

APPENDIX TO PART FINANCE.

FINANCIAL RELATIONS OF THE COMMONWEALTH AND STATES.

The object aimed at in this Appendix to the *Victorian Year Book* is to bring together in one document, for convenient reference, the various proposals made by the Commonwealth Treasurer (Sir William Lyne) and the Premier and Treasurer of Victoria (the Honorable Thomas Bent) for solving the problem of the Financial Relations of the Commonwealth and States, and the numerous financial statements submitted therewith, which are at present distributed over several official papers.

Several Inter-State Conferences have been held, at which the question has been discussed, the last being the Conference held in Melbourne in April and May, 1908, but no agreement was arrived at.

The Sections of the Constitution Act bearing upon the question are as follow:—

COMMONWEALTH OF AUSTRALIA CONSTITUTION ACT.

SECTION 85.

85. When any department of the public service of a State is transferred to the Commonwealth—

Transfer of
Property of
State.

- i. All property of the State, of any kind, used exclusively in connexion with the department, shall become vested in the Commonwealth; but, in the case of departments controlling customs and excise and bounties, for such time only as the Governor-General in Council may declare to be necessary.
- ii. The Commonwealth may acquire any property of the State, of any kind, used, but not exclusively used, in connexion with the department; the value thereof shall, if no agreement can be made, be ascertained in, as nearly as may be, the manner in which the value of land, or of an interest in land, taken by the State for public purposes is ascertained under the law of the State in force at the establishment of the Commonwealth.
- iii. The Commonwealth shall compensate the State for the value of any property passing to the Commonwealth under this section; if no agreement can be made as to the mode of compensation, it shall be determined under laws to be made by the Parliament.
- iv. The Commonwealth shall, at the date of the transfer, assume the current obligations of the State in respect of the department transferred.

SECTION 87.

87. During the period of ten years after the establishment of the Commonwealth, and thereafter until the Parliament otherwise provides, of the net revenue of the Commonwealth from duties of customs and of excise, not more than one-fourth shall be applied annually by the Commonwealth towards its expenditure.

The balance shall, in accordance with this Constitution, be paid to the several States, or applied towards the payment of interest on debts of the several States taken over by the Commonwealth.

SECTION 89.

Payment to
States
before
uniform
duties.

89. Until the imposition of uniform duties of customs—

I. The Commonwealth shall credit to each State the revenues collected therein by the Commonwealth.

II. The Commonwealth shall debit to each State—

(a) the expenditure therein of the Commonwealth incurred solely for the maintenance or continuance, as at the time of transfer, of any department transferred from the State to the Commonwealth;

(b) the proportion of the State, according to the number of its people, in the other expenditure of the Commonwealth.

III. The Commonwealth shall pay to each State, month by month, the balance (if any) in favour of the State.

SECTION 93.

Payment to
States for
five years
after
uniform
Tariffs.

93. During the first five years after the imposition of uniform duties of customs, and thereafter until the Parliament otherwise provides:—

I. The duties of customs chargeable on goods imported into a State, and afterwards passing into another State for consumption, and the duties of excise paid on goods produced or manufactured in a State and afterwards passing into another State for consumption, shall be taken to have been collected not in the former but in the latter State.

II. Subject to the last sub-section, the Commonwealth shall credit revenue, debit expenditure, and pay balances to the several States as prescribed for the period preceding the imposition of uniform duties of customs.

SECTION 94.

94. After five years from the imposition of uniform duties of customs, the Parliament may provide, on such basis as it deems fair, for the monthly payment to the several States of all surplus revenue of the Commonwealth.

Distribution
of
surplus.

SECTION 105.

105. The Parliament may take over from the States their public debts as existing at the establishment of the Commonwealth, or a proportion thereof according to the respective numbers of their people as shown by the latest statistics of the Commonwealth, and may convert, renew, or consolidate such debts, or any part thereof; and the States shall indemnify the Commonwealth in respect of the debts taken over, and thereafter the interest payable in respect of the debts shall be deducted and retained from the portions of the surplus revenue of the Commonwealth payable to the several States, or if such surplus is insufficient, or if there is no surplus, then the deficiency or the whole amount shall be paid by the several States.

Taking
over public
debts of
States.

The scheme submitted to the last Conference by Sir William Lyne is comprised in the following proposals:—

1. All the debts of the States to be taken over.
2. A Council of Finance to be appointed to administer the debt, raise new loans, control sinking fund, &c.
3. Each State to pay for a period of five years annually to the Commonwealth the difference between its share of £6,000,000, and the interest and expenses due on its transferred debt. At the end of the five-year period such annual payments to be continued, but to be reduced by a sliding scale operating annually for thirty years. At the end of that period the States to be absolutely free of indebtedness as regards the loans transferred.
4. The Commonwealth Parliament to make an appropriation of an amount sufficient to pay the present annual interest and expenses on the debts taken over—say 8½ millions—such amount to be payable to the Council of Finance.
5. Loans taken over by the Commonwealth to be replaced at or near maturity by 3 per cent. Australian Consols, redeemable 20 years after date of inscription, or at option of Commonwealth at any time thereafter—on twelve months' notice.
6. A Commonwealth Sinking Fund to be established.

7. The States to transfer to the Commissioners the present Sinking Funds.
8. After a loan has matured the difference between the present rate of interest and the rate payable on the new loan to be paid by the Commissioners into the Sinking Fund.
9. The Sinking Fund to be under the control of the Council, and to be used only for buying up State and Commonwealth Stock, and for redeeming loans at maturity.
10. Future loans required by the States to be made through the Council—the States to pay annually to the Council the interest on each loan raised, and one-half per cent. for Sinking Fund for an actuarial term—the liability of the States in respect of such loan to cease at the end of such term. The States to give an undertaking to pay the Council.
11. The Council of Finance to decide the order in which loans shall be made. Loans for redemption of State debts taken over to have precedence over all other loans.
12. In the event of the total loan requirements for any year exceeding the sum, which, in the opinion of the Council, it is wise to borrow, the Council to be empowered to settle in consultation with the State Treasurers the proportion to be raised for each individual State.
13. In the event of non-payment of an amount due by a State to the Commonwealth, or the Council, the Commonwealth to have power, on a certificate from the Council, to impose a tax on that State; also the Council to have power to refuse to raise further loans for such State for a period not exceeding ten years.
14. In consideration of the States being relieved of their indebtedness, the transferred properties to be handed by the States to the Commonwealth free of charge.

The following statements taken from a paper issued by the Federal Treasury in connexion with the public debts of Australia will assist in understanding the Commonwealth scheme as outlined in the above proposals.

PROPOSAL 1.

TABLE A.

PUBLIC DEBTS OF AUSTRALIA AT 30TH JUNE, 1907.

(NOTE.—Sinking Funds have not been deducted from the Debt. In the cases in which, since the date of Federation, loans have been redeemed out of the proceeds of new loans, it has been assumed that the Commonwealth may take over such portion of the new loans as realized the amount of the redeemed loans. Treasury Bills covering Revenue Deficits are included. Revenue Deficits which are not covered by Treasury Bills and overdrafts on Loan Account are not included.)

	New South Wales.	Victoria.	Queensland.	South Australia.	Western Australia.	Tasmania.	Total.
	£	£	£	£	£	£	£
Debt which can be taken over under the Constitution of the Commonwealth :—							
Redeemable in London ..	51,487,558	39,594,243	33,365,134	21,837,820	12,026,709	7,984,959	166,296,423
Redeemable in Australia ..	12,090,928	{ 9,853,966 } { 3,186,727 <i>b</i> }	4,202,360	3,914,443	680,770	496,514	34,425,708
Total ..	63,578,486 <i>a</i>	{ 49,448,209 } { 3,186,727 <i>b</i> }	37,567,494	25,752,263	12,707,479	8,481,473 <i>c</i>	200,722,131
Debt which cannot be taken over under the Constitution of the Commonwealth :—							
Redeemable in London ..	12,446,192	35,626	2,227,513	181,400	4,599,403	45,291	19,535,425
Redeemable in Australia ..	9,583,153	{ 3,621,154 } { 294,002 <i>d</i> }	2,490,160	4,629,155	2,463,800	1,396,319	24,477,743
Total ..	22,029,345	{ 3,656,710 } { 294,002 <i>d</i> }	4,717,673	4,810,555	7,063,203	1,441,610	44,013,168
TOTAL OF PUBLIC DEBT	85,607,831	{ 53,104,939 } { 3,186,727 <i>b</i> } { 294,002 <i>d</i> }	42,285,167	30,562,818	19,770,682	9,923,083	244,735,299

a In addition, the Commonwealth can apparently take over new loans to be raised by New South Wales for the redemption of certain loans, amounting to £110,410, which have been paid off since Federation, and charged to General Loan Account.

b Amount which may apparently be taken over by the Commonwealth being—
 Stock inscribed under the Victorian Municipalities Loans Extension Act .. £1,088,401
 Certificates given to the Victorian Trust Fund Trustees. (These may be exchanged for Government Bonds, which could be sold) 2,098,326
 £3,186,727

c An additional amount of £6,386, amount of loan paid off, and for which a redemption loan has yet to be raised, can apparently be taken over.
 Certificates given to the Victorian Trust Fund Trustees, £294,002. (These may be exchanged for Government Bonds, which could be sold.)

TABLE B.
PUBLIC DEBT AT 30TH JUNE, 1907, PER HEAD OF POPULATION AS AT
31ST DECEMBER, 1906.
(See Notes to Table A.)

	New South Wales.	Victoria.	Queens- land.	South Aus- tralia.	Western Aus- tralia.	Tasmania.	Total.
	£	£	£	£	£	£	£
Debt which can be taken over under the Constitution of the Commonwealth	41·645*	42·725	70·205	67·093	48·549	47·078†	48·725
Debt which cannot be taken over under the Constitution of the Commonwealth	14·429	3·207	8·816	12·533	26·985	8·002	10·684
Total Public Debt	56·074	45·932	79·021	79·626	75·534	55·080	59·409

* The additional amount of £110,410 which can apparently be taken over (see Note to Table A) is equal to £·072 per head.

† The additional amount of £6,386 which can apparently be taken over (see Note to Table A) is equal to £·035 per head.

TABLE C.

TOTAL PUBLIC DEBT AT EACH RATE OF INTEREST.

State.	3 per cent.		3½ per cent.	3½ per cent.		4 per cent.		4½ per cent.	5 per cent.		6 per cent.		Total.		Interest thereon.			
	Redeemable in London.	Redeemable in Australia.	Redeemable in Australia.	Redeemable in London.	Redeemable in Australia.	Redeemable in London.	Redeemable in Australia.	Redeemable in London.	Redeemable in London.	Redeemable in Australia.	Redeemable in London.	Redeemable in Australia.	Redeemable in London.	Redeemable in Australia.	Payable in London.	Payable in Australia.		
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£		
New South Wales	12,500,000	5,821,814	..	31,566,200	7,194,074	1,825,000	..	19,866,300	6,830,393	..	1,250	2,800	..	..	63,933,750	21,674,081	2,274,217	768,235
Victoria	5,268,714	5,267,596	150,000	16,311,305	6,732,579	220,000	..	18,049,850	1,103,945	..	..	1,000	..	..	..	..	1,450,952	450,951
Queensland	4,274,213	1,215,170	..	10,623,034	3,658,450	..	..	20,695,400	1,818,900	..	..	..	..	..	..	..	1,327,848	237,257
S. Australia	3,460,620	2,301,725	..	2,699,200	3,130,998	468,500	..	15,305,800	2,410,575	..	240,000	..	313,600	22,800	..	..	841,059	300,157
W. Australia	7,375,473	..	433,200	5,700,185	1,352,645	..	..	3,488,954	1,358,725	61,500	..	..	..	..	..	..	563,096	115,771
Tasmania	450,000	318,531	24,718	3,656,500	1,351,368	..	..	3,923,750	198,216	..	..	..	..	..	..	..	298,427	65,586
Grand Total*†‡§	33,329,020	15,124,836	607,918	70,556,424	23,420,114	2,513,500	..	81,330,054	13,729,754	61,500	241,250	3,800	313,600	22,800	185,831,848	55,422,722	6,755,599	1,937,957
	48,453,856		607,918	93,976,538		2,513,500	..	95,059,808		61,500	245,050		336,400		241,254,570*†‡§		8,693,556	
Amounts as per footnotes	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Totals as included in other Statements	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
	..	..	..	..	..	..	..	..	..	..	..	..	..	..	294,002	..	..	..
	..	..	..	..	..	..	..	..	..	..	..	..	..	1,088,401	..	..	..	..
	..	..	..	..	..	..	..	..	..	..	..	..	..	2,098,326	..	..	60,000	..
	..	..	..	..	..	..	..	..	..	..	..	..	..	244,735,299	..	..	8,753,556	..

* In addition the Commonwealth may apparently take over new loans to be raised by New South Wales for the redemption of certain loans, amounting to £110,410, which have been paid off since Federation, and charged to General Loan Account.

† In addition there is a sum of £294,002, being further amount of certificate given by the Victorian Treasurer to the Trust Fund Trustees. Bonds may be issued in lieu of the certificate and sold, when interest would become payable. At present no interest is paid.

‡ In addition the Commonwealth may apparently take over £1,088,401 and £2,098,326. The former is an amount of stock inscribed under the Victorian Municipalities Loans Extension Act (No. 1552) but not yet sold. When sold the stock will bear interest at 3 per cent. The latter amount represents certificates given by the Victorian Treasurer to the Trust Fund Trustees. Bonds may be issued in lieu of the certificates and sold, when interest would be payable at rates not exceeding 3½ and 4 per cent. At present interest at rates which vary, is paid only in respect of that portion of the certificates which covers moneys belonging to the Savings Bank. The interest on the portion referred to was, on 30th June, 1907, at the annual rate of £60,000 (approximate).

§ An additional amount of £9,386, amount of Tasmanian loan paid off, and for which redemption loan has yet to be raised, can apparently be taken over.

TABLE D.

(Prepared from figures furnished by State Treasuries.)

NET REVENUE (*i.e.*, EARNINGS AVAILABLE FOR THE PAYMENT OF INTEREST) RECEIVED DURING 1906-7 FROM WORKS CONSTRUCTED OUT OF LOANS. (POST OFFICE WORKS NOT INCLUDED.)

	Railways.	Water.	Sewers.	Other.	Total.
	£	£	£	£	£
New South Wales ...	2,375,283 (a)	398,675 (d)	...	215,273	2,989,231
Victoria b ...	1,762,231 (b)	137,518	...	43,010	1,942,759
Queensland c ...	909,308	...	...	114,384	1,023,692
South Australia b ...	708,101	85,291	28,549	65,877	887,818
Western Australia ...	396,544	92,000	...	54,954	543,498
Tasmania ...	72,215	...	...	16,784	88,999
Total ...	6,223,682	713,484	28,549	510,282	7,475,997

(a) Includes tramways.

(b) Includes works constructed out of revenue.

(c) Does not include interest paid by selectors under the Agricultural Lands Purchase Acts and interest on suspended deposits.

(d) Including sewers.

PROPOSALS 3 AND 4.

TABLE E.

STATEMENT comparing proposed payment to States with Interest on Public Debt at 30th June, 1907.

(a)

	Proposed Payment of £6,000,000 on Population Basis.	Interest on Public Debt at 30/6/07.	Proposed Annual Payment by States to Commonwealth for Five Years.
	£	£	£
New South Wales ...	2,223,624	3,042,452	818,828
Victoria ...	1,794,312	1,961,903	167,591
Queensland ...	779,388	1,565,105	785,717
South Australia ...	559,044	1,141,216	582,172
Western Australia ...	381,234	678,867	297,633
Tasmania ...	262,398	364,013	101,615
Total ...	6,000,000	8,753,556	2,753,556

TABLE E.—continued.

(b)

	Proposed payment of £5,000,000 in proportion to average three-fourths of net Customs and Excise revenue for five years ended 30/6/07.	Interest on Public Debt at 30/6/07.	Proposed Annual Payment by States to Commonwealth for Five Years.
	£	£	£
New South Wales	2,194,639	3,042,452	847,813
Victoria	1,675,309	1,961,903	286,594
Queensland	769,542	1,565,105	795,563
South Australia	461,918	1,141,216	679,298
Western Australia	674,327	678,867	4,540
Tasmania	224,265	364,013	139,748
Total	6,000,000	8,753,556	2,753,556

NOTE.—Special Western Australian tariff omitted.

The two following statements (F and G), prepared in the office of the Government Statist of Victoria are given in order that the proposed payment of £6,000,000 set out in detail in the previous table may be compared with the amounts the States have been receiving as Surplus Revenue each year since Federation, and with the Net Revenue received by the Commonwealth from Customs and Excise during the same period.

TABLE F.

PROPORTION OF SURPLUS PAID TO EACH STATE BY THE COMMONWEALTH SINCE FEDERATION (1ST JANUARY, 1901).

Year.	Amount received from Federal Government by —							
	New South Wales.	Victoria.	Queensland.	South Australia.	Western Australia.	Tasmania.	Total *	West. Aust. (Special Tariff).
	£	£	£	£	£	£	£	£
1901 (Jan. to June) ..	883,273	1,177,740	583,232	332,239	440,860	176,335	3,593,729	..
1901-2	2,385,904	1,920,974	904,775	615,863	1,023,507	315,540	7,166,568	201,569
1902-3	3,053,133	2,105,450	905,235	573,929	1,022,265	301,978	7,066,990	233,467
1903-4	2,683,417	2,002,804	810,855	556,949	868,308	283,191	7,185,524	196,936
1904-5	2,529,070	2,017,377	752,532	555,692	885,349	259,099	6,999,119	142,549
1905-6	2,742,770	2,097,119	857,048	559,411	795,326	256,391	7,308,065	77,666
1906-7	3,022,351	2,192,340	942,569	645,121	763,390	262,293	7,828,064	10,776
Total to 30th June, 1907	17,299,918	13,513,804	5,756,296	3,844,209	5,799,005	1,834,827	48,048,059	868,903
Equal to % of Customs and Excise	84·88	82·29	72·34	83·77	85·68	79·85	82·25	100·00

* Excluding Special Tariff in Western Australia.

TABLE G.
NET REVENUE FROM CUSTOMS AND EXCISE CREDITED TO EACH STATE
OF AUSTRALIA SINCE FEDERATION (1ST JANUARY, 1901).

Year.	Revenue from Customs and Excise less refunds and drawbacks credited to—							West. Aust. (Special Tariff).
	New South Wales.	Victoria.	Queens- land.	South Australia.	Western Australia.	Tasmania.	Total.*	
	£	£	£	£	£	£	£	£
1901 (Jan. to June)	1,019,008	1,350,099*	710,830	351,953	491,371	221,327	4,150,588	..
1901-2 ..	2,812,731	2,376,524	1,297,663	698,647	1,134,045	373,140	8,692,750	201,569
1902-3 ..	3,478,742	2,499,014	1,260,934	689,756	1,162,535	360,607	9,451,588	233,467
1903-4 ..	3,229,786	2,443,505	1,131,761	699,792	1,061,789	342,189	8,908,822	196,936
1904-5 ..	3,033,617	2,488,842	1,095,476	678,880	1,029,515	330,651	8,656,981	142,549
1905-6 ..	3,233,922	2,537,070	1,183,245	688,040	953,147	326,395	8,921,819	77,666
1906-7 ..	3,573,313	2,719,431	1,277,915	781,825	935,841	343,455	9,631,780	16,776
Total to 30th June, 1907 ..	20,381,119	16,420,485	7,957,824	4,588,893	6,768,243	2,297,764	58,414,328	868,963

* Excluding Special Tariff in Western Australia.

PROPOSAL 5.

TABLE H.

PUBLIC DEBTS AT 30TH JUNE, 1907.

Amounts maturing in each Year, including Debts which cannot be taken over without an Amendment of the Constitution.

(NOTE.—In cases in which the Government has the option of fixing the date of redemption, the loans have been included under the *earliest* year in which they may be redeemed.)

Year.	New South Wales.		Victoria.		Queensland.		South Australia.		Western Australia.		Tasmania.		Total.	
	Principal.	Interest.	Principal.	Interest.	Principal.	Interest.	Principal.	Interest.	Principal.	Interest.	Principal.	Interest.	Principal.	Interest.
	£	£	£	£	£	£	£	£	£	£	£	£	£	£
Overdue ..	7,650	..	1,000	..	..	..	12,700	..	..	..	..	..	21,350	..
Interminable ..	532,889	21,342	..	..	..	..	..	..	..	..	..	..	532,889	21,342
Annual payments	1,561,632	48,283	..	..	..	..	..	..	..	..	..	..	1,561,632	48,283
Annual drawings	..	..	..	..	..	..	..	..	179,400	7,483	..	..	179,400	7,483
Indefinite	..	..	..	..	..	..	..	..	433,200	14,079	..	..	433,200	14,079
1907 ..	3,615,500	142,607	1,025,000	35,875	..	..	249,450	9,817	323,640	11,327	162,156	5,795	5,375,746	205,421
1908 ..	1,850,000	74,000	2,048,869	81,647	..	..	2,214,925	88,522	..	..	788,829	29,313	6,902,623	273,482
1909 ..	2,566,354	102,654	25,000	812	..	..	4,296,750	171,869	500,000	20,000	219,690	7,112	7,607,794	302,447
1910 ..	3,766,600	148,164	25,000	812	..	..	620,575	25,272	1,112,850	38,950	113,350	3,867	5,038,375	217,065
1911 ..	1,000,000	35,000	2,132,000	85,092	..	..	1,008,173	38,086	1,876,000	75,040	1,307,129	50,169	7,323,304	283,337
1912 ..	9,884,508	242,721	88,000	2,702	530,000	21,200	368,350	15,929	..	..	108,662	3,803	10,079,520	386,355
1913 ..	..	..	4,771,795	190,684	2,066,500	82,660	11,573	605,325	24,213	605,325	24,213	21,932	8,281,270	331,062
1914 ..	..	..	..	..	..	..	447,500	17,569	664,530	..	800,000	32,000	1,912,030	76,150
1915 ..	3,881,081	151,494	500,000	17,500	11,728,800	469,152	35,000	2,000	4,585,840	141,754	..	..	20,730,721	781,900
1916 ..	..	..	2,767,000	96,845	..	..	9,486,045	320,479	1,100,000	33,000	49,828	1,744	13,402,873	452,068
1917 ..	..	..	4,506,837	141,752	..	..	3,546,200	142,508	..	..	10,700	374	8,063,737	284,634
1918 ..	12,826,200	448,917	..	..	..	..	1,474,400	59,434	..	..	30,860	1,030	14,331,460	509,431
1919 ..	120,050	3,602	4,000,000	160,000	..	..	26,000	1,300	..	..	..	..	4,146,050	164,902
1920 ..	..	..	6,000,000	240,000	..	..	336,300	12,160	3,780,000	132,300	5,406,500	193,477	15,522,500	577,937
1921 ..	2,888,747	101,106	5,999,910	204,998	119,100	4,169	411,340	14,397	..	..	296,727	10,173	9,714,324	334,843
1922 ..	..	..	..	..	4,498,693	134,960	654,703	23,056	..	..	8,252	289	5,180,713	159,067
1923 ..	..	..	7,353,954	255,619	..	..	..	..	25,473	764	..	..	7,379,427	256,383
1924 ..	16,698,065	583,442	..	..	12,973,834	495,030	1,651,300	66,052	..	..	..	..	31,323,199	1,144,524

TABLE H.—continued.

Year.	New South Wales.		Victoria.		Queensland.		South Australia.		Western Australia.		Tasmania.		Total.	
	Principal.	Interest.	Principal.	Interest.	Principal.	Interest.	Principal.	Interest.	Principal.	Interest.	Principal.	Interest.	Principal.	Interest.
	£	£	£	£	£	£	£	£	£	£	£	£	£	£
1925	222,255	6,668	60,000	2,250	..	..	..	..	8,250	330	5,050	177	295,555	9,425
1926 .. ..	..	..	1,159,105	40,569	999,600	34,986	181,409	6,349	7,650	306	67,600	2,704	2,415,355	85,314
1927 .. ..	..	..	106,000	3,710	..	..	..	..	3,518,256	110,729	..	..	3,624,256	114,439
1928 .. ..	..	..	..	..	40,000	1,400	..	..	22,431	897	..	..	62,431	2,297
1929 .. ..	..	..	9,778,519	314,926	86,500	3,027	200,000	8,000	2,937	118	..	..	10,067,956	326,071
1930	2,000,000	70,000	..	..	3,804,100	133,143	..	..	2,219	89	100	4	5,806,419	203,276
1931 .. ..	..	..	..	..	..	..	..	..	8,562	342	..	..	8,562	342
1933	9,686,300	387,452	..	..	..	..	..	..	..	..	..	..	9,086,300	387,452
1934 .. ..	..	..	457,000	13,710	..	..	..	..	995,054	39,802	..	..	1,452,054	53,512
1935	12,500,000	375,000	..	..	..	..	..	..	..	..	..	..	12,500,000	375,000
1936 .. ..	..	..	300,000	12,000	..	..	332,900	11,652	..	..	..	..	632,900	23,652
1939 .. ..	..	..	..	..	..	..	2,719,800	95,193	..	..	..	..	2,719,800	95,193
1945 .. ..	..	..	..	..	4,315,640	150,594	..	..	..	..	..	..	4,315,640	150,594
1950 .. ..	..	..	..	..	946,600	28,631	..	..	..	..	..	..	946,600	28,631
1952 .. ..	..	..	..	..	175,800	6,153	..	..	..	..	..	..	175,800	6,153
Amount as per Footnotes Table C	..	..	53,104,939	1,001,903	..	..	..	..	..	..	..	..	241,254,570	8,693,556
	..	..	294,002	..	..	..	..	..	..	..	..	..	294,002	..
	..	..	1,088,401	..	..	..	..	..	..	..	..	..	1,088,401	..
	..	..	2,098,326	60,000	..	..	..	..	..	..	..	..	2,098,326	60,000
Totals ..	85,607,831	3,042,452	56,585,718	1,961,903	42,285,167	1,565,105	30,562,818	1,141,216	19,770,682	678,867	9,923,083	364,013	244,735,299	8,763,556

TABLE I.
PUBLIC DEBT, WHERE REDEEMABLE.

Total.		Interest Thereon.	
Redeemable in London.	Redeemable in Australia.	Payable in London.	Payable in Australia.
£	£	£	£
185,831,848	55,422,722	6,755,599	1,937,957
	£		£
	241,254,570		8,693,556
	3,480,729*		60,000*
	244,735,299		8,753,556

* See Notes on Table C.

PROPOSAL 7.

TABLE J.

THE PUBLIC DEBTS SINKING FUNDS OF AUSTRALIA AT 30TH JUNE, 1907.

Held in cash in Banks unless otherwise stated.

New South Wales	...	...	£508,075 (a)
Victoria	...	...	820,519 (b)
Queensland	...	...	94 (c)
South Australia	...	...	520,015 (d)
Western Australia	...	...	1,658,710 (e)
Tasmania	...	...	261,430 (f)
			<u>£3,768,843</u>

(a) £298,295 of this was on fixed deposit in banks at interest, £5,986 deposited with Colonial Treasurer.

(b) Includes moneys at credit of Mallee Land Account; also includes £300,000 loan money held for redemption of loans falling due in 1908. £403,874 invested in Government securities.

(c) There is no regular Sinking Fund. When a surplus of revenue occurs in any year the amount is paid over to the credit of the Public Debt Reduction Fund Trustees.

(d) After providing for £27,500, loans redeemable on 1st July, 1907.

(e) At 31st March, 1907. With the exception of £24,100 cash, this was invested in Government Securities. Includes moneys and securities held on account of Agricultural Bank Act and Agricultural Lands Purchase Act.

(f) This is wholly invested in Government Securities.

A valuation of the Transferred Properties referred to in Proposal No. 14, is in progress, and is expected to be completed shortly. Transferred Properties.

The Hon. Thomas Bent, Premier and Treasurer of Victoria, submitted a scheme as follows:—

In the matter of the financial relations of the Commonwealth and the States, I propose with regard to—

A.—THE BRADDON CLAUSE.

1. That in lieu of the present manner of payment the Commonwealth shall pay over annually a lump sum to the States.

2. That the lump sum shall be £7,000,000 per annum.

3. That this sum shall be apportioned—

The first year—In accordance with the ratio to be obtained from the average payments to each State during the last three years.

The second year—4 per cent. on a population basis, and the balance on the ratio established, and

For the following years the amount to be apportioned on a population basis to increase at the rate of 4 per cent. per annum.

I recognise that with the growth of population (naturally and by immigration) the Commonwealth revenue will undoubtedly increase fairly rapidly, and the Commonwealth will have at its disposal a sum larger than its requirements. Being fully convinced of this fact, I have given consideration to a proposal for placing additional financial responsibilities upon the Commonwealth, and, with that end in view, I submit to this Conference the following scheme for the gradual transfer to the Commonwealth of the States' liabilities in connexion with their present Outstanding Loans.

B.—STATE DEBTS.

I propose—

1. That the control of the present outstanding Loans of the States be placed in the hands of the Commonwealth as from the first January, 1909, and that the management be vested in Public Debt Commissioners.

2. That the Commonwealth shall issue Redemption Loans at 3 per cent. to take up the present State Loans as they mature.

3. That the States shall pay interest at the rate of 3 per cent. on so much of the Redemption Loans as would be equal to the amount of the matured Loans.

4. That the Commonwealth shall pay the interest (3 per cent.) on any increase of debt arising from the redemption operations.

5. That the Commonwealth shall pay towards a Sinking Fund an annual contribution of $\frac{1}{4}$ per cent. on the total of the Redemption Loans' liability.

6. That this Sinking Fund shall be invested in the Redemption Loan issues.

7. That the Sinking Fund investments shall be considered as taking up that portion of the Redemption Loans upon which the States are required to pay interest (See 3 above).
8. That the interest accruing from the investments of the Sinking Fund shall be credited to the Sinking Fund.
9. That the Commonwealth shall recoup the States generally an amount equivalent to 3 per cent. per annum on the total securities (*i.e.*, Redemption Stock) held by the Sinking Fund, and the amount so recouped be distributed among the States on a population basis.

In regard to this clause (9) I would point out that it has been inserted with the purpose of gradually relieving the States of their annual interest charge, instead of only receiving that benefit in a lump sum when the whole of the present loans are redeemed by the Sinking Fund. It will, of course, be understood that the payment by the State (for interest) and to the State (recoup) shall cease as soon as the State is entitled to receive as recoup a sum equal to its annual interest payment on Redemption Loans issued to take up present debts.

Further, in respect to payments made to the States and on behalf of the States as set out in the terms of "A" and "B" above, I would add that it is my opinion that—

C.—FINAL ADJUSTMENT BETWEEN THE COMMONWEALTH AND THE STATES.

The final adjustment between the Commonwealth and the States should be on a basis of a return of five-eighths of the net Customs and Excise revenue. In this revenue I do not include any revenue which may in future years be raised for specific purposes, the whole of which should be retained by the Commonwealth. I only refer to the ordinary revenue, which will increase with the increase of population. Recognising that for some years to come the obligations upon the Commonwealth in connexion with Old-age Pensions and the initiation of a Defence scheme will be very heavy, I have not provided for a return on the five-eighths basis at the outset, but, with a view to the ultimate introduction of this position, I have had prepared a table, which is set out on page xxii., showing the estimated net revenue to be derived each year for the next twenty-two years from Customs and Excise and its apportionment to States on the five-eighths basis. The footnote on this table shows that, on a scale increasing by $2\frac{1}{2}$ per cent. each year on the difference between the five-eighths payment and the lump sum, the financial position I advocate would gradually come into force from the year 1925-6.

It will also be seen, from the table on page xxi., that the Commonwealth will only be required to meet the charges as set out under "A" and "B" until the year 1925-6 (that being the first year in which the ascending scale of $2\frac{1}{2}$ per cent. per annum on the difference will reach more than the total of the obligations imposed upon the Commonwealth under "A" and "B"), when, as I have already stated, the five-eighths scale should gradually become operative.

D.—NEW STATE LOANS.

With regard to New Loans I propose—

1. That the States shall not be restricted in any way in the matter of new issues.
2. That all new issues on behalf of the States shall be made through the Commonwealth.
3. That for the future the issue of these Loans be confined to the Australian market.
4. That each State shall pay into a Sinking Fund, to be held by the Commonwealth, an annual contribution of $\frac{1}{4}$ per cent. per annum on total amount of New Loan issues.

E.—PRESENT STATE REDEMPTION FUNDS.

To remain in hands of States.

Any present Loan securities held on account of the Redemption Funds to be cancelled prior to the taking over of control of present Loans by the Commonwealth.

LOANS.

INTERPRETATION OF TERMS.

"Old Loans" means outstanding Loans of each State at date Commonwealth takes over management of Loans.

"Original Loan" means an "Old Loan" which has been redeemed by the issue of Commonwealth securities.

"Redemption Loan" means Loan issued by the Commonwealth to take up an "Old Loan" which has matured or is about to mature.

"Renewal Loan Account" means an account in which each State is charged (for the purpose of determining interest) with a proportion of the "Redemption Loans" equal to the amount of its "Original Loans" (*i.e.*, of its loans redeemed).

"Common Debt Account" means an account in which the Commonwealth is charged (for the purpose of determining interest) with so much of the Redemption Loans as is in excess of the "Original Loans" redeemed (*i.e.*, with the increase of debt owing to discount, &c.).

“New State Loans” means issues by States following transfer of “Old Loans” to Commonwealth.

“Sinking Fund (Redemption Loans)” means a fund to be established by the Commonwealth for the eventual paying off of “Redemption Loans.”

“Sinking Fund (New Loans)” means a fund to be established for the eventual paying off of “New Loans.” States to contribute and Commonwealth to hold.

“State to pay Commonwealth” means that Commonwealth shall deduct from any moneys payable to State amounts required to meet demands for “Old Loans,” interest, and management, and for “New Loans,” interest, and Sinking Fund; when the moneys payable by Commonwealth to State are insufficient to meet such charges the State shall make good the difference.

“Interest Recoup to the States” means that the Commonwealth shall recoup the States an amount equivalent to 3 per cent. per annum on the total securities (*i.e.*, Redemption Loan Stock) held by the Sinking Fund.

PROPOSALS.

1. Commonwealth to take over the management of the whole of Loans from 1st January, 1909.

2. Each State to pay Commonwealth all moneys disbursed on State's account for—

Interest on Old Loans,

Interest on Redemption Loans (Renewal Account proportion),

Commission (if any) paid on redemption of “Original Loans,”

Interest and Sinking Fund on “New Loans.”

3. Public Debt Commissioners to be appointed by Commonwealth.

4. Loan Management to be in hands of Public Debt Commissioners, and in the event of any difficulty arising between them and a State or States the matter to be referred to High Court.

5. Redemption Loans to be issued at 3 per cent.—to be redeemed in 40 years or thereafter on 6 months' notice.

6. “Old Loans” Maturing from time to time to be redeemed by “Redemption Loans.”

“Old Loans” bearing 3 per cent. to be redeemed at latest date.

“Old Loans” bearing more than 3 per cent. to be redeemed at earliest date.

7. Interest on Redemption Loans.—

(a) Each State to pay Commonwealth interest (3 per cent.) on amount standing at its debit from time to time in "Renewal Loan Account" (*i.e.*, to pay 3 per cent. on its "Original Loan" amount).

(b) Commonwealth to pay interest (3 per cent.) due from time to time on the Common Debt Account.

(When an "Original Loan" has been redeemed by a "Redemption Loan" the State concerned will thus gain any difference between rate of "Original Loan" and 3 per cent.)

8. Sinking Fund (Redemption Loans) Contributions.—Commonwealth to pay $\frac{1}{4}$ per cent. per annum on total issues for redemption purposes (*i.e.*, on total of "Renewal Loan Account" and "Common Debt Account" Debits).

9. Sinking Fund (Redemption Loans).—

(a) Sinking Fund to be invested (at earliest possible moment) in "Redemption Loan" Securities at par.

(b) Interest arising from above investment to be credited to Sinking Fund.

(c) The investments to be considered as made in the Renewal Loan Account portion of Redemption Loans (*i.e.*, the portion on which States pay the interest).

10. Interest Recoup to States.—The Commonwealth shall recoup to States generally an amount equivalent to 3 per cent. per annum on the total securities (*i.e.* Redemption Loans Stock) held by the Sinking Fund; and the amount so recouped shall be distributed amongst the States on a population basis.

The purpose of this clause is that the States may be gradually relieved (as the Sinking Fund increases) of their annual interest charge, instead of only receiving that benefit when the whole of the present loans are redeemed by the Sinking Fund. It is, of course, understood that the payment by the State (interest) and to the State (Recoup) shall cease as soon as the State is entitled to receive as Recoup a sum equal to its annual interest payment on Redemption Loans issued to take up "Old Loans."

11. New Loans.—States not to be restricted in any way in the matter of new issues. All new issues to be made by the Commonwealth on behalf of the States. New issues to be confined to the Australian market.

12. Sinking Fund (New Loans).—Each State to pay into a Sinking Fund to be held by the Commonwealth a contribution at the rate of $\frac{1}{4}$ per cent. per annum on total amount of New Loan issues.

13. Present Redemption Funds.—To remain in hands of States. States may apply—

To purchase their own "New Loan" securities.

To payment of contribution to "New Loan" Sinking Fund.

To Capital Works purposes (moneys which may be available, such as Victorian Mallee Fund, from sources other than the specific provision under special appropriation each year).

Annual appropriation by State on account of an "Old Loan" to cease as soon as Commonwealth shall have issued a Redemption Loan therefor.

Any "Old Loan" securities held on account of Redemption Funds to be cancelled prior to the taking over of control of "Old Loans" by the Commonwealth.

STATEMENT showing the Operations with regard to Redemption of Loans (exclusive of 3 per cent. securities which may be deferred) falling due between 1st January, 1909, and 31st December, 1928 (assuming that Redemption Loan Issues are at Prices in Third Column); also the Allocation of Interest on the Redemption Loans between the States and the Commonwealth.

Year.	State Loans falling due each Year.	Redemption Issues (3 per cent.) at—	Redemption Loans Issues each Year.	Total Redemption Loans.	Redemption Loans Apportionment.	
					Renewal Loan Account.	Common Debt Account
					States will pay interest on—	Commonwealth will pay interest on—
	£	£*	£	£	£	£
1909	7,607,794	86	8,846,272	8,846,272	7,607,794	1,238,478
1910	5,638,375	87	6,480,891	15,327,163	13,246,169	2,080,994
1911	7,323,304	85	8,615,652	23,942,815	20,569,473	3,373,342
1912	6,909,818	86	8,034,672	31,977,487	27,479,291	4,498,196
1913	8,281,270	85	9,742,671	41,720,158	35,760,561	5,959,597
1914	1,912,030	84	2,276,226	43,996,384	37,672,591	6,323,793
1915	16,980,721	86	19,745,024	63,741,408	54,653,312	9,088,096
1916	6,340,528	87	7,287,963	71,029,371	60,993,840	10,035,531
1917	4,866,005	88	5,529,551	76,558,922	65,859,845	10,699,077
1918	14,331,460	88	16,285,750	92,844,672	80,191,305	12,653,367
1919	4,026,000	88	4,575,000	97,419,672	84,217,305	13,202,367
1920	15,072,800	88	17,128,181	114,547,853	99,290,105	15,257,748
1921	8,714,914	87	10,017,143	124,564,996	108,005,019	16,559,977
1922	745,025	87	856,350	125,421,346	108,750,044	16,671,302
1923	7,025,473	89	7,893,790	133,315,136	115,775,517	17,539,619
1924	31,323,199	88	35,594,544	168,909,680	147,098,716	21,810,964
1925	295,555	88	335,858	169,245,538	147,394,271	21,851,267
1926	3,254,855	89	3,657,140	172,902,678	150,649,126	22,253,552
1927	3,624,256	89	4,072,198	176,974,876	154,273,382	22,701,494
1928	62,431	88	70,944	177,045,820	154,335,813	22,710,007

* Including cost of Flotation.

STATEMENT showing with regard to States—Annual Reduction of Interest owing to Redemption Operations over Twenty Years, 1909-10 to 1928-9. With regard to Commonwealth—Annual Charge on Account of Interest, Sinking Fund, and Interest Recoup (1909-10 to 1928-9). (For the purpose of this Statement, it is assumed that, for the Loans falling due in a Calendar year, the average redemption date will be 1st July.)

Year.	Annual Interest on State Loans (total Maturing during the Twenty Years) at Existing Rates.	STATES WILL PAY—			Total Interest Saving to States each Year	COMMONWEALTH WILL PAY—			
		Interest.				Interest, Sinking Fund, and Interest Recoup.			
		Interest on that Portion (Twenty Years total) Unredeemed each Year.	Interest (3%) on Redemption Loans.	Total Interest Payable each Year on the Twenty Years' portion.		Interest (3%) on Redemption Loans.	Sinking Fund (3%) on Redemption Loans.	Recoup to States.	Total Payable each Year.
			Renewal Loan Account Portion.							Common Debt Account Portion.	Renewal Loan Account and Common Debt Account Portions.	Equivalent for Interest paid by States on Sinking Fund Investments.
	£	£	£	£	£	£	£	£	£
1909-10	5,765,635	5,463,187	228,234	5,691,421	74,214	37,154	22,116	...	59,270
1910-11	5,765,635	5,246,121	397,386	5,643,507	122,128	62,430	38,318	663	101,411
1911-12	5,765,635	4,962,735	617,084	5,579,819	185,816	101,200	59,857	1,833	162,890
1912-13	5,765,635	4,698,471	824,379	5,522,850	242,785	134,946	79,944	3,684	218,574
1913-14	5,765,635	4,367,408	1,072,817	5,440,225	325,410	178,788	104,300	6,192	289,280
1914-15	5,765,635	4,291,258	1,130,178	5,421,436	344,199	189,714	109,991	9,507	309,212
1915-16	5,765,635	3,621,858	1,639,599	5,261,457	504,178	272,643	159,354	13,092	445,089
1916-17	5,765,635	3,381,661	1,829,815	5,211,476	554,159	301,066	177,573	18,265	496,904
1917-18	5,765,635	3,192,960	1,975,795	5,168,755	596,880	320,972	191,397	24,141	536,510
1918-19	5,765,635	2,683,529	2,405,739	5,089,268	676,367	379,601	232,112	30,607	642,320
1919-20	5,765,635	2,522,229	2,526,519	5,048,748	716,887	396,071	396,071	38,488	678,108
1920-21	5,765,635	1,957,791	2,978,703	4,936,494	829,141	457,732	286,370	46,949	791,051
1921-22	5,765,635	1,652,944	3,240,151	4,893,095	872,540	496,799	311,412	56,949	865,160
1922-23	5,765,635	1,626,948	3,262,501	4,889,449	876,186	500,139	313,553	68,000	881,692
1923-24	5,765,635	1,381,184	3,473,266	4,854,450	911,185	526,189	323,288	79,446	938,923
1924-25	5,765,635	236,660	4,412,961	4,649,621	1,116,014	654,329	422,274	91,828	1,168,431
1925-26	5,765,635	227,235	4,421,828	4,649,063	1,116,572	655,538	423,114	107,251	1,185,903
1926-27	5,765,635	116,736	4,519,474	4,636,210	1,129,425	667,607	432,257	123,163	1,223,027
1927-28	5,765,635	2,297	4,628,201	4,630,498	1,135,137	681,045	442,437	139,825	1,263,307
1928-29	5,765,635	...	4,630,074	4,630,074	1,135,561	681,300	442,615	157,293	1,281,208

STATES RECEIPTS FROM COMMONWEALTH AND BENEFITS ARISING OUT OF REDEMPTION.

COST TO COMMONWEALTH.

Financial Year.	Annual Lump Sum paid to States.	Annual Interest: Savings on Loans Redeemed	Annual Amount of Interest recouped to States by Commonwealth.	Amount for Graduated Adjustment of the five-eighths balance.	Total.	Annual Lump Sum paid to States.	Annual Interest on the Increased Debt following Redemption Operations.	Annual Contribution towards Sinking Fund.	Annual Recoup of Interest to States.	Payment on account of Graduated five-eighths balance.	Total.
	£	£	£	£	£	£	£	£	£	£	£
1909-10	7,000,000	74,214	..	..	7,074,214	7,000,000	37,154	22,116	..	..	7,059,270
1910-11	7,000,000	122,428	663	..	7,122,791	7,000,000	62,430	35,318	..	..	7,101,411
1911-12	7,000,000	185,816	1,833	..	7,187,649	7,000,000	101,200	59,857	1,833	..	7,162,890
1912-13	7,000,000	242,785	3,684	..	7,246,469	7,000,000	134,946	79,944	3,684	..	7,218,574
1913-14	7,000,000	325,410	6,192	..	7,331,602	7,000,000	178,788	104,300	6,192	..	7,289,280
1914-15	7,000,000	344,199	9,507	..	7,353,706	7,000,000	189,714	109,991	9,507	..	7,309,212
1915-16	7,000,000	504,178	13,092	..	7,517,270	7,000,000	272,648	159,354	13,092	..	7,445,089
1916-17	7,000,000	554,159	18,265	..	7,572,424	7,000,000	301,066	177,573	18,265	..	7,496,904
1917-18	7,000,000	596,880	24,141	..	7,621,021	7,000,000	320,972	191,397	24,141	..	7,536,510
1918-19	7,000,000	676,367	30,607	..	7,706,974	7,000,000	379,601	232,112	30,607	..	7,642,320
1919-20	7,000,000	716,887	38,488	..	7,755,375	7,000,000	396,071	243,549	38,488	..	7,678,108
1920-21	7,000,000	829,141	46,949	..	7,876,090	7,000,000	457,732	286,370	46,949	..	7,791,051
1921-22	7,000,000	872,540	56,949	..	7,929,489	7,000,000	496,799	311,412	56,949	..	7,865,160
1922-23	7,000,000	876,186	68,000	..	7,944,186	7,000,000	500,139	313,553	68,000	..	7,881,692
1923-24	7,000,000	911,185	79,446	..	7,990,631	7,000,000	526,189	333,288	79,446	..	7,988,923
1924-25	7,000,000	1,116,014	91,828	..	8,207,842	7,000,000	654,329	422,274	91,828	..	8,168,431
1925-26	7,000,000	1,116,572	107,251	37,290	8,261,113	7,000,000	655,538	423,114	107,251	37,290	8,223,193
1926-27	7,000,000	1,129,425	123,163	137,110	8,389,698	7,000,000	687,607	432,257	123,163	137,110	8,360,137
1927-28	7,000,000	1,135,157	139,825	241,949	8,516,911	7,000,000	681,045	442,437	139,825	241,949	8,505,256
1928-29	7,000,000	1,135,561	157,293	377,472	8,670,326	7,000,000	681,300	442,615	157,293	377,472	8,658,680

STATEMENT showing Estimated Net Revenue from Customs and Excise, 1907-8 to 1928-9, on the *per capita* basis of the year 1907-8; also the provision for return to the States in subsequent years of the difference between the "Lump Sum" (£7,000,000) and the five-eighths of Revenue on an ascending scale increasing by 2½ per cent. per annum.

This table does not provide that the States shall participate in any duties imposed by the Commonwealth for special purposes. It is only proposed that the present net per capita charge shall be maintained with increase of population.

Financial Year.	Estimated Population as at 31st December in each Financial Year.*	Estimated Commonwealth net revenue (on proportionate payment per head) in 1907-8.	Five-eighths of net Revenue (Customs and Excise) "Ordinary."	Lump Sum Payment made to States.	Difference between five-eighths and Lump Sum Payment.	2½ per cent. on difference for First Year with an Increase of 2½ per cent. for each Year following.	
						£	£
1907-08	4,182,000	11,700,000	7,312,500	7,000,000	312,500	2½	7,813
1908-09	4,245,000	11,876,255	7,422,659	7,000,000	422,659	5	21,133
1909-10	4,309,000	12,055,308	7,534,568	7,000,000	534,568	7½	40,093
1910-11	4,374,000	12,237,159	7,648,224	7,000,000	648,224	10	64,822
1911-12	4,440,000	12,421,808	7,763,630	7,000,000	763,630	12½	95,454
1912-13	4,507,000	12,609,254	7,880,784	7,000,000	880,784	15	132,118
1913-14	4,575,000	12,799,498	7,999,686	7,000,000	999,686	17½	174,945
1914-15	4,644,000	12,992,539	8,120,337	7,000,000	1,120,337	20	224,067
1915-16	4,714,000	13,188,379	8,242,737	7,000,000	1,242,737	22½	279,616
1916-17	4,785,000	13,387,016	8,366,885	7,000,000	1,366,885	25	341,721
1917-18	4,858,000	13,591,248	8,494,530	7,000,000	1,494,530	27½	410,996
1918-19	4,931,000	13,795,480	8,622,175	7,000,000	1,622,175	30	486,653
1919-20	5,005,000	14,002,511	8,751,569	7,000,000	1,751,569	32½	569,260
1920-21	5,081,000	14,215,136	8,884,469	7,000,000	1,884,469	35	659,564
1921-22	5,157,000	14,427,762	9,017,351	7,000,000	2,017,351	37½	756,507
1922-23	5,235,000	14,645,983	9,153,739	7,000,000	2,153,739	40	861,496
1923-24	5,314,000	14,867,001	9,291,876	7,000,000	2,291,876	42½	974,047
1924-25	5,395,000	15,093,615	9,433,509	7,000,000	2,433,509	45	1,095,079
1925-26	5,476,000	15,320,229	9,575,143	7,000,000	2,575,143	47½	1,223,193
1926-27	5,559,000	15,552,439	9,720,274	7,000,000	2,720,274	50	1,360,137
1927-28	5,643,000	15,787,446	9,867,154	7,000,000	2,867,154	52½	1,505,256
1928-29	5,728,000	16,025,251	1,0015,782	7,000,000	3,015,782	55	1,658,680

* On basis of increase during period 1901-1906.

NOTE. - The gradual adjustment of the five-eighths' charge as provided does not become operative till the percentage as shown in last column exceeds the amount payable by the Commonwealth on account of Interest charge on increase of Debt by Redemption, Sinking Fund contributions on Redemption Loans, and Recoup of Interest. When these charges, together with the "Lump Sum" (£7,000,000) do not exceed the "Lump Sum" plus the annual percentage of the difference as shown in last column, the States will commence to participate in the adjustment. On the increase of population as above, the adjustment payment will not become operative till 1925-6. The States will not become entitled to the full five-eighths till 1946-47.

STATEMENT showing (a) Annual Saving in Interest following issue of Redemption Loans by Commonwealth; (b) Annual Amount of Interest recouped to States by Commonwealth. (This amount to be distributed on a population basis.)

Financial Year.	A. Annual Saving in Interest.	B. Annual Amount of Interest Recouped to States.	Total Benefit following on Redemption Operations.
	£	£	£
1909-10 ...	74,214	...	74,214
1910-11 ..	122,128	663	122,791
1911-12 ...	185,816	1,833	187,649
1912-13 ...	242,785	3,684	246,469
1913-14 ...	325,410	6,192	331,602
1914-15 ...	344,199	9,507	353,706
1915-16 ...	504,178	13,092	517,270
1916-17 ...	554,159	18,265	572,424
1917-18 ...	596,880	24,141	621,021
1918-19 ...	676,367	30,607	706,974
1919-20 ...	716,887	38,488	755,375
1920-21 ...	829,141	46,949	876,090
1921-22 ...	872,540	56,949	929,489
1922-23 ...	876,186	68,000	944,186
1923-24 ...	911,185	79,446	990,631
1924-25 ...	1,116,014	91,828	1,207,842
1925-26 ...	1,116,572	107,251	1,223,823
1926-27 ...	1,129,425	123,163	1,252,588
1927-28 ...	1,135,137	139,825	1,274,962
1928-29 ...	1,135,561	157,293	1,292,854

NOTE.—The apportionment of the saving of £1,135,561 is as follows:—New South Wales £308,154; Victoria, £258,908; Queensland, £254,862; South Australia, £183,040; Western Australia, £70,857; Tasmania, £59,740.

STATEMENT showing the Decreasing Annual Interest payable during the next twenty years on total Old State Loans consequent upon the Redemption Operations during that period.

Financial Year.	Total.
Present Annual Interest on total "Old Loans"	£ 8,753,556
1909-10	8,679,342
1910-11	8,631,428
1911-12	8,567,740
1912-13	8,510,771
1913-14	8,428,146
1914-15	8,409,357
1915-16	8,249,578
1916-17	8,199,397
1917-18	8,156,676
1918-19	8,077,189
1919-20	8,036,669
1920-21	7,924,415
1921-22	7,881,016
1922-23	7,877,370
1923-24	7,842,371
1924-25	7,537,542
1925-26	7,636,984
1926-27	7,624,131
1927-28	7,618,419
1928-29	7,617,995

NOTE -- See note to previous table.

STATEMENT showing the aggregate amount at each year upon which the savings in interest on "Old Loans" following redemption would pay $3\frac{1}{2}$ per cent., *i.e.*, the aggregate amount of "New Loans" which respective States would be able to carry each year without any increase of present interest charge.

Financial Year.	New South Wales.	Victoria.	Queensland.	South Australia.	Western Australia.	Tasmania.	Total.
	£	£	£	£	£	£	£
1909-10	783,229	1,800	..	1,227,600	142,857	14,914	2,120,400
1910-11	1,737,971	3,600	..	1,417,743	301,828	28,228	3,489,370
1911-12	1,880,828	607,371	..	1,641,771	837,828	341,229	5,309,027
1912-13	3,200,429	609,143	151,428	1,781,171	837,828	356,714	6,936,713
1913-14	3,200,429	1,967,171	741,857	1,864,114	1,010,800	513,057	9,297,428
1914-15	3,200,429	1,967,171	741,857	1,982,514	1,200,657	741,629	9,834,257
1915-16	4,202,200	2,033,600	4,092,943	2,009,629	1,320,057	741,656	14,405,085
1916-17	4,202,200	2,433,886	4,092,943	3,035,286	1,320,057	748,743	15,833,115
1917-18	4,202,200	2,620,914	4,092,943	4,067,314	1,320,057	750,286	17,053,714
1918-19	6,034,514	2,620,914	4,092,943	4,501,686	1,320,057	754,657	19,324,771
1919-20	6,034,514	3,763,771	4,092,943	4,516,514	1,320,057	754,685	20,482,484
1920-21	6,034,514	5,478,057	4,092,943	4,575,714	1,860,028	1,648,486	23,689,742
1921-22	6,447,228	6,192,343	4,109,971	4,634,457	1,860,028	1,685,686	24,929,713
1922-23	6,447,228	6,192,343	4,109,971	4,732,000	1,865,514	1,686,828	25,033,884
1923-24	6,447,228	7,192,313	4,109,971	4,732,000	1,865,514	1,686,828	26,033,884
1924-25	8,804,400	7,192,343	7,133,257	5,203,800	1,865,514	1,686,828	31,886,142
1925-26	8,804,400	7,295,200	7,133,257	5,203,800	1,867,857	1,687,543	31,902,057
1926-27	8,804,400	7,882,228	7,276,057	5,229,714	1,870,028	1,706,857	32,260,284
1927-28	8,804,400	7,397,371	7,276,057	5,229,714	2,018,086	1,706,857	32,432,485
1928-29	8,804,400	7,397,371	7,281,771	5,229,714	2,024,486	1,706,857	32,444,599

NOTE.—These amounts are exclusive of New Loans which might be carried by the Interest Recoup

SINKING FUND (REDEMPTION LOANS).

Financial Year.	1	2	3	4
	Total at beginning of each Year.	Contribution for Year.	Interest at 3 per cent. on amount in column 1.	Total at end of each Year.
	£	£	£	£
1909-10 ... ..	...	22,116	...	22,116
1910-11	22,116	38,318	663	61,097
1911-12	61,097	59,857	1,833	122,787
1912-13	122,787	79,944	3,684	206,415
1913-14	206,415	104,300	6,192	316,907
1914-15	316,907	109,991	9,507	436,405
1915-16	436,405	159,354	13,092	608,851
1916-17	608,851	177,573	18,265	804,689
1917-18	804,689	191,397	24,141	1,020,227
1918-19	1,020,227	232,112	30,607	1,282,946
1919-20	1,282,946	243,549	38,488	1,564,983
1920-21	1,564,983	286,370	46,949	1,898,302
1921-22	1,898,302	311,412	56,949	2,266,663
1922-23	2,266,663	313,553	68,000	2,648,216
1923-24	2,648,216	333,288	79,446	3,060,950
1924-25	3,060,950	422,274	91,828	3,575,052
1925-26	3,575,052	423,114	107,251	4,105,417
1926-27	4,105,417	432,257	123,163	4,660,837
1927-28	4,660,837	442,437	139,825	5,243,099
1928-29	5,243,099	442,615	157,293	5,843,007

COMMONWEALTH.

YEAR 1907-8.

Estimate at 1st May, 1908—			
Revenue—Customs and Excise ...	£12,000,000		
Other	3,356,000		
			£15,356,000
Customs and Excise—Revenue	£12,000,000		
Expenditure	300,000		
Net	£11,700,000		
Three-quarters to States would be	£8,775,000		
Lump Sum Proposed is			£7,000,000
Which would leave for Commonwealth Purposes			£8,356,000

The Commonwealth Expenditure for Year will be—

Estimates and Additional Estimates	...	£6,405,000
Less Savings, say ...	...	205,000
		<hr/>
		6,200,000
Less Special Defence (see below)	...	260,000
		<hr/>
Ordinary Services, (including New Works)	... ..	5,940,000
So that from Total available as above		
(£8,356,000) provision could be made for—		
Old-Age Pensions	... ..	1,500,000
and		
Special Defence	... ..	916,000
		<hr/>
		£8,356,000

The above table is supplied for the purpose of showing that the Commonwealth Government, after paying the £7,000,000, would still have sufficient money for Old-age Pensions, and a substantial sum for Defence purposes.

The following is a summary of the resolutions agreed to by the Conference held in Melbourne in April and May, 1908:—

That this Conference views with apprehension the proposals of the Commonwealth Government embodied in the Memorandum of Sir William Lyne, and is of opinion that they will, if adopted, seriously affect the financial independence and solvency of the States, and further resolves—

1. That, in view of the fact that upon the State Parliaments devolves the duty of developing the resources of their respective States by means of land settlement, railway construction, irrigation, and other public works, and that they are charged with the responsibility of maintaining adequate education and charity systems, and providing for the administration of justice and other services, the financial obligations connected with which will inevitably increase with the growth of population, no financial scheme can be assented to by the States which does not provide for their receiving—
 - (a) a fixed annual sum; and
 - (b) a proportionate part of all increases in revenue from Customs and Excise.
2. That, for the purpose of enabling the Federal Government to initiate a general scheme of old-age pensions, the States Governments will be agreeable to accept a smaller proportion of the Customs and Excise

- revenue than three-fourths, and thus supplement, if necessary, the amount which can be provided under the Commonwealth Surplus Revenue Bill.
3. That, no restriction having been placed by the Constitution upon the borrowing powers of the States, and, further, for the reasons set out in Resolution No. 1, the States should be the sole judges as to the raising of loans, within or without the Commonwealth, for the purposes of carrying on the work of internal development without interference by the Council of Finance, as proposed in the scheme of the Commonwealth Treasurer, or by any external authority.
 4. That the gradual assumption by the Commonwealth of the State Debts may eventually lead to economies, but it would be advisable to allow the settlement of details to stand over until the question of the distribution of the net revenue from duties of Customs and Excise has been determined.
 5. That, in the distribution of the amount returnable by the Commonwealth to the States, the *per capita* contribution of each State to the Customs and Excise Revenue shall be considered and allowed for.
 6. That the proposal of the Commonwealth Treasurer to take over the Sinking Funds of the several States without making equitable provision for compensation is objectionable.
 7. (a) That, in the event of the Commonwealth taking over the Debts, the total indebtedness of the respective States should be reduced by the sum of the value of the transferred properties (unless settlement for such properties be previously made), and that when the lighthouses, &c., are taken over by the Commonwealth, the States should be credited for them.
(b) The States urge an early settlement of this long-standing question.
 8. That the foregoing Resolutions be submitted to the respective State Parliaments as early as possible.

A paper prepared by Mr. Thos. Greenlees Watson, C.M.G., Clerk of the Legislative Assembly of Victoria, was presented to the Conference:—"Notes on the Financial Problems of the Commonwealth and the States of Australia"—which contains a review of the difficulties which presented themselves to the framers of the Constitution, and the earnest efforts since put forth by the responsible statesmen of Australia to solve them; also extracts from public documents and debates bearing upon the principal points of the problem.

The following statement, which has been taken from the paper, gives the "Basis of the Estimate of Cost of Federation," and a "Comparison of Estimated and Actual Expenditure," particulars which are valuable in a consideration of this important question.

BASIS OF THE ESTIMATE OF COST OF FEDERATION.

Details of the estimated cost of Federation.

See Leg. Assy. Vict. Papers Presented, Vol. II., Sess. 1897, p. 1475.

The probable cost of Federation accepted by the Convention was based on an estimate prepared by the then Treasurer of South Australia (The Hon. Sir F. W. Holder, M.P.), the details of which are as follow:—

I. PROBABLE NEW FEDERAL EXPENDITURE.

Governor-General and Establishment	...	...	£15,000
Legislature	...	...	109,700
Executive	...	...	14,000
Civil Establishment (including an Agent-General)	...	...	18,370
Treasury	...	...	12,500
Justice (High Court, &c.)	...	...	23,715
Public Buildings to be constructed (interest and maintenance)	...	...	52,540
			<hr/>
Total	...	...	245,825
	Margin	...	54,175
			<hr/>
Total Estimated New Expenditure	...	...	£300,000

II.—PROBABLE EXPENDITURE ON SERVICES TAKEN OVER.

Civil Establishment (Census and Statistics)	...	...	£15,000
Defence	...	...	750,000
Mint	...	...	45,000
Patents and Bankruptcy	...	...	14,950
Post and Telegraph (including possible loss on a uniform service, £109,000)	...	...	1,727,000
Customs	...	...	209,100
Navigation and Maritime	...	...	81,050
			<hr/>
Total (including interest on buildings taken over)	...	...	2,842,100
Less revenue expected	...	...	1,755,400
			<hr/>
			1,086,700
Margin	...	...	163,300
			<hr/>
Total Estimated Cost of Transferred Services	...	...	£1,250,000

It will be observed that this estimate allowed big margins both on "new" and "transferred" expenditure, and also included interest on cost of new buildings and buildings taken over, and allowed for a large possible loss (£109,000) on the uniform postal service.

The actual net expenditure under State control for the year 1899-1900 of the Departments since transferred to the Commonwealth was £790,019. The gross expenditure of these Departments for 1899-1900 was £3,329,888. For 1900-1901 it was £3,297,694.

COMPARISON OF ESTIMATED AND ACTUAL
EXPENDITURE.

A comparison between the Convention estimate and the actual expenditure of the Commonwealth can be made from the following figures:—

Estimated
and actual
expenditure
compared.

(a) Convention Estimate of Gross Expenditure on—

Transferred Services £3,005,400
New or "other" Expenditure 300,000

(b) Expenditure of the Commonwealth:— £3,305,400

Year.	Transferred Services.	"Other" (New	Total.
	£	£	£
1901-2	3,474,466	258,752	3,733,218
1902-3	3,585,807	315,564	3,901,371
1903-4	3,792,948	459,571	4,252,519
1904-5	3,860,520	462,309	4,322,829
1905-6	3,988,617	508,924	4,497,541
1906-7	4,223,292	764,009	4,987,301
1907-8 (estimated) ...	4,877,212	1,090,780	5,967,992