

COMMONWEALTH FINANCE.

THE financial obligations of the Commonwealth began with the appointment of the Executive and the proclamation of the Constitution on the 1st January, 1901, at which date also the administration of the Customs passed over to the federal control. Besides the Customs and Excise, the Commonwealth has authority to take over from the states the administration of the following services, viz., posts, telegraphs, and telephones; naval and military defence; lighthouses, lightships, beacons and buoys; astronomical and meteorological observations; quarantine; census and statistics; bankruptcy and insolvency; patents and copyrights; naturalisation and aliens; divorce and matrimonial causes; and immigration and emigration.

In accordance with this power, the Postal Service was transferred to the Commonwealth on the 1st March, 1901, and on the same date the Defence Administration was taken over. The control of the Patents offices became vested in the Commonwealth from the 1st June, 1904. None of the other departments has yet been completely transferred.

The expenditure of the Commonwealth is divisible into new expenditure—that is to say, on services called into being after the proclamation of the Federal Union, and other expenditure, or expenditure on services previously existing. The new expenditure is charged to the states proportionately to their population, and the cost of transferred services over and above the revenue derived therefrom being ascertained, the total of the two amounts is deducted from the net revenue from Customs and Excise, and the balance handed back to the states.

Under the provisions of section 87 of the Constitution Act, the Treasurer of the Commonwealth is entitled to retain one-fourth of the net proceeds of Customs and Excise services for the purposes of defraying the expenses of the Commonwealth, the remaining three-fourths, and as much more as the Treasurer does not require, being handed back to the states. It is, therefore, very essential, in considering the question of Federal and State Finance, to remember that, so far as concerns three-parts of the net revenue derived from customs and excise, such revenue, though appearing in the receipts of the Commonwealth, is not within the disposal of Parliament, but must be returned to the states. A large amount, in a normal year estimated at from seven to seven and a half millions, appears first as a federal receipt and a federal expenditure, and again as received by the states. Therefore, in calculating the total sums raised by the Australian Governments, the amount returned to the states by the Federal Treasurer should be deducted from the total

receipts. It is necessary, however, that the whole transactions of the Federal Treasurer should be shown both as to revenue and expenditure; for, unless this is done, a proper understanding of federal and state accounts cannot be obtained.

The financial year of the Commonwealth ends on the 30th June. Since the 1st January, 1901, there have been four financial periods, the first being the six months, January to June, 1901, and the others embracing the three following years ending 30th June, 1902 to 1904. The first of these periods was quite abnormal: the transferred departments were not administered by the Commonwealth for the whole period, while in addition there were some exceptional expenses by reason of the federal elections, and the cost of establishing the Commonwealth itself; on the other hand, the federal departments were not organised, and cost less than in an ordinary year.

OPERATIONS FOR HALF-YEAR ENDED 30TH JUNE, 1901.

For the half-year ended 30th June, 1901, the following were the income and expenditure of the Treasurer:—

Income.		Expenditure.	
	£		£
Customs and Excise	4,150,589	New services of Commonwealth	131,255
Posts and Telegraphs	740,665	Customs and Excise collection	121,443
Other	4,502	Posts and Telegraphs	809,840
		Military and Naval	233,515
		Balance carried to following year	5,974
		Returned to States	3,593,729
	<u>£4,895,756</u>		<u>£4,895,756</u>

During this period the state tariffs existing at the establishment of the Commonwealth remained in force, the uniform customs tariff with the abolition of inter-state duties not coming into operation until some time later. The collections in each state were:—

State.	Half-year ended 30th June, 1901.				
	Taxation.		Posts and Telegraphs.	Other.	Total.
	Customs.	Excise.			
	£	£	£	£	£
New South Wales.....	820,012	198,996	276,936	1,019	1,296,963
Victoria	1,123,106	232,993	177,931	2,780	1,536,810
Queensland	643,059	67,771	95,586	301	806,717
South Australia	330,695	21,258	90,702	395	443,050
Western Australia	475,456	15,915	67,736	1	559,108
Tasmania	209,865	11,463	31,774	6	253,108
Total	3,602,193	548,396	740,665	4,502	4,895,756

The expenditure on account of new services distributed on a capita-
tion basis, and the other expenditure chargeable to the states were as
follows :—

State.	Expenditure during half-year ended 30th June, 1901.					Balance carried for- ward to fol- lowing year.	Total.
	New Expendi- ture.	Customs and Excise Collections.	Posts and Telegraphs.	Naval and Military.	Total.		
	£	£	£	£	£	£	£
New South Wales	47,606	29,005	262,036	70,743	409,390	Cr. 4,300	413,690
Victoria	41,056	32,645	209,177	77,148	360,026	Dr. 956	359,070
Queensland	17,031	27,944	129,388	49,606	224,029	Dr. 594	223,435
South Australia ..	13,038	11,656	71,030	15,605	111,379	Dr. 567	110,812
Western Australia	6,038	15,338	84,191	8,610	114,177	Cr. 4,070	118,247
Tasmania	6,436	4,855	54,018	11,743	77,052	Dr. 279	76,773
Total	131,255	121,443	809,840	233,515	1,206,053	Cr. 5,974	1,302,027

The difference between these figures and the amounts set out in the
preceding table represents the payments which the states were entitled
to receive under the provisions of section 87 of the Constitution Act,
and the sums handed back to each were as shown below.

	£
New South Wales	883,273
Victoria	1,177,740
Queensland	583,282
South Australia	332,239
Western Australia	440,860
Tasmania	176,335
Total.....	<u>£3,593,729</u>

The financial operations of the Commonwealth for its first half-year
call for no special comment,—the payments made and the sources of
income were in continuation of those of the states; no new sources of
revenue were entered on by the Commonwealth, while the amount of
new expenditure was comparatively small.

OPERATIONS FOR YEAR ENDED 30TH JUNE, 1902.

An entirely new set of conditions came into operation on the 9th
October, 1901, when the schedule of uniform customs duties was
promulgated. Under the new conditions the inter-state duties ceased,
except, as will be hereafter explained, in the case of Western Australia.
The federal customs and excise duties were in force for thirty-eight
weeks and the state duties for fourteen weeks, while the Post Office and
Defence Services were administered by the Commonwealth for the

whole year. The following is a statement of the transactions of the Federal Treasurer for the year :—

Income.		Expenditure.	
	£		£
Balance brought forward from 30th June, 1901 ...	5,974	New Services of Commonwealth	275,862
Customs and Excise	8,692,750	Customs and Excise collection	260,322
Posts and Telegraphs	2,372,861	Posts and Telegraphs	2,461,916
Customs collected on behalf of Western Australia ...	201,569	Military and Naval	934,646
Other revenue	29,805	Returned to States	7,368,137
		Balance carried forward to 1902-3	2,076
Total	£11,302,959	Total	£11,302,959

The amount of revenue collected within each state was as shown in the following table. The Customs and Excise collections of Western Australia include £1,134,045 revenue from the Commonwealth tariff, and £201,569 from inter-state duties.

State.	Balance brought forward from previous year.	Collections during year ended 30th June, 1902.				
		Taxation.		Posts and Telegraphs.	Other Revenue.	Total.
		Customs.	Excise.			
	£	£	£	£	£	£
New South Wales ...	Cr. 4,300	2,324,000	488,732	873,312	8,223	3,698,567
Victoria	Dr. 956	1,976,245	400,279	591,470	8,506	2,975,544
Queensland	Dr. 594	1,135,562	162,100	312,905	934	1,610,907
South Australia	Dr. 567	625,637	73,010	277,811	1,639	977,530
Western Australia ...	Cr. 4,070	1,273,125	62,489	225,752	172	1,565,608
Tasmania	Dr. 279	335,401	37,739	91,611	10,331	474,803
Total	Cr. 5,974	7,669,970	1,224,349	2,372,861	29,805	11,302,959

The distribution of the expenditure between the states was as shown in the following table, the new expenditure as it is called being distributed amongst the states according to population, the other expenditure according to the states on behalf of which it was incurred :—

State.	Expenditure during year ended 30th June, 1902.					Balance carried forward to following year.	Total.
	New Expenditure.	Customs and Excise Collections.	Posts and Telegraphs.	Naval and Military.	Total.		
	£	£	£	£	£	£	£
New South Wales	99,252	63,450	840,685	309,147	1,312,534	Cr. 128	1,312,662
Victoria	87,194	63,812	588,888	316,876	1,056,770	Dr. 2200	1,054,570
Queensland	36,464	64,225	419,965	185,958	706,612	Dr. 478	706,134
South Australia	26,320	26,517	246,752	58,670	358,259	Cr. 3403	361,662
Western Australia	14,061	31,991	258,570	34,967	339,589	Cr. 942	340,531
Tasmania	12,571	10,327	107,056	29,023	158,982	Cr. 281	159,263
Total	275,862	260,322	2,461,916	934,646	3,932,746	Cr. 2076	3,934,822

The difference between the collections and disbursements by the Commonwealth on behalf of the states was returned to the latter, and the following sums represent the amount in each case:—

	£
New South Wales	2,385,904
Victoria	1,920,974
Queensland	904,775
South Australia	615,868
Western Australia.....	1,225,076
Tasmania	315,540
Total.....	7,368,137

OPERATIONS FOR YEAR ENDED 30TH JUNE, 1903.

The following statement indicates the transactions of the Federal Treasurer for the year ended 30th June, 1903:—

Income.	£	Expenditure.	£
Balance brought forward from 30th June, 1902...	2,076	New services of Commonwealth	315,564
Customs and Excise	9,451,588	Customs and Excise collection	272,622
Posts and Telegraphs	2,404,731	Posts and Telegraphs.....	2,563,617
Customs collected on behalf of Western Australia...	233,467	Military and Naval.....	746,526
Other revenue	16,152	Other expenditure	3,043
		Returned to States.....	8,200,457
		Balance carried forward to following year	6,185
Total.....	£12,108,014	Total.....	£12,108,014

The revenue collected within each state is set forth in the subjoined table. The Customs and Excise collections of Western Australia include £1,162,535 revenue from the Commonwealth tariff, and £233,467 from inter-state duties.

State.	Collections during year ended 30th June, 1903.					Total.
	Balance brought forward from previous year.	Taxation.		Posts and Telegraphs.	Other Revenue.	
		Customs.	Excise.			
	£	£	£	£	£	£
New South Wales	Cr. 128	2,861,710	617,032	906,798	5,479	4,391,147
Victoria	Dr. 2,200	2,096,318	402,696	622,701	5,406	3,124,921
Queensland.....	Dr. 478	1,042,188	218,746	300,737	2,119	1,563,312
South Australia...	Cr. 3,403	583,446	106,310	255,214	1,737	950,110
Western Australia	Cr. 942	1,317,770	78,232	225,244	717	1,622,905
Tasmania.....	Cr. 281	312,016	48,591	94,037	694	455,619
Total.....	Cr. 2,076	8,213,448	1,471,607	2,404,731	16,152	12,108,014

The distribution of the expenditure between the states was as shown in the following table, the new expenditure being distributed amongst the states according to population, the other or transferred expenditure to the states on behalf of which it was incurred :—

State.	Expenditure during year ended 30th June, 1903.						Balance carried forward to following year.	Total.
	New Expenditure.	Customs and Excise Collections.	Posts and Telegraphs.	Naval and Military.	Other.	Total.		
	£	£	£	£	£	£	£	£
New South Wales..	114,131	70,438	890,203	268,146	10	1,342,928	Dr. 4,914	1,338,014
Victoria	98,172	64,770	597,008	258,852	28	1,018,830	Cr. 641	1,019,471
Queensland	41,519	66,198	437,267	107,672	5	652,661	Cr. 5,416	658,077
South Australia ..	29,795	25,832	254,756	54,009	3,000	367,392	Cr. 3,789	371,181
Western Australia	17,524	34,740	280,304	32,471	..	365,039	Cr. 2,134	367,173
Tasmania	14,423	10,644	104,079	25,376	..	154,522	Dr. 881	153,641
Total	315,564	272,622	2,563,617	746,526	3,043	3,901,372	Cr. 6,185	3,907,557

The difference between the collections and disbursements by the Commonwealth on behalf of the states was returned to the latter, and the following sums represent the amount in each case :—

	£
New South Wales	3,053,133
Victoria	2,105,450
Queensland	905,235
South Australia	578,929
Western Australia	1,255,732
Tasmania	301,978
Total	8,200,457

OPERATIONS FOR YEAR ENDED 30TH JUNE, 1904.

The following statement shows the transactions of the Commonwealth Treasurer for the year ended 30th June, 1904 :—

Income.	£	Expenditure.	£
Balance brought forward from 30th June, 1903...	6,185	New services of Commonwealth	459,472
Customs and Excise	8,909,329	Customs and Excise collections	264,598
Posts and Telegraphs	2,510,264	Posts and Telegraphs	2,692,457
Customs collected on behalf of Western Australia ..	196,429	Military and Naval	836,005
Other revenue	15,034	Other expenditure	30
		Returned to States	7,382,460
		Balance carried forward to following year	2,219
Total	£11,637,241	Total	£11,637,241

The revenue collected within each state is set forth in the following table. The Customs and Excise collections of Western Australia include

£1,062,296 revenue from the Commonwealth Tariff and £196,429 from interstate duties.

State.	Balance brought forward from previous year.	To adjust the Expenditure made in 1901-2 and 1902-3 for new rifles.	Revenue collected within the years ended 30th June, 1904.				Total.
			Taxation.		Posts and Telegraphs.	Other Revenue.	
			Customs.	Excise.			
	£	£	£	£	£	£	£
New South Wales....	Dr. 4,914	Cr. 10,093	2,604,040	625,737	941,529	5,075	4,181,569
Victoria	Cr. 641	Dr. 1,532	2,040,128	403,377	650,583	4,723	3,097,620
Queensland	Cr. 5,416	Cr. 2,127	897,786	233,975	324,009	2,975	1,466,288
South Australia	Cr. 3,789	Dr. 6,816	593,885	105,907	258,471	1,024	956,260
Western Australia ..	Cr. 2,134	Dr. 5,166	1,151,555	107,140	230,910	828	1,487,431
Tasmania	Dr. 881	Cr. 1,594	290,313	51,876	104,762	409	448,073
Total.....	Cr. 6,185	.....	7,577,746	1,528,012	2,510,264	15,034	11,637,241

The distribution of the expenditure between the states was, as shown in the following table, the new expenditure being distributed amongst the states according to population, the other or transferred expenditure to the states on behalf of which it was incurred :—

State.	Expenditure during the year ended 30th June, 1904.						Balance carried forward to following year.	Total.
	New Expenditure.	Customs and Excise Collections.	Posts and Telegraphs.	Naval and Military.	Other.	Interstate adjustment of duties on ships' stores. Period, 8th October, 1901, to 30th June, 1903.		
	£	£	£	£	£	£	£	£
New South Wales ..	167,007	69,188	950,172	298,759	..	Dr. 10,101	Cr. 2,925	1,408,152
Victoria	141,438	66,736	631,380	258,494	30	Cr. 3,639	Cr. 377	1,094,816
Queensland	60,318	57,187	434,103	104,506	..	Dr. 464	Dr. 1,145	655,433
South Australia	43,154	25,091	250,703	76,611	..	Cr. 3,826	Dr. 1,422	390,311
Western Australia ..	26,554	36,494	305,006	55,520	..	Cr. 3,285	Cr. 998	422,187
Tasmania	21,001	9,902	111,103	42,115	..	Dr. 185	Cr. 486	184,882
Total.....	£ 450,472	204,598	2,692,457	836,005	30	.....	Cr. 2,219	4,254,781

The difference between the collections and disbursements by the Commonwealth on behalf of the states was returned to the latter, the amounts in each case, being as follows :—

New South Wales	£2,683,417
Victoria	2,002,804
Queensland.....	810,855
South Australia	556,949
Western Australia	1,065,244
Tasmania	263,191

Total £7,382,460

PROBABLE REVENUE AND EXPENDITURE, 1904-5.

Sufficient time has elapsed since the settlement of the tariff to admit of the consumption of goods introduced into the Commonwealth in anticipation of the imposition of new or increased duties, and the passage of the Postal Act having brought about a uniform administration of postal and telegraph matters, the Federal Treasurer is in a position to forecast the probable revenue and expenditure for the year ending 30th June, 1905, with a reasonable assurance that the forecast will be realised. The following table indicates the revenue estimated to be received during the year :—

State.	Customs and Excise.	Posts and Telegraphs.	Other Revenue.	Total.
	£	£	£	£
New South Wales.....	3,160,000	935,000	6,900	4,101,900
Victoria	2,490,000	660,000	7,300	3,157,300
Queensland.....	1,115,000	324,000	3,300	1,442,300
South Australia.....	685,000	273,000	9,000	967,000
Western Australia	1,190,000	258,000	1,700	1,449,700
Tasmania	340,000	110,000	1,800	451,800
Total£	8,980,000	2,560,000	30,000	11,570,000

The expenditure that will probably be incurred during the same period is as follows :—

State.	New Expendi- ture.	Customs and Excise Collection.	Posts and Telegraphs.	Naval and Military.	Mis- cellaneous.	Total.
	£	£	£	£	£	£
New South Wales.....	301,639	74,622	896,883	250,543	...	1,523,687
Victoria	250,816	66,579	624,032	245,350	36	1,186,813
Queensland.....	108,247	52,014	422,890	118,512	...	701,663
South Australia.....	76,647	26,197	249,577	62,738	...	415,159
Western Australia	50,411	35,292	284,163	44,573	...	414,439
Tasmania.....	37,293	9,974	112,815	31,390	...	191,472
Total£	825,053	264,678	2,590,360	753,106	36	4,433,233

The probable return to the states, after adding or deducting the balance brought forward from 1903-4, will, therefore, be—

New South Wales.....	£2,581,138
Victoria	1,970,864
Queensland	739,492
South Australia	550,419
Western Australia	1,036,250
Tasmania	260,814

Total £7,138,986

The proportions of estimated revenue and expenditure borne by each state, are shown in the following table :—

[State.	Estimated Revenue, 1904-5.		Estimated Expenditure, 1904-5.	
	Amount.	Proportion to Total.	Amount.	Proportion to Total.
	£	per cent.	£	per cent.
New South Wales.....	4,101,900	35·45	1,523,687	34·37
Victoria	3,157,300	27·29	1,186,813	26·77
Queensland.....	1,442,300	12·47	701,663	15·83
South Australia.....	967,000	8·36	415,159	9·36
Western Australia	1,449,700	12·53	414,439	9·35
Tasmania	451,800	3·90	191,472	4·32
Total	11,570,000	100·00	4,433,233	100·00

The proportions of population in each state to the total Commonwealth population, are—New South Wales, 36·56 per cent. ; Victoria, 30·40 ; Queensland, 13·12 ; South Australia, 9·29 ; Western Australia, 6·11 ; and Tasmania, 4·52. It will be seen that Western Australia alone has a revenue in excess of the proportion indicated by its population.

The financial working of the Commonwealth for the three complete years of its operations and the Treasurer's estimate for 1904-5 are outlined by the following tables :—

REVENUE.

Year ended 30th June.	From Customs and Excise.	From Posts and Telegraphs.	From other Sources.	Total.
	£	£	£	£
1902	8,894,319	2,372,861	29,805	11,296,985
1903	9,685,055	2,404,731	16,152	12,105,938
1904	9,105,758	2,510,264	15,034	11,631,056
1905 (estimate) ...	8,980,000	2,560,000	30,000	11,570,000

EXPENDITURE.

Year ended 30th June.	On Transferred Services.	New Services of Commonwealth.	Return to States.	Total.
	£	£	£	£
1902	3,656,884	275,862	7,368,137	11,300,883
1903	3,585,808	315,564	8,200,457	12,101,829
1904	3,793,090	459,472	7,382,460	11,635,022
1905 (estimate) ...	3,608,180	825,053	7,138,986	11,572,219

The difference between the total revenue and expenditure represents small sums to be carried forward into next year's transactions.

The chief matter that calls for remark in these statements is the large increase in the expenditure on new services of the Commonwealth. The expenditure proposed for 1905 is £825,053, an increase of £365,581 over that of the previous year, and £509,489 over that of 1903. This increase is chiefly due to the determination of Parliament that public works should be constructed out of revenue, and the

proposed expenditure for 1905 includes the sum of £404,240 for various public works, the corresponding figures for previous years being

1901-2	£1,971
1902-3	6,622
1903-4	20,859

In addition to the amounts set out above against each of the years specified there was in 1901-2 a sum of £94,564, in 1902-3, £157,816, and in 1903-4, £304,150 representing expenditure incurred in connection with new works and buildings, such amounts being debited to the respective States in which the money was expended.

CUSTOMS AND EXCISE.

The customs and excise collections during the year ended 30th June, 1901, were under divided control. From the 1st July, 1900, to the 31st December of that year, the collections were made by the state Governments, and for the latter half of the financial year, the administration was carried out by the Commonwealth Government. During the whole period the tariffs existing in the various states at the time of their union remained in force, and afforded no indication of the revenue likely to be received under a uniform tariff. Nor did the collections for the year ended 30th June, 1902, settle satisfactorily this important question. In the first place three months of the twelve were under state tariffs and inter-state duties, and secondly, in some of the states it is believed that there were large importations in anticipation of the federal tariff affecting goods then free or subject to low duties. During the passage of the tariff through Parliament, material alterations were made in the rates proposed, and on that account also the revenue received gives no exact indication of the possibilities of the tariff as a revenue-producing instrument.

The following table shows the customs and excise collections for the years ended 30th June, 1902, 1903, and 1904, with the amounts collected in each state, and the average per inhabitant:—

State.	Year ended 30th June, 1902.			Year ended 30th June, 1903.			Year ended 30th June, 1904.		
	Amount Collected.	Average per Inhabitant.		Amount Collected.	Average per Inhabitant.		Amount Collected.	Average per Inhabitant.	
	£	£ s. d.		£	£ s. d.		£	£ s. d.	
New South Wales..	2,812,732	2 0 11		3,478,742	2 9 8		3,229,786	2 5 3	
Victoria	2,376,524	1 19 4		2,499,014	2 1 6		2,443,505	2 0 5	
Queensland	1,297,652	2 11 4		1,261,066	2 9 6		1,131,761	2 3 11	
South Australia ...	698,647	1 18 4		689,727	1 17 9		699,792	1 17 11	
Western Australia	1,134,045	5 16 5		1,162,530	5 8 1		1,062,296	4 13 7	
Tasmania	373,140	2 2 10		360,607	2 0 9		342,189	1 18 2	
Total	£8,692,750	2 5 6		9,451,686	2 8 10		8,909,329	2 5 5	

In addition to the amount set down in the foregoing table as collected in Western Australia during the year ended 30th June, 1902, a sum of

£201,569 was received by the Customs Department on interstate goods taxable under the special Western Australian tariff. For the year ended 30th June, 1903, the amount received on inter-state goods and on foreign goods taxed at a higher rate under that tariff than under the Federal tariff was £233,467. The amount received under the special Western Australian tariff for the year ended 30th June, 1904, was £196,429. Under the provisions of the 95th section of the Commonwealth of Australia Constitution Act, Western Australia is empowered for the first five years after the imposition of a uniform tariff to impose duties on goods passing into that state and not originally imported from beyond the limits of the Commonwealth. The duty so imposed on any goods, however, is not to exceed, during the first of such years, that chargeable under the law of Western Australia in force at the imposition of uniform duties, and shall not exceed during the second, third, fourth, and fifth of such years respectively, four-fifths, three-fifths, two-fifths, and one-fifth of such latter duty. This special tariff therefore ceases on the 9th October, 1906. If the collections for the year ended 30th June, 1902, had been included, the total revenue for the Commonwealth would have been £8,894,319, and for Western Australia £1,335,614, equal in the former case to £2 6s. 6d. per inhabitant, and in the latter to £6 17s. 1d. Taking into consideration these collections for the year ended 30th June, 1903, the total revenue for the Commonwealth would have been £9,685,153, and for Western Australia £1,395,997, or in the former case equal to £2 10s., and in the latter £6 9s. 9d. per inhabitant. The addition of the collections under the special Western Australian tariff to those under the Commonwealth tariff would give a total revenue for the Commonwealth, from this source of taxation, of £9,105,758, and for Western Australia £1,258,725; in the former case equal to £2 6s. 5d., and in the latter £5 10s. 11d. per inhabitant.

In his financial statement made in October, 1904, the Federal Treasurer estimated the revenue that may be expected from duties of customs and excise during the financial year ending 30th June, 1905, at £8,840,000. Excluding the receipts from the special Western Australian tariff, calculated to yield £140,000, the estimated collections in each state are as follows:—

State.	Estimated Net Revenue from Customs and Excise for year ending 30th June, 1905.
	£
New South Wales	3,160,000
Victoria	2,490,000
Queensland	1,115,000
South Australia	685,000
Western Australia	1,050,000
Tasmania	340,000
Total	£ 8,840,000

Grouping the receipts according to the divisions of the tariff, the estimated return under each head will be—

Estimated Revenue, 1904-5.

Customs—	£	Customs—	£
Stimulants	2,080,000	Paper and stationery...	106,000
Narcotics	980,800	Vehicles	78,000
Sugar	268,700	Musical instruments...	47,500
Agricultural products and groceries	737,400	Miscellaneous receipts, including licenses ...	125,500
Apparel and textiles ...	1,274,500		
Metals and machinery	473,500	Total Customs.....	7,031,000
Oils, paints, and var- nishes	127,000	Excise	1,759,000
Earthenware, &c.	146,500		
Drugs and chemicals ...	58,500	Total collections...	8,790,000
Wood, wicker, and cane	201,600	Transfer of Sugar Duty from Trust Fund	50,000
Jewellery and fancy goods.....	169,500		
Leather and rubber ...	156,000		£8,840,000

The item £50,000, "Transfer of Sugar Duty from Trust Fund," appearing in the foregoing table requires explanation. The sum is not an amount to be received during 1904-5, but is now for the first time brought to account. When the Federal tariff was imposed a difference of opinion arose between the Colonial Sugar Refining Company and the Customs Department as to whether certain sugar was liable to duty or not. The amount in question in Victoria was £11,000, and as the sugar was not all withdrawn from bond at one time it was decided that the excise collections should be paid to a trust account pending a determination of the matter. This course was followed, and a sum of £60,962 was accumulated, an amount greater than what was in dispute. The Treasurer now proposes to pay to the state the sum in hand in excess of £11,000, and in order to do this the amount to be handed back will be paid first to the revenue fund and then transferred to the state to which it belongs. The item of £50,000 appearing as estimated revenue for 1904-5 is, therefore, a purely formal entry.

The foregoing estimated revenue is equal to £2 4s. 5d. per inhabitant, the rates for each state being:—

	£	s.	d.
New South Wales.....	2	3	5
Victoria	2	1	2
Queensland	2	2	9
South Australia	1	17	0
Western Australia	4	6	5
Tasmania	1	17	9
Commonwealth	£2	4	5

If the yield from its special tariff had been included the rate for Western Australia would be £1 17s. 11d., and for the Commonwealth, £2 5s. 1d. Western Australia stands far above any of the other states in regard to revenue per inhabitant, and in total revenue it exceeds Tasmania and South Australia, and approximates Queensland. This position it owes to the consuming power of its population, which consists very largely of adult males receiving higher wages than those paid in any other state.

The proportion in which the various states have contributed, and may be expected to contribute to the Commonwealth tariff, is a question of much interest, as under the book-keeping provisions of the Constitution the return to be made to each state depends upon its contribution to the revenue. The following is a statement of the proportions of customs and excise collected in each state for the nine months of the financial year 1902 during which the uniform tariff was in operation, the proportions for the years ended June, 1903, and June, 1904, and the proportions estimated by the Treasurer for the year ending June, 1905 ; in order to throw further light on the question, the proportion of population in each state to the total population of the Commonwealth is also given.

State.	Proportion of—				
	Popula- tion, 31st Dec., 1904.	Customs and Excise Revenue raised, 9 months ended 30th June, 1902.	Customs and Excise Revenue raised for year ended 30th June, 1903.	Customs and Excise Revenue raised for year ended 30th June, 1904.	Customs and Excise Revenue estimated for year ending 30 June, 1905.
	£ cent.	£ cent.	£ cent.	£ cent.	£ cent.
New South Wales	36·56	35·31	36·81	36·25	35·75
Victoria	30·40	25·05	26·44	27·43	28·17
Queensland	13·12	14·62	13·33	12·70	12·61
South Australia ...	9·29	7·67	7·30	7·86	7·75
Western Australia	6·11	13·18	12·30	11·92	11·88
Tasmania	4·52	4·17	3·82	3·84	3·84

The chief element in determining the amount of revenue to be raised by the Commonwealth was the necessities of the various states, and so long as these necessities exist, a sum approximating to what is now obtained will need to be raised. It can hardly be supposed, however, that Australia will long continue to raise as large a revenue as £2 4s. 5d. per inhabitant from a customs tariff containing so large a free list, embracing as it does imports amounting to £10,380,000 out of a total import of general merchandise of £36,244,000.

Although indirectly connected with the question of the Commonwealth tariff, the returns obtained in past years from customs and excise

by the states under their local tariffs are worth recording. It will be found from a consideration of the subsequent tables that the rate per inhabitant has varied greatly, not only as regards the different states but for the same state in different years. This variation arises from diverse causes. First, the influence of good or bad seasons on the producing power of the people is directly felt in the customs collections. Certain states, notably Queensland and Western Australia, and until recently New South Wales, grow insufficient agricultural produce for their own requirements, and in times past a good season—since it enabled those states to depend to a greater extent on their own resources—meant a decrease in the revenue from the importation of agricultural produce. Similar effects have also been felt in regard to revenue derived from live stock and other forms of produce. In addition, it must be remembered that for many years the states have been systematic borrowers from the London market, while they have been the recipients of much money sent for investment by private persons. As loans of all descriptions reach the borrowing country in the form of goods, and a considerable proportion of the importations is the subject of taxation, years of lavish borrowing are naturally years of large revenue collections, and coincident with the cessation of a flow of foreign capital there is a decrease in customs revenue. Furthermore, there have been extensive alterations in the tariffs affecting the revenue during the years which the following table covers. In New South Wales, in 1891 and 1895, and in Western Australia, in 1893 and 1896, radical tariff changes were made, and in other years minor alterations took place in nearly all the other states. To these latter changes is chiefly attributable any sharp rise or fall in the rate of revenue per inhabitant. Speaking generally the customs revenue per inhabitant has tended to decline, especially when the tariffs are high, unless adjusted from time to time to meet the decline, for, apart from the specific causes mentioned above, other effective, if less obtrusive, influences are at work. Year by year the industries of the states are being developed, and the local producer is acquiring a firm hold on the domestic markets. Except in drought years little revenue will be received from duties on agricultural produce, as such produce will not be imported from abroad, and many descriptions of manufactured goods have likewise ceased to be introduced, the locally-made article being produced in sufficient quantities to meet the demand. There can be no reasonable doubt that this tendency will be still more marked in the future; and it is, therefore, not surprising that Australasian Treasurers have of late years found it necessary to look to other sources than the customs for the revenue necessary to carry on the business of the country, and under the Commonwealth, with complete interstate freetrade and growing manufactures, this necessity will be greatly accentuated.

The amount of import and excise duties collected in the various states during each of the last fourteen years is set forth in the following

table—drawbacks and refunds being deducted from the gross collections of those states for which such information can be obtained :—

State.	1891.	1892.	1893.	1894.	1895.	1896.	1897.
	£	£	£	£	£	£	£
New South Wales	2,417,073	2,865,112	2,323,274	2,265,058	2,240,596	1,637,078	1,520,116
Victoria	2,500,551	2,318,218	1,887,474	2,045,853	2,021,564	2,050,380	2,025,886
Queensland	1,241,447	1,155,695	1,099,450	1,146,350	1,295,383	1,330,247	1,244,556
South Australia	647,263	611,723	546,006	539,868	551,103	613,199	612,382
Western Australia	233,777	271,370	254,095	409,586	614,457	938,829	1,062,026
Tasmania	393,467	336,034	303,632	299,661	322,755	347,925	370,312
Commonwealth... £	7,443,168	7,558,158	6,418,931	6,706,676	7,045,858	6,967,658	6,835,278

State.	1898.	1899.	1900.	1901 (Half-year).	1901-2.	1902-3.	1903-4.
	£	£	£	£	£	£	£
New South Wales	1,551,327	1,650,333	1,778,993	1,019,003	2,812,732	3,473,742	3,229,786
Victoria	2,217,541	2,224,811	2,320,555	1,356,099	2,376,524	2,499,014	2,443,605
Queensland	1,418,841	1,563,744	1,565,838	710,830	1,297,062	1,261,066	1,131,761
South Australia	618,430	641,181	630,005	351,953	698,047	689,727	699,792
Western Australia	906,831	850,915	976,411	491,371	1,335,614	1,395,997	1,258,725
Tasmania	426,799	447,036	489,921	221,323	373,140	360,607	342,189
Commonwealth... £	7,140,269	7,392,020	7,770,723	4,150,589	8,394,319	9,635,153	9,105,758

The revenue from import and excise duties per head of population probably offers more food for reflection than the figures in the table just given. New South Wales raised the smallest revenue compared with population of any of the states until 1891, a circumstance due to the comparatively low rate of the tariff; in 1892 its collections were about the average for Australasia; but at the beginning of 1896 a new tariff came into force which was designed to make the ports of the state free to all imports except narcotics and stimulants, and, although this intention was not fully carried out, yet the revenue per head of population was, until the introduction of the Commonwealth tariff, very considerably less than in any of the other states. The variations in the rates from year to year are interesting as illustrating the force of the remarks made a few pages back in introducing the subject of customs duties.

State.	1891.	1892.	1893.	1894.	1895.	1896.	1897.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
New South Wales.....	2 2 4	2 8 8	1 18 8	1 16 11	1 15 10	1 5 9	1 3 7
Victoria	2 3 10	1 19 10	1 12 2	1 14 8	1 14 2	1 14 8	1 14 4
Queensland	3 2 7	2 17 2	2 13 2	2 14 2	2 19 7	2 19 8	2 14 8
South Australia.....	2 0 3	1 17 2	1 12 3	1 11 3	1 11 7	1 14 11	1 14 10
Western Australia	4 13 6	4 17 0	4 2 2	5 11 5	6 14 1	8 5 4	7 1 8
Tasmania	2 13 1	2 4 7	2 0 5	1 19 7	2 2 0	2 4 3	2 5 10
Commonwealth.... £	2 6 5	2 6 1	1 18 5	1 19 5	2 0 8	1 19 6	1 18 1

State.	1898.	1899.	1900.	1901 (Half-year).	1901-2.	1902-3.	1903-4.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
New South Wales..	1 3 8	1 4 9	1 6 3	0 14 11	2 0 11	2 9 8	2 5 3
Victoria	1 17 6	1 17 6	1 18 11	1 2 8	1 19 4	2 1 6	2 0 5
Queensland	3 0 11	3 5 10	3 3 10	1 8 6	2 11 4	2 9 6	2 3 11
South Australia ..	1 15 0	1 15 11	1 15 6	0 19 6	1 18 4	1 17 9	1 17 11
Western Australia	5 9 11	5 1 5	5 11 2	2 14 7	6 17 1	6 9 10	5 10 11
Tasmania	2 11 5	2 12 6	2 16 9	1 5 7	2 2 10	2 0 9	1 18 2
Commonwealth £	1 19 2	2 0 0	2 1 6	1 2 0	2 6 5	2 10 0	2 6 5

The proportion of the cost of collection of customs and excise duties to the total amount received is less under the Commonwealth than under the separate control of the states. The experience of the five years immediately preceding federation shows that an average of 3·34 per cent. was expended, as against an average of 2·96 per cent. for the three-and-a-half years since the control of the customs and excise was vested in the Commonwealth Government. The average percentages for each state for the five years previous to federation were as follows:—New South Wales, 3·26; Victoria, 3·07; Queensland, 3·91; South Australia, 4·31; Western Australia, 3·28; and Tasmania, 1·96. For the period subsequent to the consummation of federation, the percentages are, New South Wales, 2·28; Victoria, 2·71; Queensland, 4·97; South Australia, 3·74; Western Australia, 2·67; and Tasmania, 2·84. The proportion of cost to total amount collected has been reduced under Commonwealth control in the states of New South Wales, Victoria, South Australia and Western Australia, and increased in Queensland and Tasmania.

POSTS AND TELEGRAPHS.

The administration of the Post and Telegraph services was undertaken by the Commonwealth on the 1st March, 1901; the departments consequently were under state direction for a period of eight months in the year ended 30th June, 1901. In discussing the question of the revenue derived from these services, it must be borne in mind that the taking over of the administration by the Commonwealth made no immediate change in the management, which was conducted as if the six states were separate systems. On the coming into operation of the Commonwealth Postal Act on 1st November, 1902, a uniform system was introduced, but the finances of the postal service before that date

remained unaffected. In the following table is set out the revenue derived during each of the last four financial years :—

State.	Year ended 30th June, 1901.	Year ended 30th June, 1902.	Year ended 30th June, 1903.	Year ended 30th June, 1904.
	£	£	£	£
New South Wales	833,942	873,312	906,798	941,529
Victoria	588,366	591,470	622,501	650,583
Queensland	309,170	312,905	300,724	324,009
South Australia	274,012	277,811	255,480	258,471
Western Australia	210,127	225,752	225,099	230,910
Tasmania	104,325	91,611	94,048	104,762
Total	£ 2,319,942	2,372,861	2,404,650	2,510,264

The expenditure during the same periods is shown in the subjoined table :—

State.	Year ended 30th June, 1901.	Year ended 30th June, 1902.	Year ended 30th June, 1903.	Year ended 30th June, 1904.
	£	£	£	£
New South Wales	789,290	840,685	890,618	952,044
Victoria	514,964	588,888	596,810	632,965
Queensland	376,186	419,965	437,266	434,778
South Australia	223,318	246,752	254,808	260,186
Western Australia	255,513	258,570	280,171	306,204
Tasmania	106,830	107,056	104,116	111,428
Total	£ 2,266,101	2,461,916	2,563,789	2,697,605

The operations of the past year show an apparent deficiency of £187,341 in the working of the Post and Telegraph Department. The financial position of the postal service, however, cannot be correctly stated unless the interest on the capital cost of the land, buildings, plant and appliances existing at the time of transfer to the Commonwealth, be taken into account. This cost has been variously estimated at from £7,312,000 to £7,514,000, and if an interest payment of £3·61 per annum be charged to the postal service, the transactions would show a net loss of nearly £455,000. The revenue and expenditure of the Post and Telegraph Department for the year ending 30th June 1905, is estimated by the Treasurer to be, approximately, as follows :—

State.	Revenue.	Expenditure.
New South Wales	£935,000	£896,883
Victoria	660,000	624,032
Queensland	324,000	422,890
South Australia	273,000	249,577
Western Australia	258,000	284,163
Tasmania	110,000	112,815
Total	£2,560,000	£2,590,360

These figures indicate a probable loss of £30,360 on the operations of the year, not including a proposed expenditure of £224,207, for works and buildings proposed to be constructed during the year, the expense of which is charged against the new services of the Commonwealth. From all the states an increased revenue is expected. A considerable falling off in the receipts from South Australia occurred during the two years ended June, 1903; this was due to the fact that alterations, by way of reduction in the terminal and other charges in connection with the Eastern Extension Cable Company's business, were not compensated for by new business. Losses in connection with the Pacific cable also increased the expenditure of the Department.

EFFECT OF FEDERATION ON STATE FINANCE.

The question of the effect which the operations of the Commonwealth may have upon the finances of the states is of great moment, and one which will not lessen in importance with the passage of time. That the finances of the states are in a disturbed state is evident from the fact that increased taxation and drastic retrenchment are being carried out, or are contemplated, in several of the states, while some show large deficits on the year's transactions. This financial disturbance has not, however, in all cases any connection with the management by the Commonwealth of the customs, excise, post office, and other transferred services.

The following statement gives the excess of revenue over expenditure from transferred services for the three years immediately preceding federation and for the last financial year, as well as the sums returned to the various states during the last-named period.

State.	Excess of Revenue over Expenditure on transferred services. Average 1898-1900 (three years).	Excess of Revenue over Expenditure on transferred services, 1903-4.	New Expenses of Commonwealth.	Sums returned to States, 1903-4.
	£	£	£	£
New South Wales.....	1,380,488	2,842,376	167,007	2,683,417
Victoria	2,073,799	2,128,808	141,438	2,002,804
Queensland	1,274,372	856,002	60,318	810,855
South Australia.....	616,191	593,985	43,154	556,949
Western Australia.....	837,225	1,089,834	26,554	1,065,244
Tasmania.....	403,650	282,234	21,001	263,191

It is clear from the proceedings of the Federal Convention, which prepared the draft of the existing Constitution of the Commonwealth, that it was universally conceded that each state joining the federation would be called upon to bear the new expenses of the Commonwealth

in addition to any expenditure then existing ; so that to determine the influence of federation upon the finances of the various states, a comparison might very well be restricted to the figures contained in the second and third columns of the preceding table. Without insisting, however, upon this point, if the sums returned to the states during the last financial year be compared with the average excess of revenue over expenditure on transferred services during the three years immediately preceding federation, the following results are obtained :—

State.	Return during the financial year ending 30th June, 1904, compared with excess of Revenue over Expenditure in the years preceding federation.	
	Excess.	Deficiency.
	£	£
New South Wales	1,302,929	.....
Victoria .....	.....	70,995
Queensland .....	.....	464,017
South Australia .....	.....	59,242
Western Australia.....	228,019	.....
Tasmania .....	.....	140,459

In two cases, those of New South Wales and Western Australia, the return now received is considerably greater than the average of the period immediately preceding federation ; the effect of federation on the finances of these states has, therefore, been beneficial. As regards Victoria, the deficiency on the revenue now received is less than the new expenses of federation chargeable to that State ; in South Australia the excess is very little greater than these new expenses, and it may, therefore, be considered that the disturbing effect of federation upon the finances of these states has been no greater than could reasonably have been expected. The cases of Queensland and of Tasmania are in another category, the disturbance to the finances of each state being very considerable. The cause of this disturbance is not very far to seek. Prior to the establishment of the Commonwealth, the State of Tasmania levied duties equivalent to 24·2 per cent. ad valorem on 91 per cent. of its total imports ; this is equivalent to 22 per cent. ad valorem on all goods other than narcotics and stimulants, which were subject to specially high duties. The free list of the Commonwealth extends to about 30 per cent. of the merchandise imported, and the average range of duties, excluding narcotics and stimulants, is 19·1 per cent. ad valorem, or, reckoning on all merchandise imported, excluding, of course, narcotics and stimulants, 13·4 per cent., that is to say, about three-fifths the rate imposed by Tasmania before federation. To this must be added the fact that Tasmania levied duties on intercolonial produce at the same rates as on foreign produce, and from such duties obtained a revenue of £76,829.

In Queensland, the rate of duty on all imports, other than narcotics and stimulants, averaged, before the establishment of federation, about 14 per cent., as compared with 13·4 per cent. levied by the Commonwealth. The loss of revenue due to a change in the rate of customs duties on overseas imports has not, therefore, been of much consequence, as the present condition of Queensland revenue has been brought about by a decline in general imports resultant on a falling off in the purchasing power of the people of the state and the cessation of Government borrowing,—matters entirely unconnected with federation. There has, of course, been a considerable loss of revenue by the abolition of duties on interstate produce; these duties, prior to federation, yielded a revenue of about £144,000 a year, which was a considerable sacrifice out of a total of a million and a quarter.

Section 87 of the Constitution of the Commonwealth provides that during a 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 meaning of the term "net revenue" has not yet been authoritatively decided, but it is a probable opinion that the term represents the total receipts less the cost of collection and the amount of drawbacks and refund of revenue. It is interesting to see how this limitation of expenditure has operated. The following statement shows the net revenue of the Commonwealth from customs and excise, and the amount returned to the various states for each of the last three years, and also the Treasurer's estimate for the financial year ending June, 1905.

Year.	Net collections, Customs and Excise.	Amount returned to States.	Proportion of total returned.
	£	£	per cent.
1901-2	8,894,319	7,368,137	82·84½
1902-3	9,685,064	8,200,457	84·67
1903-4	9,108,813	7,382,460	81·05
1904-5	8,980,000	7,138,986	79·50

It will be observed that in no year has the proportion which the Commonwealth is entitled to retain from the net revenue of customs and excise been closely approached. In the year ending June, 1905, however, owing to the appropriation of the sum of £404,240 out of revenue for the construction of public works, a very much nearer approach will be made by the Commonwealth to the limits of expenditure assigned to it by the Constitution. The Treasurer estimates that his net receipts from customs and excise will be £8,840,000, and the return to the different states £6,998,986, which represents a total of

79·2 per cent. of net receipts, so that the sum retained by the Commonwealth will be 20·8 per cent., but even in this instance the amount handed over by the Treasurer to the states will represent £602,494 in excess of the three-fourths which must be paid under Section 87 of the Constitution Act. The minimum prescribed by the Constitution to be paid back to the states has been interpreted as applying to the states as a whole, and not to the individual members of the Commonwealth; any other interpretation would probably have thrown the finances of the Commonwealth into confusion, as it would have been impossible, in any year, to have given back to Queensland 75 per cent. of the net revenue from customs and excise, and at the same time have met the obligations of that state on account of transferred services. Nevertheless, it is interesting to note what proportion of the net revenue raised in each state has been returned to it, and how much was paid by the Federal Treasury for the general purposes of the Commonwealth. This information the following table affords. The revenue of Western Australia from duties on interstate produce has been left out of consideration, as such is not Commonwealth revenue properly so-called, being a temporary expedient terminating in October, 1906.

State.	1901-2.			1902-3.		
	Net Revenue, Customs and Excise.	Revenue returned to States.	Percentage returned.	Net Revenue, Customs and Excise.	Revenue returned to States.	Percentage returned.
	£	£	%	£	£	%
New South Wales ...	2,812,731	2,385,904	84·86	3,478,747	3,053,133	87·76
Victoria	2,376,524	1,920,974	80·83	2,499,014	2,105,450	84·25
Queensland	1,297,663	904,775	69·72	1,260,934	905,235	71·79
South Australia	698,647	615,868	88·15	689,760	578,929	83·93
Western Australia ...	1,134,045	1,023,507	90·25	1,162,535	1,022,265	87·93
Tasmania	373,140	315,540	84·56	360,607	301,978	83·74
Commonwealth..	8,692,750	7,166,568	82·44	9,451,597	7,966,990	84·29

State.	1903-4.			1904-5 (Estimate).		
	Net Revenue, Customs and Excise.	Revenue returned to States.	Percentage returned.	Net Revenue, Customs and Excise.	Revenue returned to States.	Percentage returned.
	£	£	%	£	£	%
New South Wales ...	3,221,121	2,683,417	83·30	3,160,000	2,581,138	81·68
Victoria	2,447,152	2,002,804	81·84	2,490,000	1,970,864	79·15
Queensland	1,132,894	810,855	71·57	1,115,000	739,492	66·32
South Australia	703,618	556,949	79·15	685,000	550,419	80·35
Western Australia ...	1,065,592	868,815	81·53	1,050,000	896,259	85·36
Tasmania	342,007	263,191	76·95	340,000	260,814	76·71
Commonwealth...	8,912,384	7,186,031	80·63	8,840,000	6,998,986	79·17

As pointed out in the chapter dealing with "State Finance," the Treasurers of the states are seeking, by means of retrenchment and increased taxation, to balance their accounts. It is well, perhaps, that this resolution has been taken, for a little consideration will show that it is idle, so far as concerns some of the states, to expect a return from the Commonwealth equal to satisfying their needs on the basis of this present expenditure. The following would need to be the amount of customs and excise duties to be levied by the Commonwealth to enable each state to receive back sufficient to balance its finances as on the 30th June, 1904. In order to illustrate the measure of responsibility to be attached to the states, a column has been added showing the customs and excise revenue that would have sufficed had their requirements been not greater than in 1899 :—

State.	Customs and Excise revenue required, so that the return to each State would be sufficient to balance its expenditure.	
	On the basis of 1899.	On the basis of 1904.
	£	£
New South Wales	5,031,000	9,106,000
Victoria	8,311,000	7,456,000
Queensland	11,418,000	9,007,000
South Australia	9,537,000	10,680,000
Western Australia	7,457,000	9,982,000
Tasmania	10,203,000	9,474,000

It will thus be seen that whereas a tariff from which £7,456,000 is obtainable would, at the present time (1904), satisfy the requirements of the Victorian Treasurer, it would take one yielding £10,680,000 to satisfy South Australia, the other states occupying positions at various intervals between these extremes. The most remarkable feature of the table is the position of New South Wales. Five years ago there was much talk about the surplus revenue of that state being needed to make up the requirements of the so-called necessitous states. At the present time the revenue necessities of the mother state place a demand on the Commonwealth above that of some of the other states, and very little short of the requirements of the state standing most in need of revenue.

It will have been observed from a previous table in this chapter, and in the part of this volume dealing with State Finance, that the requirements of the state Treasurers vary greatly from year to year; it would be hopeless, therefore, for the Commonwealth Treasurer to endeavour to adjust his revenue to the needs of any state; still more hopeless would it be for him to attempt to mould his revenue to suit the variations in the requirements of six states. Hence the obvious policy of fixing a reasonable sum to be raised through the Customs

House, and allowing the states to adjust their incomes and expenditures to the revenue thus provided.

The question of taking over the whole or part of the state debts by the Commonwealth has been much discussed from time to time, and is a matter of considerable importance. The debts of the states consist of their obligations in regard to debentures, inscribed stock, and treasury bills, as well as the debts on a loan or consolidated revenue account. Confining attention solely to the part of the obligations of the states for which debentures, stock, or treasury bills have been issued, the following is a statement of the gross amount of the public debt of each state, the interest charge thereon, and the balance of Commonwealth revenue which the Treasurer estimates he will return to the states during the year 1905. It will be seen that in the cases of Victoria and Western Australia alone are the returns sufficient to cover the interest payments. In regard to New South Wales the excess of state charges over the balance of revenue returnable to the state amounts to £260,230. In Queensland the excess is £807,978, in South Australia £518,906, and in Tasmania £80,813.

State.	Public Debt— Debentures, Inscribed and Funded Stock, and Treasury Bills.	Interest charge on Public Debt.	Balance of Commonwealth Revenue estimated to be returned to the States Governments.
	£	£	£
New South Wales	80,033,581	2,841,368	2,581,138
Victoria	51,819,962	1,885,983	1,970,864
Queensland	41,781,287	1,547,470	739,492
South Australia	28,593,645	1,069,325	550,419
Western Australia	16,090,288	547,160	1,036,259
Tasmania ..	9,318,400	341,627	260,814
Total	227,637,163	8,232,933	7,138,986

The foregoing figures give the total debts of the states represented by debentures, stock or treasury bills as on the 1st July, 1904, but the question arises as to the limitation placed upon the Commonwealth by Section 105 of the Constitution. This section reads as follows:—

“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.

If it be accepted that this section limits the transfer of such debts only as existed on the 1st January, 1901, the following is a statement of the amounts of the outstanding loans, debentures, stock, and treasury bills, with the annual interest payable in respect thereof :—

State.	Amount.	Interest payable.
	£	£
New South Wales.....	66,366,541	2,402,898
Victoria	49,374,885	1,888,980
Queensland	35,898,414	1,343,243
South Australia	26,131,780	989,578
Western Australia.....	12,641,510	398,607
Tasmania	8,511,005	317,359
Commonwealth	198,924,135	7,340,665

The question is, however, complicated by the fact that since the establishment of the Commonwealth, all the states except Queensland have paid off loans then existing, and the point may arise as to whether the amount of the debts which the Commonwealth may take over is not thus further limited. The following is a statement of the loans redeemed from the 1st January, 1901, to the 1st July, 1904, together with the interest payable in respect thereof :—

State.	Amount.	Interest.
	£	£
New South Wales	3,486,837	145,509
Victoria	9,823,002	414,510
Queensland	nil.	nil
South Australia	232,300	13,938
Western Australia.....	1,598,000	62,725
Tasmania	614,535	22,480
Commonwealth	15,754,674	659,162

Few of the redemptions indicated above were absolute, that is to say, effected out of revenue or from sinking funds. For the most part, the loans redeemed were repaid from the proceeds of new loans, and the total amount of the debt was not appreciably reduced; nevertheless, technically speaking, certain debts existing on the 1st January, 1901, no longer exist, their place being taken by new loans to the extent just indicated.

If it be accepted that the Parliament of the Commonwealth can take over only the debts of the states existing at the establishment of the

Commonwealth and now extant, the following is a statement of the public debts of the states under this category together with the interest payable thereon :—

State.	Amount.	Interest.
	£	£
New South Wales	62,879,704	2,257,389
Victoria	39,551,883	1,474,470
Queensland	35,898,414	1,343,243
South Australia	25,899,450	975,640
Western Australia.....	11,043,510	335,882
Tasmania	7,896,470	294,879
Commonwealth	183,169,461	6,681,503

During the next five years loans to the extent of £18,179,645 will fall due, and in the ensuing 5 years £24,879,364 and so on in large amounts within no very distant period. An early settlement of the question of transfer of debts is therefore, not only of great, but of pressing importance.