

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 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. 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 over seven and three-quarter 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 three periods, the first being the six months, January to June, 1901, the second, the twelve months from 1st July, 1901, to 30th June, 1902, and the third, the twelve months from 1st July, 1902, to 30th June, 1903. 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 interstate 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	896,717
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 30 June, 1901.					Balance carried forward to following 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	129,383	49,666	224,029	Dr. 594	223,435
South Australia ..	13,088	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	1,296,053	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 37 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 interstate 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 interstate 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 ...	<i>Cr.</i> 4,300	2,324,000	488,732	873,312	8,223	3,698,567
Victoria	<i>Dr.</i> 956	1,976,245	400,279	591,470	8,506	2,975,544
Queensland	<i>Dr.</i> 594	1,135,562	162,100	312,905	934	1,610,907
South Australia.....	<i>Dr.</i> 567	625,637	73,010	277,811	1,639	977,530
Western Australia...	<i>Cr.</i> 4,070	1,273,125	62,489	225,752	172	1,565,608
Tasmania.....	<i>Dr.</i> 279	335,401	37,739	91,611	10,331	474,803
Total.....	<i>Cr.</i> 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	300,147	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	419,065	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	34,067	339,589	Cr. 042	340,531
Tasmania	12,571	10,327	107,050	29,028	158,982	Cr. 281	159,263
Total	275,862	260,322	2,461,916	934,640	3,932,746	Cr. 2076	3,934,522

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	316,217
Customs and Excise	9,451,686	Customs and Excise collection.....	272,286
Posts and Telegraphs	2,404,650	Posts and Telegraphs.....	2,563,789
Customs collected on behalf of Western Australia...	233,467	Military and Naval.....	745,183
Other revenue	16,075	Other expenditure	4,284
		Returned to States.....	8,200,457
		Balance carried forward to following year	5,738
Total.....	£12,107,954	Total.....	£12,107,954

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

include £1,162,530 revenue from the Commonwealth tariff, and £233,467 from interstate 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	5,460	4,391,128
Victoria	Dr. 2,200	2,096,217	402,797	622,501	5,377	3,124,692
Queensland	Dr. 478	1,042,341	218,725	300,724	2,105	1,563,417
South Australia...	Cr. 3,403	583,461	106,266	255,480	1,729	950,339
Western Australia	Cr. 942	1,317,785	78,212	225,099	715	1,622,753
Tasmania	Cr. 281	312,015	48,592	94,048	689	455,625
Total	Cr. 2,076	8,213,529	1,471,624	2,404,650	16,075	12,107,954

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..	114,367	70,322	890,618	267,006	773	1,343,086	Dr. 5,091	1,337,995
Victoria	98,375	64,593	596,810	258,907	..	1,018,685	Cr. 557	1,019,242
Queensland	41,605	66,192	437,266	107,758	132	652,953	Cr. 5,229	658,182
South Australia ..	29,857	25,799	254,808	53,994	3,017	367,475	Cr. 3,035	371,410
Western Australia	17,560	34,740	280,171	32,445	362	365,278	Cr. 1,743	367,021
Tasmania	14,453	10,640	104,116	25,073	..	154,282	Dr. 635	153,647
Total	316,217	272,286	2,563,789	745,183	4,284	3,901,759	Cr. 5,738	3,907,497

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

PROBABLE REVENUE AND EXPENDITURE, 1903-4.

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 rate of postage throughout the states, the Federal Treasurer is in a position to forecast the probable revenue and expenditure for the year ending 30th June, 1904, 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.....	3,125,000	925,000	2,296	4,052,296
Victoria	2,400,000	640,000	4,595	3,044,595
Queensland	1,175,000	302,000	782	1,477,782
South Australia.....	695,000	257,000	507	952,507
Western Australia	1,342,000	229,000	460	1,571,460
Tasmania	370,000	97,000	535	467,535
Total	9,107,000	2,450,000	9,175	11,566,175

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

State.	New Expenditure.	Customs and Excise Collection.	Posts and Telegraphs.	Naval and Military.	Total.
	£	£	£	£	£
New South Wales	157,912	73,383	984,620	267,530	1,483,445
Victoria	133,533	62,650	645,848	258,530	1,100,561
Queensland	56,848	61,826	461,241	112,226	692,141
South Australia	40,667	28,355	278,039	67,635	414,696
Western Australia	26,040	39,749	329,497	51,852	447,138
Tasmania.....	19,946	10,248	118,502	33,772	182,468
Total	434,946	276,211	2,817,747	791,545	4,320,449

The probable return to the states, after adding or deducting the balance brought forward from 1902-3, will, therefore, be—

New South Wales.....	£2,563,760
Victoria	1,944,591
Queensland	790,870
South Australia	541,746
Western Australia	1,126,065
Tasmania	284,432
Total	£7,251,464

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

State.	Estimated Revenue, 1903-4.		Estimated Expenditure, 1903-4.	
	Amount.	Proportion to Total.	Amount.	Proportion to Total.
	£	per cent.	£	per cent.
New South Wales.....	4,052,296	35·04	1,483,445	34·34
Victoria	3,044,595	26·32	1,100,561	25·47
Queensland.....	1,477,782	12·78	692,141	16·02
South Australia.....	952,507	8·23	414,696	9·60
Western Australia	1,571,460	13·59	447,138	10·35
Tasmania	467,535	4·04	182,468	4·22
Total	11,566,175	100·00	4,320,449	100·00

The proportions of population in each state to the total Commonwealth population, are—New South Wales, 36·30 per cent. ; Victoria, 30·70 ; Queensland, 13·07 ; South Australia, 9·35 ; Western Australia, 5·99 ; and Tasmania, 4·59. It will be seen that Western Australia alone has a revenue in excess of the proportion indicated by its population.

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 do 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, 1901, 1902, and 1903, with the amounts collected in each state, and the average per inhabitant:—

State.	For Year ended 30th June, 1901.				For Year ended 30th June, 1902.		For year ended 30th June, 1903.	
	Collected by State Government.	Collected by Commonwealth Government.	Total Collections.	Average per Inhabitant.	Amount Collected.	Average per Inhabitant.	Amount Collected.	Average per Inhabitant.
	£	£	£	£ s. d.	£	£ s. d.	£	£ s. d.
New South Wales	939,336	1,019,008	1,058,344	1 8 8	2,812,732	2 0 11	3,478,742	2 9 8
Victoria	1,202,999	1,356,099	2,569,098	2 2 9	2,376,524	1 19 4	2,499,014	2 1 6
Queensland	787,095	710,830	1,498,525	3 0 2	1,297,662	2 11 4	1,261,066	2 0 6
South Australia ..	338,233	351,953	690,186	1 18 3	698,647	1 18 4	689,727	1 17 9
Western Australia	500,845	491,371	992,216	5 10 2	1,134,045	5 16 5	1,162,530	5 8 1
Tasmania	253,783	221,328	475,111	2 14 11	373,140	2 2 10	*60,607	2 0 9
Total	4,022,891	4,150,589	8,173,480	2 8 4	8,692,750	2 5 6	9,451,686	2 8 10

Besides 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 interstate goods and on foreign goods taxed at a higher rate under that tariff than under the Federal tariff was £233,467. 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.

In his financial statement made in July, 1903, the Federal Treasurer estimated the revenue that may be expected from duties of customs and excise during the financial year ending 30th June, 1904, at £8,915,000.

Excluding the receipts from the special Western Australian tariff, calculated to yield £192,000, the estimated collections in each state are as follows:—

State.	Estimated Net Revenue from Customs and Excise for year ending 30th June, 1904.
	£
New South Wales	3,125,000
Victoria	2,400,000
Queensland	1,175,000
South Australia	695,000
Western Australia	1,150,000
Tasmania	370,000
Total	8,915,000

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

Estimated Revenue, 1903-4.

Customs—	£	Customs—	£
Stimulants	2,077,000	Paper and stationery...	107,200
Narcotics	918,000	Vehicles	57,500
Sugar	437,000	Musical instruments ...	41,950
Agricultural products and groceries	990,500	Miscellaneous receipts, including licenses ...	130,500
Apparel and textiles ...	1,308,500	Total customs	7,482,500
Metals and machinery	564,250	Excise	1,556,500
Oils, paints, and varnishes	116,850	Total collections...	9,039,000
Earthenware, &c.	152,750	Drawbacks and re-funds	124,000
Drugs and chemicals ...	56,100	Net revenue.....	8,915,000
Wood, wicker, and cane	190,000		
Jewellery and fancy goods.....	168,650		
Leather and rubber ...	165,750		

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

	£	s.	d.
New South Wales.....	2	3	10
Victoria	1	19	10
Queensland	2	5	10
South Australia	1	17	10
Western Australia	4	17	10
Tasmania	2	1	1
Commonwealth	2	5	5

If the yield from its special tariff had been included the rate for Western Australia would be £5 14s. 3d., and for the Commonwealth, £2 6s. 5d. 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 to Queensland. This position it owes to the large consuming power of its population, a population consisting 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 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 year ended June, 1903, and the proportions estimated by the Treasurer for the year ending June 1904; 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—			
	Population. 31st December, 1902.	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 estimated for year ending 30th June, 1904
	Per cent.	Per cent.	Per cent.	Per cent.
New South Wales	36·17	35·31	36·81	35·05
Victoria	31·11	25·05	26·44	26·92
Queensland	13·16	14·62	13·33	13·18
South Australia	9·44	7·67	7·30	7·8
Western Australia.....	5·55	13·18	12·30	12·90
Tasmania.....	4·57	4·17	3·82	4·15

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 those 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 5s. 5d. per inhabitant from a customs tariff containing so large a free list, embracing as it does imports amounting to £11,455,000 out of a total import of general merchandise of £38,740,000.

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, although the rise or fall of the rate per inhabitant is not always a safe indication of such influence. Certain states, notably Queensland and Western Australia, 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 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 thirteen 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.
	£	£	£	£	£	£
New South Wales	2,417,673	2,865,112	2,325,274	2,265,058	2,240,596	1,637,078
Victoria	2,509,551	2,318,218	1,887,474	2,045,853	2,021,564	2,050,380
Queensland	1,241,447	1,155,695	1,099,450	1,146,350	1,295,383	1,330,247
South Australia	647,263	611,723	546,006	539,863	551,103	613,199
Western Australia	233,777	271,376	254,005	409,886	614,457	988,829
Tasmania	393,457	386,034	303,682	299,661	322,755	347,925
Commonwealth	7,443,168	7,558,158	6,418,981	6,706,676	7,045,858	6,067,658

State.	1897.	1898.	1899.	1900.	1901 (Half- year).	1901-2.	1902-3.
	£	£	£	£	£	£	£
New South Wales	1,520,116	1,551,827	1,650,333	1,773,993	1,019,003	2,312,732	3,478,742
Victoria	2,025,880	2,217,541	2,224,811	2,320,556	1,356,099	2,378,524	2,499,014
Queensland	1,244,556	1,418,341	1,563,744	1,565,838	710,830	1,207,662	1,261,066
South Australia	612,382	618,430	641,181	639,005	351,953	698,647	689,727
Western Australia	1,062,026	906,831	859,915	976,411	491,371	1,335,614	1,395,997
Tasmania	370,312	426,799	447,036	489,921	221,328	373,140	360,607
Commonwealth	6,835,278	7,140,269	7,392,020	7,770,723	4,150,589	8,894,319	9,685,153

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 13 1

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

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 2·9 per cent. for the two-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, 2·30; Victoria, 2·66; Queensland, 4·90; South Australia, 3·75; Western Australia, 2·57; and Tasmania, 2·77. 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 three financial years, distinguishing for

the earlier year, the amounts received by the state and by the Commonwealth Governments during the period of their control:—

State.	For year ended 30th June, 19			For year ended 30th June, 1902.	For year ended 30th June, 1903.
	Collected by State Government.	Collected by Common- wealth Government.	Total Collections.	Amount Collected.	Amount Collected.
	£	£	£	£	£
New South Wales...	557,006	276,936	833,942	873,312	906,798
Victoria	410,435	177,931	588,366	591,470	622,501
Queensland	213,584	95,586	309,170	312,905	300,724
South Australia.....	183,310	90,702	274,012	277,811	255,480
Western Australia	142,391	67,736	210,127	223,752	225,099
Tasmania.....	72,551	31,774	104,325	91,611	94,048
Total	1,579,277	740,665	2,319,942	2,372,861	2,404,650

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

State.	For year ended 30th June, 1901.			For year ended 30th June, 1902.	For year ended 30th June, 1903.
	Expenditure by State Government.	Expenditure by Common- wealth Government.	Total Expenditure.	Total Expenditure.	Total Expenditure.
	£	£	£	£	£
New South Wales...	527,254	262,036	789,290	840,685	890,618
Victoria	305,787	209,177	514,964	588,888	596,810
Queensland	246,798	129,388	376,186	419,965	437,266
South Australia ...	152,288	71,030	223,318	246,752	254,808
Western Australia	171,322	84,191	255,513	258,570	280,171
Tasmania	52,812	54,018	106,830	107,056	104,116
Total	1,456,261	809,840	2,266,101	2,461,916	2,563,789

The operations of the past year show an apparent deficiency of £159,139 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 6s. per annum be charged to the postal service, the transactions would

show a net loss of nearly £404,000. The revenue and expenditure of the Post and Telegraph Department for the year ending 30th June 1904, is estimated by the Treasurer to be, approximately, as follows :—

State.	Revenue.	Expenditure.
New South Wales.....	£925,000	£984,620
Victoria	640,000	645,848
Queensland.....	302,000	461,241
South Australia.....	257,000	278,039
Western Australia	229,000	329,497
Tasmania	97,000	118,592
Total	£2,450,000	£2,817,747

These figures indicate a probable loss of £367,747 on the operations of the year, but included in the proposed expenditure is an amount of £297,744, for the construction of works and buildings. From all the states an increased revenue is expected. A considerable falling off in the receipts from South Australia has occurred during the past two years; this is 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, will not be compensated for by new business. Losses in connection with the Pacific cable have 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 in contemplation, in several of the states, and some show large deficits on the year's transactions. The existence of financial disturbance immediately following on the loss by the states of the control of their customs revenue is relied upon as proving the allegation so confidently made that this disturbance is due to the action of the Commonwealth Parliament and the Federal Administration. The assumption, more easily made than proved, is one that admits of being tested, by the evidence of actual facts.

In dealing with the matter it will be necessary to consider the finances of the states since federation, and for a few years preceding that event. The following is a statement of the net revenue and

expenditure of each state upon the services not transferred to the Commonwealth. The period covered is the six years, 1897-1903:—

State.	1897-8.		1898-9.		1899-1900.	
	Revenue.	Expenditure.	Revenue.	Expenditure.	Revenue.	Expenditure.
	£	£	£	£	£	£
New South Wales	7,052,354	8,308,239	7,208,586	8,560,898	7,436,878	9,057,447
Victoria ..	4,250,196	6,261,685	4,585,787	6,315,082	4,595,216	6,507,260
Queensland	2,183,676	3,296,141	2,384,940	3,543,201	2,675,751	4,011,211
South Australia	1,768,205	2,479,569	1,844,949	2,505,035	1,935,725	2,659,777
Western Australia	1,516,111	2,906,952	1,414,120	2,255,399	1,733,571	2,316,117
Tasmania*	400,332	702,779	399,332	735,790	408,631	770,613

State.	1900-1.		1901-2.		1902-3.	
	Revenue.	Expenditure.	Revenue.	Expenditure.	Revenue.	Expenditure.
	£	£	£	£	£	£
New South Wales	8,232,587	9,990,632	8,621,451	11,020,105	8,242,936	11,467,235
Victoria	4,932,031	7,219,771	5,085,359	7,407,781	4,862,601	6,774,084
Queensland	2,511,729	4,270,922	2,630,287	3,967,001	2,621,230	3,717,806
South Australia	2,032,153	2,801,736	1,853,350	2,823,578	1,952,013	2,641,789
Western Australia	1,875,692	2,806,002	2,129,047	3,151,427	2,374,507	3,521,763
Tasmania*	472,299	812,071	429,787	861,678	469,961	850,684

* Year ended 31st December previous.

The foregoing figures admit of a calculation of the amount of revenue to be obtained from other sources to enable the states to balance their finances, had they not administered the posts and telegraphs, or provided for their own defence during any of these years. The excess of expenditure over revenue for each year was:—

State.	1897-8.	1898-9.	1899-1900.	1900-1.	1901-2.	1902-3.
	£	£	£	£	£	£
New South Wales	1,255,885	1,361,312	1,620,569	1,758,095	2,303,654	3,224,299
Victoria	2,011,489	1,729,295	1,972,044	2,287,740	2,322,422	1,911,483
Queensland	1,112,465	1,153,261	1,335,460	1,750,193	1,336,714	1,096,576
South Australia	711,364	660,086	724,052	769,583	969,723	689,776
Western Australia	1,390,841	841,279	582,546	930,310	1,022,380	1,147,256
Tasmania*	302,447	335,958	361,982	339,772	431,891	380,723

* Year ended 31st December previous.

Taking the averages of the three years preceding federation and comparing them with the results of the year 1902 it will be seen that there was an increase in the expenditure of each state, in no instance warranted by an increase of population. The strong necessity of reducing expenditure was forcibly brought home to the state Treasurers by their inability, in most instances, to balance their accounts. Vigorous curtailment of expenditure ensued, with the result that in 1903 the requirements of Queensland were brought to £151,061

below the average of the three years preceding federation; in Victoria and South Australia the requirements were brought back to a level with the ante-federal period, in Tasmania the Treasurer's requirements were in excess by £47,261 and in Western Australia by £209,034, but in both cases there were causes in operation which made an increase in the expenditure almost inevitable. During the three years preceding federation the sum required by the New South Wales Treasurer to meet the deficiency of revenue, from services not transferred to the Commonwealth, was £1,412,589, in 1903 it was £3,160,866, or an increase of £1,748,277.

Comparing the years 1899 and 1903 the increase for each state has been as follows:—

	£
New South Wales	1,862,987
Victoria	182,188
South Australia	29,690
Western Australia	305,977
Tasmania	44,765

In the case of Queensland there has been a decrease of £61,685.

Western Australia is in a peculiar position, and causes were in operation in the state which make its case quite different from that of the other states.

It is obvious that no action of the Commonwealth could affect in any important degree the services remaining in the hands of the states, and that any increase or decrease in their obligations would arise, if not from causes within the control of the states, at all events from causes beyond the control of the Commonwealth. It must, therefore, be conceded that any confusion apparent in the state finances would have existed even if federation had not taken place. It remains to be seen how far the return made to the states by the Commonwealth differs from what the states provided for themselves before federation became an accomplished fact. The following is a statement of the excess of revenue over expenditure of transferred departments. This excess represents the amount available to meet the deficiency of revenue from the departments not transferred:—

State]	Excess of Revenue over Expenditure, Transferred Services.					
	1897-8.	1898-9.	1899-1900.	1900-1.	1901-2.	1902-3.
	£	£	£	£	£	£
New South Wales....	1,261,358	1,371,988	1,508,119	1,692,661	2,473,918	3,160,866
Victoria	1,970,102	2,111,533	2,139,763	2,366,312	2,006,047	2,204,943
Queensland	1,133,189	1,308,177	1,383,249	1,247,275	940,684	951,001
South Australia	594,132	613,679	640,762	661,915	645,894	611,779
Western Australia ..	888,676	780,732	842,267	848,873	1,235,867	1,274,068
Tasmania*	362,440	414,013	434,498	471,021	331,376	315,235

* Year ended 31st December previous.

The whole of the sum shown as excess on transferred services in 1903 was not returned to the states, as the expenses of the Commonwealth had first to be deducted. After making due allowance for this new expenditure, as shown on page 774, and taking the year 1898-9 as the last of the series for which the states were wholly responsible so far as revenue was concerned, and comparing the excess of revenue therein with that for 1902-3, some interesting results are obtained.

	Excess of 1902-3 over 1898-9. £	Deficiency of 1902-3 on 1898-9. £
New South Wales	1,674,511	.....
Victoria .....	.....	4,965
Queensland .....	.....	398,781
South Australia .....	.....	31,757
Western Australia	475,776	.....
Tasmania ^o .....	.....	113,231

* Year ended 31st December, 1902.

To two of the states; therefore, the second complete year of the Commonwealth gave a larger revenue than the last year under state control, while in the case of Queensland, South Australia, and Tasmania the reverse was true. It will be seen from the table on page 785 what efforts had been made to cope with the restriction of income which the re-arrangement of finances under federation would inevitably entail in the majority of the states. Placing side by side the sums representing the movements in revenue and expenditure and the sums charged to each state as its share of the new expenditure under federation, the position of affairs in the Commonwealth will be readily understood.

Taking the states individually it would appear that for New South Wales in 1902-3, as compared with four years previously (1898-9), there were—

Increased revenue from transferred services	£ 1,788,878
Less new expenditure of Commonwealth charged to state	114,367
	<u>1,674,511</u>
Increased state expenditure	1,862,987
Difference	188,476

This statement clearly shows that in New South Wales the new Commonwealth revenue available to the state was £1,674,511, yet this vast addition was insufficient to meet the wants of the State Treasury by £188,476.

In Victoria the conditions were:—

Increased revenue from transferred services	£ 93,410
Less new expenditure of Commonwealth charged to state	98,375
Difference, excess of new expenditure	4,965
Increased state expenditure	182,188
Difference	<u>187,153</u>

The state finances, therefore, were in a worse position to the extent of £187,153 in 1902-3 compared with four years previously, and the increase in the state expenditure was responsible for nearly the whole of this sum (£182,188). It was fully expected that the operation of the Commonwealth would injuriously affect Victorian state finance, since the first result would be a loss of interstate duties to the extent of £350,000; far, however, from injuring the finances of the state, the Commonwealth Treasurer raised from the state £93,410 more than was obtained from customs, and posts and telegraphs in the year immediately before federation, and this notwithstanding the surrender of so large an amount of interstate duties.

The position of Queensland was as follows:—

	£
Decreased revenue from transferred services.....	357,176
New expenditure of Commonwealth charged to state.....	41,605
	<hr/>
	398,781
Decreased state expenditure	61,685
	<hr/>
Difference	337,096

The condition of the state from a revenue point of view has during the four years become worse to the extent of £398,781, but this was reduced to £337,096 by savings in the expenditure. The analysis just given shows that the position is in no way attributable to any action on the part of the state, but was the inevitable result of the establishment of a uniform tariff, as the Queensland tariff prior to federation was considerably above the average of the other states and of the present tariff.

In South Australia the development since 1898-9 has been as follows:—

	£
Decreased revenue from transferred services.....	1,900
New expenditure of Commonwealth charged to state.. ...	29,857
	<hr/>
	31,757
Increased state expenditure	29,690
	<hr/>
Total	61,447

The state's position is, therefore, worse to the extent of £61,447. The cost of federal services is a charge every state looked forward to paying, and as South Australia has almost as large a revenue from transferred services now as before the uniform tariff was adopted, the financial position of the state has not been affected to any appreciable extent by the establishment of the Commonwealth.

The position of Western Australia differs in one essential respect from that of the other states—duties are still leviable on interstate produce, and will continue leviable until the 8th October, 1906.

Comparing 1898-9 with 1902-3, the following shows the altered conditions.

	£
Increase revenue from transferred services	493,336
Less new expenditure of Commonwealth charged to state	17,560
	<u>475,776</u>
Increase state expenditure	305,977
	<u>169,799</u>
Difference.....	169,799

Compared with four years ago the finances of 1902-3 showed an excess of £169,799 available revenue, above the increased expenditure both of state and Commonwealth, so that it is plain the state finances of Western Australia have not been disturbed by the operation of the uniform tariff.

The financial position of Tasmania has been for several years one of some difficulty. The following figures show the changes that have taken place during the last four years:—

	£
Decreased revenue from transferred services	98,778
New expenditure of the Commonwealth charged to state	14,453
	<u>113,231</u>
Increased state expenditure	44,765
	<u>157,996</u>
Total	157,996

The state Treasury was, therefore, in a less favourable position on the 31st December, 1902, by £157,996, than four years previously, and of this sum £113,231 was due to the operation of the federal system.

Where the position of the states is now less favourable than in 1898-9, the result may be attributed, first, to increase of expenditure upon the services remaining with the state, and secondly, to the loss of interstate duties. The value of the latter, at the date of the establishment of the Commonwealth, was:—

	£
New South Wales.....	141,061
Victoria	358,659
Queensland	144,009
South Australia	89,679
Western Australia.....	256,060
Tasmania.....	76,829

Western Australia, for the present, retains its interstate duties, while New South Wales receives back more from the new duties than was received from the old duties, including those on interstate goods. In the case of Victoria the return by the Commonwealth was £93,410 in excess of that obtained in 1899, while there was a deficiency in Queensland amounting to £357,176; in South Australia, £1,900; and in Tasmania, £98,778.

As will be seen from 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 expenditure indulged in by them during 1902 and 1903. 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, 1903. In order to show 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 1903.
	£	£
New South Wales	5,031,000	10,150,000
Victoria	8,311,000	8,952,000
Queensland	11,418,000	11,120,000
South Australia	9,537,000	11,195,000
Western Australia	7,457,000	8,705,000
Tasmania	10,203,000	12,720,000

It will thus be seen that whereas a tariff from which £8,952,000 is obtainable would, at the present time (1903), satisfy the requirements of the Victorian Treasurer, it would take one yielding £12,720,000 to satisfy Tasmania, the other states occupying positions at various intervals between the extremes. The most remarkable feature of the table is the position of New South Wales. Four 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.