

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

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

Under proclamation dated 12th February, 1901, and published in the Commonwealth *Gazette* of the 14th of that month, the Departments of Posts, Telegraphs, and Telephones in each State became transferred to the Commonwealth as from the 1st March, 1901, while under a similar proclamation dated 19th February, 1901, and gazetted on the 20th, the Departments of Naval and Military Defence in each State also became transferred to the Commonwealth as from 1st March, 1901. In the case of Quarantine, an Act (No. 3 of 1908) has been passed and control 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, Attorney-General, Postmaster-General, Home and Territories, and Works and Railways, as well as such general departments as Public Service Commissioner's Office, Treasury, 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.

6. Special Assistance.—By the same 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 £5000 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 £5000 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, shewing 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, 1912-13 to 1916-17.

Heading.	1912-13.	1913-14.	1914-15	1915-16.	1916-17.
	£	£	£	£	£
Consolidated Revenue	21,907,084	21,741,775	22,419,798	30,762,216	34,067,434
Trust Funds in aid of Revenue	475,342	1,418,958	1,224,347	...	3,000,000
Total	22,382,426	23,160,733	23,644,145	30,762,216	37,067,434
General Loan Fund	1,300,000	2,100,000	2,058,201	2,859,341	...
Unexpended Balance of General Loan Fund from previous years	39,525	151,498	96,237	...	...
Total	1,339,525	2,251,498	2,154,438	2,859,341	...
War Loan Fund in aid of Revenue ... ..	...	...	(a)14,471,118	57,656,683	(b)70,844,925
Grand Total	23,721,951	25,412,231	40,269,701	91,278,240	107,912,359

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

COMMONWEALTH EXPENDITURE, 1912-13 to 1916-17.

Heading.	1912-13.	1913-14.	1914-15.	1915-16.	1916-17.
	£	£	£	£	£
Expenditure from Consolidated Revenue	14,930,180	15,458,776	16,056,023	21,415,221	(b)25,719,588
Expenditure from Trust Funds	475,342	1,418,958	1,224,347	...	3,000,000
Subsidy to States	6,119,930	6,282,999	6,363,775	6,316,995	6,270,419
Balance paid into Trust Funds	856,974	...	...	3,000,000	2,077,427
Total	22,382,426	23,160,733	23,644,145	30,762,216	37,067,434
General Loan Fund Expenditure	1,188,027	2,155,261	2,154,438	2,859,341	...
Unexpended Balance from General Loan Fund	151,498	96,237	...	...	...
Total	1,339,525	2,251,498	2,154,438	2,859,341	...
War Expenditure from War Loan Fund ... ..	...	...	(a)14,471,118	37,423,568	53,114,237
Unexpended Balance from War Loan Fund ... ..	...	...	...	20,233,115	17,730,688
...	...	...	14,471,118	57,656,683	70,844,925
Grand Total	23,721,951	25,412,231	40,269,701	91,278,240	107,912,359

(a) See footnote (a) to previous table.

(b) Includes £371,118 repayment of advance from Notes Fund in 1914-15. See foot-note (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 1916-17, reached a total of £34,067,434, an increase in the period of £22,770,449.

Particulars concerning the total amount of revenue collected by the Commonwealth Government from 1st July, 1912, to 30th June, 1917, are contained in the following table:—

CONSOLIDATED REVENUE OF THE COMMONWEALTH, 1912-13 to 1916-17.

	1912-13.	1913-14.	1914-15.	1915-16.	1916-17.
Commonwealth	£ 21,907,084	£ 21,741,775	£ 22,419,798	£ 30,762,216	£ 34,067,434

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 two years is due to the large expansion in the 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, 1912-13 to 1916-17.

	1912-13.	1913-14.	1914-15.	1915-16.	1916-17.
Commonwealth	£ s. d. 4 12 7	£ s. d. 4 9 3	£ s. d. 4 10 9	£ s. d. 6 4 9	£ s. d. 6 19 9

3. Sources of Revenue.—The following table furnishes particulars concerning the Commonwealth revenue derived from each source during the years 1912-13 to 1916-17 :—

SOURCES OF COMMONWEALTH REVENUE, 1912-13 to 1916-17.

Sources of Revenue.	1912-13.	1913-14.	1914-15.	1915-16.	1916-17.
	£	£	£	£	£
Customs	13,065,925	12,652,737	12,105,698	13,610,684	12,373,664
Excise	2,497,109	2,325,333	2,771,566	3,323,419	3,236,623
Postal	4,226,313	4,511,307	4,594,542	5,053,596	5,498,517
Defence	39,193	28,936	219,152	881,115	478,326
Patents	18,355	22,393	17,165	15,487	15,167
Trade Marks, Copyrights, and Designs	5,637	5,932	4,741	5,175	5,432
Quarantine	13,162	15,173	13,768	19,242	19,671
Coinage	122,647	208,348	208,515	359,720	354,276
Public Service Pension Funds, Repayments and Transfers	42,006	36,824	44,817	47,604	47,737
Land Tax	1,564,794	1,609,536	1,953,696	2,040,436	2,121,952
Probate and Succession Duties	...	...	39,646	626,215	1,062,168
Income Tax ... ..	...	...	...	3,932,775	5,631,950
Entertainments Tax	...	...	...	...	110,683
Northern Territory	40,084	54,777	53,026	64,780	40,650
Credit Balance Northern Territory Funds	24,456	...	...	...	...
Miscellaneous	257,403	270,179	393,476	781,968	3,080,618
Total	21,907,084	21,741,775	22,419,798	30,762,216	34,067,434

In addition to the new direct taxation, which has already been mentioned, there has been a fairly steady return from customs and excise. In 1916-17, however, there was a striking fall in the customs returns, due probably to the diminution of imports caused by a scarcity of tonnage. The postal revenue has also shewn a consistent upward tendency. The principal items included in the "Miscellaneous" are Lighthouses and Light Dues; receipts from Trans-Australian Railway; Interest; and Trading Vessels.

4. Customs Revenue for Past Five Years.—Particulars for the Commonwealth as a whole, for the five years 1912-13 to 1916-17, are furnished in the following table :—

COMMONWEALTH CUSTOMS REVENUE, 1912-13 to 1916-17.

Classes.	1912-13.	1913-14.	1914-15.	1915-16.	1916-17.
	£	£	£	£	£
Stimulants	2,777,492	2,810,222	2,899,540	2,500,606	1,986,321
Narcotics	1,206,782	1,175,404	1,257,223	1,333,516	1,300,683
Sugar	691,568	209,375	60,403	587,028	453,380
Agricultural products	1,072,203	1,002,363	1,087,133	1,310,437	862,227
Apparel and textiles	2,367,945	2,514,170	2,302,764	2,902,012	3,197,778
Metals and machinery	1,639,749	1,672,125	1,638,416	1,572,536	1,404,705
Oils, paints, etc.	313,348	310,847	311,545	386,994	338,202
Earthenware, etc.	490,983	426,134	338,095	368,300	249,525
Drugs and chemicals	109,619	122,960	131,764	160,997	163,027
Wood, wicker, and cane	535,576	555,843	455,860	365,969	277,396
Jewellery, etc.	281,631	272,214	253,290	335,147	325,718
Leather, etc.	435,801	470,382	428,106	505,652	498,874
Paper and stationery	237,943	234,504	269,443	346,158	419,323
Vehicles	328,001	343,633	303,868	499,140	429,077
Musical instruments	165,839	166,059	83,570	100,562	107,915
Miscellaneous articles	361,350	330,548	248,977	295,895	320,334
Other receipts	40,095	35,954	35,701	39,735	39,179
Total Customs	13,055,925	12,652,737	12,105,698	13,610,684	12,373,664

It will be seen that during the period here dealt with, the Customs revenue from stimulants and narcotics has represented, approximately, one third of the total Customs revenue, except in the last two years, when the proportion was somewhat less. The

other principal articles from which Customs revenue was derived were "apparel and textiles," "metals and machinery," and "agricultural products."

5. **Excise Collections, 1912-13 to 1916-17.**—Particulars concerning the amount of Excise collected under each head during each of the years ending 30th June, 1913 to 1917, are given hereunder:—

COMMONWEALTH EXCISE REVENUE, 1912-13 to 1916-17.

Particulars.	1912-13.	1913-14.	1914-15.	1915-16.	1916-17.
	£	£	£	£	£
Beer	718,869	792,243	1,205,001	1,485,543	1,387,115
Spirits	411,192	421,506	514,794	627,431	670,768
Sugar	518,508	179,149	1,508	(a) 170	...
Tobacco	840,012	927,293	1,043,885	1,204,556	1,172,787
Licenses	8,528	5,142	6,368	6,059	5,953
 Total Excise ...	 2,497,109	 2,325,333	 2,771,556	 3,323,419	 3,236,623

(a) Debit.

Comparing the Excise collections for 1916-17 with those for 1912-13, it will be seen that the increase in the revenue from tobacco was about 40 per cent., the yield from beer was nearly doubled, and that from spirits increased about 60 per cent., while the revenue from sugar has vanished, owing to the abolition of the excise duties, and a decrease was also experienced in the return from licenses.

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.

(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 £5000 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 £1000, 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 $\frac{2}{5}$ per cent. in the case of an exact thousand, and $\frac{1}{5}$ per cent. in every other case. Thus for an estate of £43,000 the duty would be $9\frac{2}{5}$ per cent. (i.e. $\frac{43}{5} + \frac{2}{5}$), but for an estate of £43,001 the duty would be $9\frac{3}{5}$ per cent. (i.e. $\frac{43}{5} + \frac{3}{5}$). The succession duties thus outlined yielded £39,646 up to 30th June, 1915, an amount very much less than the estimate. It is possible, 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 for the years 1915-16 and 1916-17. The respective contributions of the several States are as follows:—

COMMONWEALTH PROBATE AND SUCCESSION DUTIES.

Year.	N.S.W.	Vic.	Qld.	S.A.	W.A.	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(a)	8,530	22,567	626,215
1916-17	306,249	588,125	61,239	65,130	30,064	11,361	1,062,168

(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. That for the present year has not yet been introduced. Various estimates as to the probable yield 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 result of the first two years' collections was as follows:—

COMMONWEALTH INCOME TAX COLLECTIONS, 1915-16 and 1916-17.

States.	1915-16.	1916-17.
	£	£
New South Wales	1,462,418	1,670,829
Victoria	1,476,690	2,547,222
Queensland	497,059	545,475
South Australia	245,063	433,446
Western Australia	185,003	314,374
Tasmania	66,183	108,837
Northern Territory	359	1,767
Total	3,932,775	5,621,950

(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 dependants (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 costing between 6d. and one shilling, and $\frac{1}{2}$ d. for each additional 6d., or part thereof.

(e) *War Time Profits Tax.*—This tax has recently been passed by Parliament. It provides for a tax on the amount by which the profits made in a 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.

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	2,455	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	2,566	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

8. Details of Postal Revenue, 1912-13 to 1916-17.—Particulars concerning the postal revenue of the Commonwealth for each of the financial years from 1912-13 to 1916-17 are contained in the following table :—

COMMONWEALTH POSTAL REVENUE, 1912-13 to 1916-17.

Particulars.	1912-13.	1913-14.	1914-15.	1915-16.	1916-17.
	£	£	£	£	£
Private boxes and bags ...	25,618	27,744	29,995	30,743	33,239
Commission—					
Money orders & postal notes	129,653	134,834	129,760	137,355	127,775
Telegraphs ...	811,592	834,316	878,238	893,904	950,842
Telephones ...	860,726	996,047	1,099,417	1,220,855	1,549,961
Postage ...	2,260,000	2,391,424	2,338,489	2,525,873	2,614,542
Miscellaneous ...	138,724	126,942	118,643	244,866	222,158
Total ...	4,226,313	4,511,307	4,594,542	5,053,596^a	5,498,517

(a) These figures are taken from the Auditor-General's Report, and differ slightly from those on page 745 owing to certain small adjustments.

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 1912-13 is shewn in the following table :—

COMMONWEALTH PATENTS REVENUE, 1912-13 to 1916-17.

	1912-13.	1913-14.	1914-15.	1915-16.	1916-17.
	£	£	£	£	£
Revenue ...	18,355	22,393	17,165	15,487	15,167

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,
1912-13 to 1916-17.**

	1912-13.	1913-14.	1914-15.	1915-16.	1916-17.
	£	£	£	£	£
Revenue ...	5,637	5,932	4,741	5,175	5,432

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 1916-17 amounted to £478,326.

12. Coinage.—The revenue for the Commonwealth under this head is derived from the profit on coin issued, and is made up of £334,338 from silver coin and £19,938 from bronze coin.

(C) Expenditure.

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

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

Of these three, only the 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 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 1912-13 to 1916-17 is shewn in the following table:—

COMMONWEALTH EXPENDITURE, 1912-13 to 1916-17.

	1912-13.	1913-14.	1914-15.	1915-16.	1916-17.
	£	£	£	£	£
Commonwealth ...	15,787,154	15,458,776	16,056,023	24,415,221	27,797,015

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. 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, 1912-13 to 1916-17.

	1912-13.	1913-14.	1914-15.	1915-16.	1916-17.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Commonwealth ...	3 6 8	3 3 5	3 5 0	4 19 0	5 14 0

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 five years are given in the following table:—

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

COMMONWEALTH EXPENDITURE ON NEW WORKS FOR FIVE YEARS, 1913 to 1917.

Year ended 30th June.	Defence.	Trade and Customs.	Post- master General.	Home Affairs.	External Affairs.	Treasury.	Prime Minister's Depart- ment.	Home and Territories.	Works and Railways.	Total.
£	£	£	£	£	£	£	£	£	£	£
1913	1,258,277	51,372	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	56,338	831,828	217,784	30,647	6,396	...	...	...	2,673,939 ^a
1916	1,940,682	133,976	644,134	168,898	50,598	2,547	...	...	...	2,940,835
1917	1,765,253	291,419	590,770	(b)	(b)	2,085	120,591	293,836	1,314,793	4,288,747

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

It will be seen that the Commonwealth expenditure under this head has become very considerable in recent years. The main cause of this heavy increase is the large expenditure on fleet construction, but in the last year under review 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 1912-13 to 1916-17 was as follows:—

COST OF COMMONWEALTH DEPARTMENTS, Etc., 1912-13 to 1916-17.

Departments, etc.	1912-13.	1913-14.	1914-15.	1915-16.	1916-17.
£	£	£	£	£	£
Governor-General ...	21,648	17,815	24,750	23,535	25,279
Parliament ...	281,261	243,163	340,605	263,397	344,060
Prime Minister ...	57,559	82,847	56,642	60,790	155,797
External Affairs ...	539,722	678,974	595,178	840,199	...
Attorney-General ...	66,517	82,442	78,466	86,164	94,195
Home Affairs ...	129,972	152,299	440,932	592,251	...
Treasury ...	2,910,224	2,787,034	2,527,833	3,817,851	1,545,923 ^(d)
Trade and Customs ...	875,784	730,458	551,318	589,121	648,147
Defence ...	2,612,687	2,950,722	3,545,086	4,518,534	2,095,152
Navy ...	...	...	...	2,324,173	2,201,661
Postmaster-General ...	4,781,524	5,157,022	5,221,274	5,358,371	5,288,998
Home and Territories ...	...	...	...	...	484,274
Works and Railways ...	...	...	...	...	886,661
All other Expenditure ...	3,510,256	2,576,000	2,673,939	2,940,835	11,949,441
Total ...	15,787,154	15,458,776	16,056,023	16,415,221	17,797,015

(a) Exclusive of £14,471,118 spent from loans in aid of Revenue. (b) Including £3,000,000 carried forward in respect of Old Age and Invalid Pensions in subsequent years. (c) Including £2,077,427 carried forward. (d) In addition £3,000,000 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. In 1916-17 the large amount under the heading "all other expenditure" includes £8,421,654 for War Services, made up as follows:—Special appropriations £5,988,058; Treasury £1,186,488; Defence £550,377; Navy £686,701; and Trade and Customs £10,030. 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 1912-13 to 1916-17 is as follows:—

EXPENDITURE, GOVERNOR-GENERAL AND ESTABLISHMENT, 1912-13 to 1916-17.

Details.	1912-13.	1913-14.	1914-15.	1915-16.	1916-17.
	£	£	£	£	£
Salary	10,000	10,000	10,000	10,000	10,000
Governor-General's Establishment	6,983	5,118	5,573	4,365	5,079
Contingencies	4,665	2,697	9,177	9,170	10,200
Total	21,648	17,815	24,750	23,535a	25,279

(a) See also General Government, § 1, paragraph 7.

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 1912-13 to 1916-17 are furnished in the table given hereunder:—

EXPENDITURE, COMMONWEALTH PARLIAMENT, 1912-13 to 1916-17.

Details.	1912-13.	1913-14.	1914-15.	1915-16.	1916-17.
	£	£	£	£	£
Salaries of Ministers	12,000	12,000	12,000	13,597	13,650
Allowances to Senators	20,950	21,004	18,979	21,000	20,866
Allowances to Members of House of Representatives	39,198	43,745	39,556	43,132	39,072
Officers, staff, contingencies, etc. ...	32,873	36,703	36,347	37,746	36,771
Repairs, maintenance, etc.	3,172	2,808	4,411	6,085	1,988
Printing	19,341	20,078	21,429	17,817	18,997
Travelling expenses of Members and others	9,252	10,627	10,173	10,458	10,339
Insurance	342	342	342	342	342
Electoral Office	6,764	11,716	49,815	49,155	53,091
Election expenses	82,370	28,252	84,600	1,360	83,276
Referendum ... ..	...	...	...	21,334	77
Administration of Electoral Act ...	54,441	54,541	57,691	34,687	60,100
Miscellaneous	558	1,347	5,262	6,684	5,491
Total	281,261	243,163	340,605	263,397	344,060

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 is 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 shewn in the following table:—

EXPENDITURE, PRIME MINISTER'S DEPARTMENT, 1912-13 to 1916-17.

Details.	1912-13.	1913-14.	1914-15.	1915-16.	1916-17.
	£	£	£	£	£
Salaries, Contingencies, etc.	21,685	8,961	11,087	11,906	21,691
Executive Council ...	128	152	164	137	170
Audit Office ...	10,663	12,167	10,943	11,574	16,726
Rent, Repairs, etc. ...	3,381	2,552	2,829	3,021	4,678
Public Service Commissioner's Office...	20,683	22,303	23,255	21,252	22,142
High Commissioner's Office	...	...	...	...	31,518
Miscellaneous ...	1,019	36,712	8,364	12,900	58,872
Total ...	57,559	82,847	56,642	60,790	155,797

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 Census and Statistics, and Meteorological Office taken from the old Home Affairs Department. The expenditure for the year 1916-17 was as follows:—

EXPENDITURE, HOME AND TERRITORIES DEPARTMENT, 1916-17.

Details.	1916-17.
	£
Chief Office ...	17,065
Census and Statistics ...	18,505
Meteorological Branch ...	27,499
Papua ...	61,746
Rents, repairs, etc. ...	1,951
Northern Territory ...	293,183
Miscellaneous ...	64,325
Total ...	484,274

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, 1917, were the Customs and Excise, amounting to £19,156, and railways. £32,605. The Postal revenue amounted to £8160, whilst the total revenue was £102,980. The chief items of expenditure were as follows:—Postal Department, £19,437; goldfields and mining, £31,837; and railways, £61,016. The total expenditure was £415,546. In addition to this expenditure the Commonwealth is liable for interest on loans and redemption, which for this financial year totalled £389,819. The deficiency for the year was £702,385.

REVENUE, NORTHERN TERRITORY, 1912-13 to 1916-17.

Details.	1912-13.	1913-14.	1914-15.	1915-16.	1916-17.
	£	£	£	£	£
Customs and Excise ...	12,337	12,628	13,466	21,282	19,156
Credit Balance paid by South Aust. ...	24,456	...	...	...	...
Miscellaneous ...	44,158	61,029	69,599	75,898	83,824
Deficiency for year ...	388,658	458,878	391,862	649,518	702,385
Total ...	469,609	532,535	474,927	746,698	805,365

EXPENDITURE, NORTHERN TERRITORY, 1912-13 to 1916-17.

Details.	1912-13.	1913-14.	1914-15.	1915-16.	1916-17.
	£	£	£	£	£
Interest and Redemption ...	227,561	246,271	246,442	464,510	389,819
Miscellaneous ...	242,048	286,264	228,485	282,188	415,546
Total ...	469,609	532,535	474,927	746,698	805,365

11. **Papua.**—The sums shewn in the table on page 772 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 1912-13 to 1916-17 are as follows :—

PAPUAN REVENUE, 1912-13 to 1916-17.

Details.	1912-13.	1913-14.	1914-15.	1915-16.	1916-17.
	£	£	£	£	£
Customs dues ...	33,453	37,341	32,244	33,931	45,353
Other collections ...	18,882	17,363	19,717	15,380	18,215
Commonwealth grant ...	(a)48,000	30,000	30,000	30,000	30,000
Total ...	100,335	84,704	81,961	79,311	93,568

(a) Including £18,000 for special purposes.

The expenditure for 1916-17 totalled £83,740, 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 1912-13 to 1916-17 was as follows :—

PAPUAN EXPENDITURE, 1912-13 to 1916-17.

Particulars.	1912-13.	1913-14.	1914-15.	1915-16.	1916-17.
	£	£	£	£	£
Total expenditure ...	89,170	81,095	82,535	77,913	83,740

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, and in 1916-17 to £42,848. Details for the five years 1912-13 to 1916-17 are furnished hereunder:—

EXPENDITURE, ATTORNEY-GENERAL'S DEPARTMENT, 1912-13 to 1916-17.

Details.	1912-13.	1913-14.	1914-15.	1915-16.	1916-17.
	£	£	£	£	£
Attorney-General's Office ...	5,279	6,302	5,852	10,457	13,880
Crown Solicitor's Office ...	6,046	7,565	8,371	10,078	10,766
Salaries of Justices of High Court ...	16,495	21,500	21,175	21,500	21,500
High Court expenses ...	6,839	11,209	9,862	9,947	10,280
Court of Conciliation and Arbitration ...	4,690	6,450	3,586	8,637	11,068
Rent, repairs, etc. ...	3,745	3,733	4,755	3,412	3,217
Patents, Trade Marks, etc. ...	22,768	24,439	23,485	20,579	21,856
Miscellaneous ...	655	1,244	1,380	1,554	1,628
Total ...	66,517	82,442	78,466	86,164	94,195

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 year 1916-17 is as follows:—

EXPENDITURE, WORKS AND RAILWAYS DEPARTMENT, 1916-17.

Details.	1916-17.
	£
Chief Office ...	40,558
Trans-Australian Railway ...	302,550
Port Augusta-Oodnadatta Railway and Northern Territory Railways ...	312,907
Miscellaneous ...	230,646
Total ...	886,661

The large sum under the heading "Miscellaneous" is due mainly to provision for interest and sinking fund.

14. Treasurer's Department.—The sub-departments under the control of the Commonwealth Treasurer are the Treasury, the Old-age 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 1912-13 to 1916-17 are furnished hereunder:—

EXPENDITURE, TREASURER'S DEPARTMENT, 1912-13 to 1916-17.

Details.	1912-13.	1913-14.	1914-15.	1915-16.	1916-17.
	£	£	£	£	£
Treasury	17,052	22,696	26,291	26,996	37,993
Old-age pensions—Salaries, etc.	42,543	44,942	46,421	42,796	52,214
Rents, repairs, etc. ...	7,101	6,294	6,654	17,103	15,487
Invalid and Old-age pensions ...	2,288,388	1,881,794 ^a	1,479,963 ^b	2,859,766	(^c)453,344
Taxation	73,452	79,525	78,737	131,089	198,023
Maternity Allowance...	412,375	674,990	694,275	659,745	662,030
Miscellaneous	69,313	76,793	195,492	80,356	126,832
Total	2,910,224	2,787,034	2,527,833	3,817,851	c1,545,923

(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.

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 1912-13 to 1916-17 are given in the following table :—

EXPENDITURE, TRADE AND CUSTOMS DEPARTMENT, 1912-13 to 1916-17.

Details.	1912-13.	1913-14.	1914-15.	1915-16.	1916-17.
	£	£	£	£	£
Chief Office	13,582	14,429	16,240	15,986	19,223
Customs (ordinary)	347,657	341,116	354,205	323,309	344,303
Fisheries	6,754	7,443	4,447	492	170
Analyst	2,523	3,441	3,441	3,576	4,440
Audit (proportion)	7,763	8,144	7,427	6,722	5,786
Quarantine	23,371	44,063	32,057	38,804	46,251
Pensions and retiring allowances	14,099	13,318	16,041	14,524	16,215
Rents, repairs, etc.	13,371	14,872	15,448	21,067	19,103
Sugar bounties and expenses ...	370,125	149,244	4	...	174
Bounties	18,171	14,304	28,286	6,767	2,995
Iron Bonus	18,098	51,810	15,072	24,465	11,454
Lighthouses... ..	...	...	...	86,524	128,767
Miscellaneous	40,270	68,274	58,650	46,885	49,266
Total	875,784	730,458	551,318	589,121	a648,147

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

16. **Defence.**—The Commonwealth expenditure in connection with Defence, which in 1901-2 amounted to £361,218, had by 1912-13 grown to £2,612,687. The largeness of the expenditure for recent years has been chiefly in connection with the new defence system and the war. Particulars for the five years 1912-13 to 1916-17 are as follows :—

EXPENDITURE, DEFENCE, 1912-13 to 1916-17.

Details.	1912-13.	1913-14.	1914-15.	1915-16.	1916-17.
	£	£	£	£	£
Chief Office	74,480	86,191	88,233	46,441	49,267
Military	1,557,443	1,547,921	2,977,903 {	1,273,885	1,311,481
Naval	790,750	979,554		(a)	(a)
Audit (proportion)	1,298	1,362	2,398	5,486	11,117
Pensions and retiring allowances	1,121	1,103	1,427	363	191
Rents, repairs, etc.	58,746	70,471	79,665	76,744	68,314
Miscellaneous	128,849	264,120	395,460	109,621	104,405
Total	2,612,687	2,950,722	3,545,086	4,518,534 (b)	2,095,152 (c)

(a) Now a separate department. (b) Including £3,005,994 war expenditure from revenue.
(c) Including £550,377 war services, but 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 two years, under similar headings to the Defence Department:—

EXPENDITURE, NAVY DEPARTMENT, 1915-16 to 1916-17.

	1915-16.	1916-17.
	£	£
Chief Office	39,170	40,747
Naval	1,444,521	1,401,659
Audit (proportion)	1,166	1,272
Pensions and retiring allowances	899	899
Rents, repairs, etc.	17,402	15,969
Miscellaneous	49,160	54,115
Total	(a) 2,324,173	(b) 2,201,361

(a) Including £771,855 War Expenditure from Revenue. (b) Including War Expenditure from Revenue, £686,700.

18. **Postal.**—From a total of £4,781,524 in 1912-13, the cost of the Department under the control of the Postmaster-General advanced to £5,288,998 in 1916-17, an increase of £507,474. The large amount of "Miscellaneous" since 1912-13 is due, in the main, to the payment of interest on transferred properties, which is discussed in detail later on. Details for the five years 1912-13 to 1916-17 are furnished hereunder:—

EXPENDITURE, POSTAL DEPARTMENT, 1912-13 to 1916-17.

Details.	1912-13.	1913-14.	1914-15.	1915-16.	1916-17.
	£	£	£	£	£
Chief Office	20,154	22,506	23,606	21,400	22,821
Postal Department (ordinary)	4,145,803	4,567,895	4,809,672	4,904,839	4,853,886
Audit (proportion)	3,184	3,340	3,955	3,670	2,981
Pensions and retiring allowances	42,757	48,400	48,073	53,358	55,877
Rents, repairs, etc.	84,883	88,884	84,044	92,083	67,494
Miscellaneous	484,743	425,997	251,924	283,021	285,939
Total	4,781,524	5,157,022	5,221,274	5,358,371	5,288,998

19. **Miscellaneous.**—In addition to the foregoing there are certain items which do not come under any of the heads enumerated. For 1916-17 the total expenditure under this heading was £11,949,441, made up mainly from War Services not allotted to Defence and Navy £7,184,577, and new works £4,288,747. Detailed expenditure on new works for the past five years has already been shewn in the table on page 770.

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

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

2. **Payments to the Several States.**—In the following table are furnished particulars relative to the amounts actually paid to the several States on account of each of the financial years 1912-13 to 1916-17:—

COMMONWEALTH SUBSIDY PAID TO STATES, 1912-13 to 1916-17.

State.	1912-13.	1913-14.	1914-15.	1915-16.	1916-17.
	£	£	£	£	£
New South Wales ...	2,178,683	2,248,241	2,287,295	2,297,872	2,286,913
Victoria ...	1,692,121	1,733,229	1,757,894	1,743,467	1,722,409
Queensland ...	780,051	810,274	831,486	836,743	823,771
South Australia ...	527,151	540,113	542,715	540,649	531,340
Western Australia ...	605,215	613,606	606,900	591,064	569,982
Tasmania ...	(a) 241,709	(b) 247,536	(b) 247,485	(b) 247,200	(b) 246,004
Total ...	(a) 6,024,930	(b) 6,192,999	(b) 6,273,775	(b) 6,256,995	(b) 6,180,419

(a) Not including special grant of £95,000 to Tasmania.
(b) " " " £90,000 " "

In 1912-13, the amounts received by each State were the smallest for the period under review, the total increasing in 1913-14. The 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 improvement will possibly be manifested in 1917-18. The amounts allotted to Tasmania in the last three years are exclusive of the first instalments of the special payment to which reference has already been made (see page 760).

3. **Commonwealth Subsidy per head of Population.**—The following table furnishes particulars concerning the amount of surplus Commonwealth revenue per head of population which the several States received during the financial years 1905-6 to 1909-10, and is of interest in connection with the present financial agreement, under which the Commonwealth pays 25s. per head of population to all the States for a period of ten years, subject to a special arrangement in favour of Western Australia (see page 760).

**COMMONWEALTH SUBSIDY PER HEAD OF POPULATION PAID TO STATES,
1905-6 to 1909-10.**

State.	1905-6.	1906-7.	1907-8.	1908-9.	1909-10.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
New South Wales ...	1 16 10	1 19 9	2 6 4	2 2 0	2 3 1
Victoria ...	1 14 7	1 16 1	1 18 7	1 11 9	1 13 0
Queensland ...	1 12 3	1 14 10	1 18 1	1 16 10	1 18 1
South Australia ...	1 10 8	1 14 10	2 1 11	1 16 10	2 2 6
Western Australia ...	3 9 9	3 0 9	2 19 1	2 8 4	2 13 3
Tasmania ...	1 7 5	1 8 2	1 9 6	1 5 6	1 6 3
Commonwealth ...	1 16 8	1 18 4	2 2 7	1 17 6	1 19 3

4. **Proportion Actually Paid.**—For the period of nine and a-half years from the 1st January, 1901, to 30th June, 1910, the percentage of net revenue from Customs and Excise duties paid to the several States was as follows:—New South Wales, 84 per cent.; Victoria, 80 per cent.; Queensland, 74 per cent.; South Australia, 84 per cent.; Western Australia, 86 per cent.; Tasmania, 78 per cent.

§ 3. Trust Fund.

1. **Trust Accounts.**—The Trust Fund credit balance on 30th June, 1917, amounted to £60,154,961, as compared with £54,098,016 for the corresponding date in the year ending 30th June, 1916. These enormous amounts are due mainly to the Australian Notes Account referred to in detail in par. 3 hereunder. Details concerning the various trust accounts contributing to this amount are as follows:—

COMMONWEALTH TRUST FUND, 30th JUNE, 1917.

Trust Accounts.	Balance at 30th June, 1917.	Trust Accounts.	Balance at 30th June, 1917.
	£		£
Small Arms Ammunition ...	79,754	Officers' Assurance... ..	2,787
Defence Clothing Material ...	576,828	Defalcations	1,932
Small Arms... ..	15,633	Guarantee Fund	579
Unclaimed Militia Pay—Military ...	14,040	Naval Defence	42,762
" Naval... ..	184	London Liabilities	4,881,496
Military Expenses	120	Quarantine	14
Deferred Pay—Naval	295,191	Other Trust Moneys	304,009
Customs Officers' Overtime	1,223	Minerals Account	3,056
Money Order	654,500	Australian Notes Account ...	49,970,080
International Postal and Money Order	13,273	Miscellaneous	1,183,211
Invalid and Old-age Pensions... ..	2,114,289	Total	60,154,961

2. **Distribution.**—The amounts to credit of Trust Fund in the several States on 30th June, 1917, were as follows:—New South Wales, £1,154,383; Victoria, £57,596,627; Queensland, £446,002; South Australia, £389,176; Western Australia, £344,359; and Tasmania, £224,414.

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.

The position, according to a Treasury return issued at the end of May, 1918, was as follows:—

						£
10s.	1,799,786½
£1	12,229,180
£5	7,115,760
£10	3,120,500
£20	524,120
£50	1,191,150
£100	1,115,800
£1000	26,546,000
						<hr/>
						53,642,296½

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

**AUSTRALIAN NOTES ACCOUNT.—PARTICULARS OF INVESTMENT AS AT
30th JUNE, 1917.**

Investment.	Amount.	Rate of Interest.	Date of Maturity.	Annual Amount of Interest.
	£	%		£
Commonwealth Inscribed Stock ...	3,830,000	3½	1962-1972	134,050
„ War Loan Stock ...	63,640	4½	1925	2,864
„ Treasury Bills ...	4,279,163	4	(a)	171,167
STATE GOVERNMENT SECURITIES				
New South Wales Stock ...	800,000	3½	1919	30,000
„ „ Treasury Bills ...	7,400,000	4½	(b)	305,250
Victorian Debentures (face value, £800,000)	784,000	3½	1921	28,000
„ „ „ ...	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
„ „ Treasury Bills ...	3,100,000	4½	(b)	127,875
Tasmanian Stock ...	460,000	3½	1921	17,250
„ Treasury Bills ...	1,000,000	4½	(b)	41,250
FIXED DEPOSITS—				
Sundry Banks ...	1,701,000	4	1916-17	68,040
Total ...	30,507,803	—	—	1,215,996

(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, £7,192,966 was distributed to the States up to 30th June, 1917, being the proceeds of a loan of £7,500,000 subscribed under Act No. 17 of 1916. In addition, a sum of £3,019,220 was advanced from loans received for war purposes. Flotation expenses and discount together amounted to £304,067, and these were debited to the States. Consequently the total charged to the States by the Commonwealth under this head at 30th June, 1917, was £10,516,253, allocated as follows:—

**COMMONWEALTH LOANS RAISED IN LONDON ON BEHALF OF STATES
AS AT 30th JUNE, 1917.**

State.	£
Victoria... ..	1,845,356
Queensland	3,069,170
South Australia	2,461,182
Western Australia	2,507,471
Tasmania	633,074
Total	10,516,253

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.

	Invalid and Old Age Pensions Account.	Naval Defence Account. (Fleet construction.)	Total.
—	£	£	£
Surplus transferred—			
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
Total	4,921,817	1,196,830	6,118,647
Surplus expended—			
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
Total	4,921,817	1,196,830	6,118,647

§ 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 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 recent 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, 1917, 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.**—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 six years in the following table:—

SECURITIES CONSTITUTING COMMONWEALTH LOAN FUND AND EXPENDITURE THEREFROM, 1912 to 1917.

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	1,185,027	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	...

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 for five years. The details of the expenditure are as follows:—

COMMONWEALTH LOAN EXPENDITURE, DETAILS, 1912-16. (b)

Particulars.	1911-12.	1912-13.	1913-14.	1914-15.	1915-16.
	£	£	£	£	£
Railways Construction—Trans-Australian Railway ...	...	595,614	1,346,040	1,670,459	1,646,953
Northern Territory... ..	...	...	126,529	94,392	126,592
Loan Redemption—Oodnadatta Railway ...	...	168,954	135,627	15,078	923
Northern Territory... ..	226,000	71,945	...	...	400,000
Payment to South Australia on account of Oodnadatta Railway ...	34,475	...	...	...	...
Papua—Railways and wharves ...	...	...	685	13,042	12,829
Posts and Telegraphs—Purchase of land ...	...	...	42,588	84,500	92,712
Construction of conduits ...	...	...	258,407	178,142	271,211
Acquisition of Land—London (a) ...	400,000	19,784	64,897	19,274	113,744
Perth, Western Australia ...	...	152,205	...	...	...
Federal Territory ...	...	179,525	180,488	36,770	127,537
Defence machinery, etc.; Dockyards, Cockatoo Island ...	...	...	...	42,782	66,840
Total	660,475	1,188,027	2,155,261	2,154,439	2,859,341

(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.

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 great deal 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
Commonwealth	6,253,888	2,721,666	661,160	11,735	9,648,449

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, 1917, is set out in the following table:—

Authority.	Imperial Loans—Capital Debt created up to 30th June, 1917.			
	Issues, 3½% at 95.	Issues, 4½% at 99.	Issues, 5% at par.	Total.
	£	£	£	£
War Loan Act 1914—£18,000,000 ...	1,263,158	15,454,545	1,500,000	18,217,703
War Loan Act No. 2 1915—£6,500,000 ...	...	5,656,566	900,000	6,556,566
War Loan Act (United Kingdom) No. 2 1916—£25,000,000 ...	...	...	23,000,000	23,000,000
	1,263,158	21,111,111	25,400,000	47,774,269

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

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 are redeemable on 15th December, 1925. The expenses included a commission of two shillings per cent. to the Commonwealth Bank, commission to brokers at ½ per cent., and miscellaneous items such as printing. The total cost of flotation, however, was most moderate, amounting only to £85,041, 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. These issues differ in no material respect from the first two, and the full details for the entire four are appended in the following table:—

PARTICULARS OF LOCAL AUSTRALIAN WAR LOANS, 1915-17.

Heading.	1st Issue.	2nd Issue.	3rd Issue.	4th Issue.	Total.
Number of subscribers—	No.	No.	No.	No.	No.
For Inscribed Stock ...	8,603	12,450	13,660	13,657	48,370
For Treasury Bonds ...	10,145	16,495	88,382	53,303	168,325
Total ...	18,748	28,945	102,042	66,960	216,695
Amount subscribed—	£	£	£	£	£
For Inscribed Stock ...	9,581,120	16,271,710	15,417,650	14,565,190	55,835,670
For Treasury Bonds ...	3,808,320	5,383,970	8,169,770	6,855,860	24,217,940
Total ...	13,389,440	21,655,680	23,587,420	21,421,070	80,053,610
Accrued interest ...	221,502	324,170	326,881	252,399	1,124,952
Expenses of flotation ...	34,659	50,382	50,688	45,900	181,629
Total deductions ...	256,161	374,552	377,569	298,299	1,306,581
Net proceeds of loan ...	13,133,279	21,281,128	23,209,851	21,122,771	78,747,029

It will be seen 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 £20,281,160, and a sixth loan, floated in April, 1918, realised £43,510,740. Full details of these are not yet available. A seventh loan of £40,000,000 is now being asked for at 5 per cent., subject to Commonwealth Income Tax.

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, 1917 the value of the notes issued and unredeemed was £47,201,362, against which there was a gold reserve of £15,418,391, leaving an uncovered amount of £31,782,971. In this connection reference may be made to the table on page 779.

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 shews the entire debt of the Commonwealth (apart from the States) at yearly intervals since 1913. 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, 1913 to 1917.

Details.	1913.	1914.	1915.	1916.	1917.
Balance of loans taken over from South Australia—	£	£	£	£	£
(a) On account of Northern Territory ...	3,359,891	3,359,891	3,359,891	2,778,266	2,772,516
(b) On account of Oodnadatta railway ...	2,071,058	1,935,431	1,920,354	1,896,132	1,759,003
Value of properties transferred by States ...	9,648,449	9,787,011	10,777,161	10,781,797	10,789,739
Amount of Commonwealth Loan Fund—					
(a) Inscribed Stock ...	2,000,000	4,100,000	4,580,000	4,580,000	4,580,000
(b) Treasury Bills ...	...	...	1,949,319	4,808,661	4,437,543
War Loan from British Government ...	...	...	14,842,105	36,774,269	47,774,269
Commonwealth Internal Loans ...	...	...	...	34,965,430	80,242,510
Accrued Deferred Pay, A.I.F. ...	...	...	...	4,759,730	9,373,977
Total ...	17,079,398	19,182,333	37,428,830	101,344,285	169,229,557
					(a)
Commonwealth Debt per capita	£3 11 2	£3 17 11	£7 11 6	£20 13 5	£34 11 3

(a) Including £7,500,000 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 four issues in the table on page 783. 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 £79,506,510 is the balance of the first four issues. To this must be added £736,000 raised by the sale of War Savings Certificates.

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, 1911-17.

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	3,646,548	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

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 will in future be checked, 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 1915-16 at high rates is already reflected in the average rate of interest, which rose during that year by more than ½ 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, 1917.

RATES OF INTEREST ON COMMONWEALTH PUBLIC DEBT, 1913 to 1917.

Rates of Interest.	Year ended 30th June—				
	1913.	1914.	1915.	1916.	1917.
%	£	£	£	£	£
Not bearing interest ...	...	...	...	4,759,730	9,373,977
3 ...	35,612	35,612	35,612	35,063	35,063
3½ ...	11,820,206	14,058,768	30,371,023	16,796,712	16,804,654
£3/12/3 ...	884,031	748,404	748,404	720,411	720,411
3¾ ...	1,798,383	1,798,383	1,798,383	1,399,758	1,394,008
4 ...	2,541,166	2,541,166	4,475,408	7,156,070	6,647,823
4½ ...	...	...	...	56,076,541	101,353,621
5 ...	...	...	...	14,400,000	25,400,000
5½ ...	...	...	...	...	4,000,000
5¾ ...	...	...	...	...	3,500,000
Total ...	17,079,398	19,182,333	37,428,830	101,344,285	169,229,557
Average rate of interest	£3 12 1	£3 11 10	£3 11 6	£4 2 10	£4 4 8

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 about three-tenths of the debt no definite date of maturity had been assigned on 30th June, 1917. It will be noticed that nearly £80,000,000 falls due in one year—1925, the bulk of this being represented by the balance of the first four internal loans.

DUE DATES OF THE COMMONWEALTH PUBLIC DEBT OUTSTANDING ON
30th JUNE, 1917.

Due Dates.	Amounts.	Due Dates.	Amounts.	Due Dates.	Amounts.
	£		£		£
1917 ...	204,511	1927 ...	3,504,645	1972 ...	4,580,000
1918 ...	134,897	1928 ...	1,263,158	Indeter-	6,047
1920 ...	176,714	1930 ...	750,950	minate	
1921 ...	47,100	1935 ...	83,051	Indefinite	51,484,885
1922 ...	4,000,125	1936 ...	583,769		
1924 ...	1,553,952	1939 ...	161,531		
1925 ...	79,516,310	1945 ...	21,111,111	Total ...	169,229,557
1926 ...	66,801				