42,851,960. The sixth issue differed from the preceding ones in that it gave the investor the option of 4½ per cent. free of income tax, or 5 per cent. subject to tax, the bulk of the money being invested in the former security. The fifth and sixth loans, moreover, are redeemable on 15th December, 1927, thus to a large extent relieving the pressure on 1925 as year of maturity.

## PARTICULARS OF LOCAL AUSTRALIAN WAR LOANS, 1915 TO 1918.

Heading.	1st Issue.	2nd Issue.	3rd Issue.	4th Issue.	5th Issue.	6th Issue.		Total.
						4½ per cent.	5 per cent.	
	No.	No.	No.	No.	No.	No.	No.	No.
Number of Subscribers—								
For Inscribed Stock ..	8,603	12,450	13,660	13,666	9,882	17,778	8,537	84,576
For Treasury Bonds ..	10,145	16,495	88,382	53,806	31,826	72,521	44,912	318,087
Total ..	18,748	28,945	102,042	67,472	41,708	90,299	53,449	402,663
Amount Subscribed—	£	£	£	£	£	£	£	£
For Inscribed Stock ..	9,581,120	16,271,710	15,417,880	14,695,240	14,276,790	14,169,600	4,342,470	88,754,810
For Treasury Bonds ..	3,808,320	5,383,970	8,169,770	6,888,780	6,936,990	22,155,530	2,184,360	55,527,720
Total ..	13,389,440	21,655,680	23,587,650	21,584,020	21,213,780	36,325,130	6,526,830	144,282,530
						42,851,960		
Accrued Interest	221,502	324,169	326,887	254,071	239,319	410,913	71,771	1,848,632
Expenses of Flotation ..	35,451	50,652	52,278	45,795	53,317	102,280	18,250	358,023
Total deductions	256,953	374,821	379,165	299,866	292,636	513,193	90,021	2,206,655
Net proceeds of Loan ..	13,132,487	21,280,859	23,208,485	21,284,154	20,921,144	35,811,937	6,436,809	142,075,875
						42,248,746		

6. Australian Notes.—In connection with the subject of the Public Debt a further reference to the issue of Australian notes will be of interest. The gold held in reserve in the Treasury has varied from rather more than 30 per cent. to rather less than 50 per cent. of the outstanding notes. Consequently a large proportion of the notes—all of which are payable on demand—is permanently uncovered by gold, and this proportion constitutes an undoubted part of the Public Debt. The item is constantly fluctuating in amount, and financially resembles a bank overdraft on which no interest is payable. Whilst, however, attention has been drawn to this on the ground of principle, no reference has been made to the uncovered notes in the tables summarising the Public Debt which appear in sub-section 7 hereafter. As already stated, on 30th June, 1918, the value of the notes issued and unredeemed was £52,501,948, against which there was a gold reserve of £17,783,742, leaving an uncovered amount of £34,718,206. In this connection reference may be made to the table on page 766.

7. Total Commonwealth Public Debt.—Separate consideration has already been given to the items composing the Public Debt. The table appended to this sub-section shows the entire debt of the Commonwealth (apart from the States) at yearly intervals since 1914. The liability on account of the note issue is excluded, for reasons already given,

but the liability on account of the transferred properties has been included for the entire period. The Commonwealth Public Accounts first took cognizance of this item in 1913, although the debt had been incurred much earlier.

## PUBLIC DEBT OF THE COMMONWEALTH AS AT 30th JUNE, 1914 TO 1918.

Details.	1914.	1915.	1916.	1917.	1918.
Balance of loans taken over from South Australia—	£	£	£	£	£
(a) On account of Northern Territory ..	3,359,891	3,359,891	2,778,266	2,772,516	2,772,516
(b) On account of Oodnadatta railway ..	1,935,431	1,920,354	1,896,132	1,759,003	1,759,003
Value of properties transferred by States ..	9,787,011	10,777,161	10,781,797	10,789,739	11,202,515
Amount of Commonwealth Loan Fund—					
Inscribed Stock ..	4,100,000	4,580,000	4,580,000	4,580,000	4,580,000
Treasury Bills ..	..	1,949,319	4,808,661	4,437,543	6,240,990
War Loan from British Government ..	..	14,842,105	36,774,269	47,774,269	49,082,059
Commonwealth Internal Loans ..	..	..	34,965,430	80,242,510	143,190,680
Accrued Deferred Pay, A.I.F. ..	..	..	4,759,730	9,373,977	10,309,908
Miscellaneous ..	..	..	..	..	42,917,398
Total ..	19,182,333	37,428,830	101,344,285	169,229,557	284,055,069
				(a)	(b)
Commonwealth Debt <i>per capita</i> ..	£3 17 11	£7 11 6	£20 13 5	£34 11 3	£57 0 8

(a) Including £7,500,000 raised for the States.

(b) Including £12,000,000 raised for the States.

It will be noticed that the amount of the Commonwealth Internal Loans does not quite agree with the totals of the first six issues in the table on page 772. This is owing to the fact that stock to a considerable amount has been presented as payment of Estate Duty, and cancelled, the payments being accepted in accordance with the provisions of section 5 of the Commonwealth Inscribed Stock Act 1915. The amount of £143,190,680 is the balance of the first six issues. To this must be added £4,534,747 raised by the sale of War Savings Certificates, and £37,651 by the sale of War Savings Stamps. The item "Miscellaneous" is made up of the last two amounts and a sum of £38,345,000 due to the British Government for the maintenance of Australian troops.

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



years which have been floated in London and Australia respectively. A separate column is reserved for the cost of the transferred properties, which, for obvious reasons, it is impossible to allocate:—

**COMMONWEALTH PUBLIC DEBT.—LONDON AND AUSTRALIAN FLOTATIONS, 1911 TO 1918.**

Year ended 30th June—	Payable in—		Value of Transferred Properties.	Total.
	London.	Australia.		
	£	£	£	£
1911 .. ..	3,815,502	2,116,820	9,648,449	15,580,771
1912 .. ..	3,815,502	2,556,345	9,648,449	16,020,296
1913 .. ..	3,645,548	3,784,401	9,648,449	17,079,398
1914 .. ..	3,510,921	5,884,401	9,787,011	19,182,333
1915 .. ..	18,337,949	8,313,720	10,777,161	37,428,830
1916 .. ..	40,063,440	50,499,048	10,781,797	101,344,285
1917 .. ..	58,426,312	100,013,506	10,789,739	169,229,557
1918 .. ..	102,579,102	170,273,452	11,202,515	284,055,069

9. Rates of Interest.—When the first debt was taken over from South Australia it consisted in the main of a mass of securities varying from 3 per cent. to 4 per cent., the average rate of interest for the first year being £3 12s. 4d. For the first three years the increase in the debt was due almost entirely to the expansion of the 3½ per cent. stock of the Loan Fund, and as a consequence the average rate of interest fell steadily, until on 30th June, 1914, it stood at £3 11s. 10d. Then came the loans for military purposes, and the fall in the average rate was ultimately converted into a rise which is likely to be maintained, since there is not likely to be any further borrowing for some time at a rate of less than 4½ per cent. In fact, the influence of the heavy borrowing of the last three years at high rates is already reflected in the average rate of interest, which rose during that period by approximately 1 per cent. It is notoriously difficult to forecast the future of the rate of interest, but the influence of the large Imperial War Loans on gilt-edged securities has been so far-reaching, that in all probability during the next decade the average rate of interest on the Federal Public Debt will rise continuously.

The accompanying table gives full particulars concerning the interest for the five financial years ended 30th June, 1918.

**RATES OF INTEREST ON COMMONWEALTH PUBLIC DEBT, 1914 TO 1918.**

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

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

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

Year.					£
1911	..	..	..	..	563,540
1912	..	..	..	..	579,000
1913	..	..	..	..	615,797
1914	..	..	..	..	689,247
1915	..	..	..	..	1,337,546
1916	..	..	..	..	4,196,404
1917	..	..	..	..	7,166,105
1918	..	..	..	..	12,879,793

10. **Dates of Maturity.**—A table is appended giving the dates of maturity of the several portions of the Commonwealth debt. The Commonwealth Government has refrained from issuing interminable stock, although as regards nearly one-fourth of the debt no definite date of maturity had been assigned on 30th June, 1918. It will be noticed that about £150,000,000 falls due in the space of two years, 1925–27, the bulk of this being represented by the balance of the first six internal loans.

**DUE DATES OF THE COMMONWEALTH PUBLIC DEBT OUTSTANDING ON 30th JUNE, 1918.(a)**

Due Dates.	Amounts.	Due Dates.	Amounts.	Due Dates.	Amounts.
	£		£		£
1920 ..	176,714	1927 ..	72,773,965	1945 ..	11,500,000
1921 ..	4,619,498	1928 ..	1,263,158	1947 ..	36,318,901
1922 ..	4,000,125	1930 ..	750,950	1972 ..	4,580,000
1924 ..	1,553,952	1935 ..	83,051	Indefinite ..	66,471,083
1925 ..	78,431,160	1936 ..	583,769		
1926 ..	66,801	1939 ..	881,942	Total ..	284,055,069

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

On pages 747 and 748 will be found a series of graphs illustrating the rise in the revenue and public debt of the Commonwealth and States since 1902, the year 1901–2 being the first complete financial year since Federation.