

SECTION XIX.

COMMONWEALTH FINANCE.

§ 1. General.

1. Financial Provisions of the Constitution.—The main provisions of the Constitution as originally drafted relating to the initiation and development of the financial system of the Commonwealth are those contained in Chapter IV., "Finance and Trade," being sections 81 to 105 of the Constitution Act. Two other sections which have a most important bearing on questions of Commonwealth finance are sections 69 and 51.

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

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

Under proclamation dated 12th February, 1901, and published in the Commonwealth *Gazette* of the 14th of that month, the Departments of Posts, Telegraphs, and Telephones in each State became transferred to the Commonwealth as from the 1st March, 1901, while under a similar proclamation dated 19th February, 1901, and gazetted on the 20th, the Departments of Naval and Military Defence in each State also became transferred to the Commonwealth as from 1st March, 1901. In the case of Quarantine, an Act (No. 3 of 1908) has been passed and control has been tentatively assumed by the Commonwealth.

The requisite proclamation of transfer has not yet been made in the case of departments dealing with "Lighthouses, lightships, beacons, and buoys," although legislation relative thereto has been passed by the Federal Parliament (Act No. 14, 1911). It is probable that the proclamation will be made at an early date.

3. Departments Transferable by Means of Commonwealth Legislation.—In addition to the departments here mentioned which pass to the Commonwealth either automatically or by proclamation, there are several others whose duties the Commonwealth is empowered to undertake after the passing by the Commonwealth of the legislation necessary to authorise the assumption of such duties. These are referred to in section 51 of the Constitution, which contains a statement of all matters respecting which power is (subject to the Constitution) conferred on Parliament "to make laws for the peace, order and good government of the Commonwealth." The matters contained in this section include those already mentioned as being covered by section 69. The principal matters involving for the due performance of the duties connected therewith the creation or transfer of departments of the Public Service are:—

- (i.) Trade and commerce.
- (ii.) Taxation.
- (iii.) Bounties on production or export of goods.

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

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

5. **Financial Relations between Commonwealth and States.**—For the first ten years after Federation the financial relations between the Commonwealth and State Governments were regulated by section 87 of the Constitution, known generally as the "Braddon Clause." This provided that the Commonwealth should, until 31st December, 1910—and thereafter as long as Parliament should decide—retain for its own use an amount not exceeding one-fourth of the net revenue from Customs and Excise duties, the balance being returned to the States. The framers of the Constitution only contemplated a moderate Federal expenditure, and doubtless considered that one-fourth of the Customs and Excise revenue would be sufficient, as, indeed, it was in the earlier years. It began to be realised, however, later on, that if the Commonwealth was to undertake large national duties such as Defence, a largely increased expenditure must be faced. Consequently, on the expiry of the "Braddon Clause" in 1910, it was replaced by an agreement much more favourable to the Commonwealth. This agreement, known as the "Commonwealth Surplus Revenue Act 1910," was passed by the Fisher Administration for a period of at least ten years. It provided that the Commonwealth was to retain the whole of the Customs and Excise revenue, and to make to the Government of each State (by monthly instalments) an annual payment, equal to 25s. per head of the population of the State.

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

Assistance has also been granted to Tasmania, partly by means of the "Tasmania Grant Act of 1912," and partly by means of a special sum allocated by the Budget of 1913. According to the "Grant Act" a sum of £500,000 was set aside to be paid to

Tasmania by ten annual instalments, starting at £95,000, and progressively diminishing by £10,000 until £5000 is reached. In the Budget of 1913 a sum of £400,000 was allotted to Tasmania, to be paid in nine annual instalments, starting at £5000 and progressively increasing by £10,000 until the last payment, which will, however, be £80,000 instead of £85,000. As the result of these two grants Tasmania will have a first instalment of £95,000, then eight instalments of £90,000 each, and a final one of £85,000.

These concessions to Western Australia and Tasmania have been granted in consideration of the sacrifices made by these States, when yielding control of their Customs revenue to the Commonwealth. The whole question of the financial relations between the Commonwealth and States since Federation has been fully treated in the chapters on Commonwealth Finance, in all previous issues of the Year Book.

§ 2. Consolidated Revenue Fund.

(A) Nature of Fund.

The provisions made for the formation of a Commonwealth Consolidated Revenue Fund, and the means to be adopted for operating on that fund, are contained in sections 81, 82, and 83 of the Constitution. In section 81 it is provided that "All revenues or moneys raised or received by the Executive Government of the Commonwealth shall form one Consolidated Revenue Fund, to be appropriated for the purposes of the Commonwealth in the manner and subject to the charges and liabilities imposed by this Constitution." A strictly literal interpretation of this section would appear to require all loan and trust moneys received by the Commonwealth Executive to be paid to Consolidated Revenue. It is, however, held by Quick and Garran, in their "Annotated Constitution," that the "generic word *moneys* must be controlled by the preceding specific word *revenues*, and limited to moneys in the nature of revenue." This is the view of the matter which has been adopted by the Commonwealth Treasury in the preparation of its accounts. At present certain moneys received by the Commonwealth, which are not of the nature of revenue, are paid to Trust Account. As regards expenditure from the Consolidated Revenue Fund, section 82 provides that the costs, charges, and expenses incident to the collection, management, and receipt of the Consolidated Revenue Fund should form the first charge thereon, while section 83 stipulates that "no money shall be drawn from the Treasury of the Commonwealth except under appropriation made by law." Such appropriations are either special, and as such are provided for by means of a permanent Act, or are annual, and provided for in an annual Appropriation Act.

(B) Revenue.

1. **Total Collections.**—The consolidated revenue of the Commonwealth, which in 1901-2, the first complete financial year under the new régime, amounted to £11,296,985, had, in 1912-13, reached a total of £21,907,084, an increase in ten years of £10,610,099.

Particulars concerning the total amount of revenue collected by the Commonwealth Government from 1st July, 1908, to 30th June, 1913, are contained in the following table:—

CONSOLIDATED REVENUE OF THE COMMONWEALTH, 1908-9 to 1912-13.

	1908-9.	1909-10.	1910-11.	1911-12.	1912-13.
Commonwealth	£ 14,350,793	£ 15,540,669	£ 18,806,237	£ 20,548,520	£ 21,907,084

For 1908-9 the revenue was lower than that for the preceding year, but the total for the Commonwealth shews a substantial excess over any year prior to 1907-8. Since 1908-9 the revenue has increased steadily every year.

2. **Collections per Head.**—In the table given hereunder particulars are furnished of the amount of revenue per head of population collected in respect of the Commonwealth for the last five years :—

COMMONWEALTH REVENUE PER HEAD OF POPULATION, 1908-9 to 1912-13.

	1908-9.			1909-10.			1910-11.			1911-12.			1912-13.		
	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
Commonwealth ...	3	7	9	3	11	11	4	5	0	4	9	11	4	12	7

3. Sources of Revenue.—The following table furnishes particulars concerning the Commonwealth revenue derived from each source during the years 1908-9 to 1912-13:—

SOURCES OF COMMONWEALTH REVENUE, 1908-9 to 1912-13.

Sources of Revenue.	1908-9.	1909-10.	1910-11.	1911-12.	1912-13.
	£	£	£	£	£
Customs	8,626,521	9,505,855	10,507,080	12,071,434	13,055,925
Excise	2,217,546	2,087,310	2,473,364	2,638,702	2,497,109
Postal	3,409,426	3,731,741	3,906,015	3,916,254	4,226,313
Defence	5,024	21,847	57,520	74,298	39,193
Patents	15,367	16,644	21,295	19,081	18,355
Trade Marks, Copyrights, and Designs	6,110	4,790	5,265	5,639	5,637
Quarantine ... ..	...	4,724	7,068	9,875	13,162
Coinage ... ..	...	69,646	198,893	156,489	122,647
New revenue	35,978	63,076	...	...	...
Public Service Pension Funds, Repayments and Transfers	34,821	35,036	61,405	39,027	42,006
Land Tax ... ..	...	...	1,370,344	1,366,457	1,564,794
Northern Territory ... ..	...	...	10,521	31,225	40,084
Credit Balance Northern Territory Funds	...	...	151,513	...	24,456
Miscellaneous ... ..	...	...	35,954	220,039	257,403
Total	14,350,793	15,540,660	18,806,237	20,548,520	21,907,064

The only feature of this table calling for remark is the rapid annual rise of the Customs revenue since 1908-9. The Excise and Postal revenues have only shewn a comparatively small upward tendency during the period under review.

4. Customs Revenue for Past Five Years.—Particulars for the Commonwealth as a whole, for the five years 1908-9 to 1912-13, are furnished in the following table:—

COMMONWEALTH CUSTOMS REVENUE, 1908-9 to 1912-13.

Classes.	1908-9.	1909-10.	1910-11.	1911-12.	1912-13.
	£	£	£	£	£
Stimulants	2,252,380	2,330,215	2,564,101	2,706,058	2,777,492
Narcotics	961,411	994,077	1,089,932	1,150,990	1,206,782
Sugar	140,343	506,385	170,822	275,077	691,568
Agricultural products	886,612	855,313	869,708	996,953	1,072,203
Apparel and textiles	1,630,490	1,872,832	2,068,922	2,385,786	2,367,945
Metals and machinery	932,944	997,973	1,264,986	1,554,983	1,639,749
Oils, paints, etc.	206,688	199,377	239,229	285,737	313,348
Earthenware, etc.	230,795	247,491	334,834	375,403	490,983
Drugs and chemicals	71,589	76,898	92,857	104,341	109,619
Wood, wicker, and cane	336,361	324,197	463,289	501,278	535,576
Jewellery, etc.	198,196	222,749	263,818	309,309	281,631
Leather, etc.	208,120	253,376	303,988	386,524	435,801
Paper and stationery	164,677	167,531	204,009	230,212	237,943
Vehicles	95,888	122,212	170,940	279,828	328,001
Musical instruments	72,128	82,949	109,423	176,009	165,839
Miscellaneous articles	205,697	220,530	258,953	313,505	361,350
Other receipts	32,202	31,700	37,269	39,141	40,095
Total Customs	8,626,521	9,505,855	10,507,080	12,071,434	13,055,925

It will be seen that throughout the period here dealt with, the Customs revenue from stimulants and narcotics has represented, approximately, one third of the total Customs revenue. The other principal articles from which Customs revenue was derived were "apparel and textiles," and "metals and machinery." The most marked increase in the amount of duty collected is in the class of "metals and machinery," the revenue under this head for 1912-13 exceeding that for 1908-9 by £706,805. The absolute increase in "apparel and textiles" is about the same, but the proportionate increase not so great.

5. **Excise Collections, 1908-9 to 1912-13.**—Particulars concerning the amount of Excise collected under each head during each of the years ending 30th June, 1909 to 1913, are given hereunder:—

COMMONWEALTH EXCISE REVENUE, 1908-9 to 1912-13.

Particulars.	1908-9.	1909-10.	1910-11	1911-12.	1912-13.
	£	£	£	£	£
Beer	551,859	584,503	617,178	694,001	718,869
Spirits	243,736	267,877	331,024	376,440	411,192
Starch	23,558	3,897	507	...	...
Sugar	750,776	548,716	794,645	748,670	518,508
Tobacco	638,017	673,437	720,305	810,242	840,012
Licenses	9,667	8,880	9,705	9,349	8,528
Agricultural machinery	Dr. 67	...	...	...	...
Total Excise ...	2,217,546	2,087,310	2,473,364	2,638,702	2,497,109

Comparing the Excise collections for 1912-13 with those for 1908-9 it will be seen that the increase in the revenue from tobacco was about 30 per cent., that from beer about 30 per cent., and that from spirits about 70 per cent., while sugar decreased 30 per cent., and decreases were also experienced in starch and licenses.

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

7. **Commonwealth Land Tax.**—Particulars as to the Land Tax assessment for each State for the year ending 30th June, 1912, will be found in the following table :—

PARTICULARS OF LAND TAX ASSESSMENT FOR EACH STATE OF THE COMMONWEALTH FOR YEAR ENDING 30th JUNE, 1912.

State.	Unimproved Value as ascertained by Department.	Tax Assessed.		
		Town.	Country.	Total.
	£	£	£	£
New South Wales—				
Resident	80,434,921	226,449	476,554	703,008
Absentee	2,750,086	22,470	15,295	37,765
	83,185,007	248,919	491,849	740,768
Victoria—				
Resident	55,952,103	135,242	206,136	341,378
Absentee	2,022,772	20,600	8,333	28,933
	57,974,875	155,842	214,469	370,311
Queensland—				
Resident	14,412,259	40,557	71,286	111,843
Absentee	476,686	2,327	2,224	4,551
	14,888,945	42,884	73,510	116,394
South Australia—				
Resident	19,361,973	38,865	87,754	126,619
Absentee	590,980	3,101	4,294	7,395
	19,952,953	41,966	92,048	134,014
Western Australia—				
Resident	6,640,742	25,773	18,062	43,835
Absentee	425,983	2,212	1,158	3,370
	7,066,725	27,985	19,220	47,205
Tasmania—				
Resident	5,681,253	7,405	27,161	34,566
Absentee	289,392	454	1,548	2,002
	5,970,645	7,859	28,709	36,568
Grand Total—				
Resident	182,483,251	474,291	886,953	1,361,244
Absentee	6,555,899	51,164	32,852	84,016
	189,039,150	525,455	919,805	1,445,260

8. **Details of Postal Revenue, 1908-9 to 1912-13.**—Particulars concerning the postal revenue of the Commonwealth for each of the financial years from 1908-9 to 1912-13 are contained in the following table :—

COMMONWEALTH POSTAL REVENUE, 1908-9 to 1912-13.

Particulars.	1908-9.	1909-10.	1910-11.	1911-12.	1912-13.
Private boxes and bags ...	£ 17,548	£ 19,078	£ 20,993	£ 23,383	£ 25,618
Commission—					
Money orders & postal notes	100,034	104,457	112,568	121,432	129,653
Telegraphs ...	642,548	681,038	740,428	788,441	811,592
Telephones ...	441,551	509,623	518,857	752,423	860,726
Postage ...	2,111,333	2,253,500	2,363,385	2,088,866	2,260,000
Miscellaneous ...	96,412	164,045	149,784	141,709	138,724
Total ...	3,409,426	3,731,741	3,906,015	3,916,254	4,226,313

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

The revenue collected since the financial year 1908-9 is shewn in the following table:—

COMMONWEALTH PATENTS REVENUE, 1908-9 to 1912-13.

	1908-9.	1909-10.	1910-11.	1911-12.	1912-13.
	£	£	£	£	£
Revenue ...	15,367	16,644	21,295	19,081	18,355

10. **Revenue from Trade Marks, etc.**—Under the several Acts of the Commonwealth Legislature relating to trade marks, copyrights, and designs, the Commonwealth Government has assumed the exclusive administration of such matters, and now collects all revenue accruing therefrom. The following table gives particulars of the amounts since this item first appeared in the Commonwealth accounts:—

COMMONWEALTH TRADE MARKS, COPYRIGHTS AND DESIGNS REVENUE,
1908-9 to 1912-13.

	1908-9.	1909-10.	1910-11.	1911-12.	1912-13.
	£	£	£	£	£
Revenue ...	6,110	4,790	5,265	5,639	5,637

11. **Defence Revenue.**—The revenue appearing under the head of "Defence" comprises the receipts derived from the sale of stores and clothing, from fines, etc., and for 1912-13 amounted to £39,193.

12. **Coinage.**—The revenue for the Commonwealth under this head is derived from the profit on coin issued, and is made up of £116,831 from silver coin and £5816 from bronze coin.

(C) **Expenditure.**

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

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

Of these three, only the first two were actual expenditure, the last being merely a transfer, the actual expenditure being incurred by the States. In accordance with the provisions of the Constitution the expenditure on transferred services was, under the "book-keeping" system, debited to the several States in respect of which such expenditure was incurred, while the expenditure on new services was distributed *per capita*. Surplus Commonwealth revenue was paid to the States monthly. During the earlier years of Federation, viz., until the end of the year 1903-4, new works, etc., for transferred departments were treated as transferred expenditure, and were charged to the States on whose behalf the expenditure had been incurred. In subsequent years all such expenditure was regarded as expenditure on new services, and was distributed amongst the States *per capita*. Under the new system of keeping the accounts there is no further debiting of expenditure to the several States.

2. **Total Expenditure.**—The total expenditure by the Commonwealth Government during the period 1908-9 to 1912-13 is shewn in the following table:—

COMMONWEALTH EXPENDITURE, 1908-9 to 1912-13.

	1908-9.	1909-10.	1910-11.	1911-12.	1912-13.
	£	£	£	£	£
Commonwealth ...	6,420,398	7,499,516	13,158,529	14,724,097	15,787,154

The expenditure for 1912-13 was higher than that for any preceding year, and was considerably higher than the expenditure for 1908-9.

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

COMMONWEALTH EXPENDITURE PER HEAD, 1908-9 to 1912-13.

	1908-9.	1909-10.	1910-11.	1911-12.	1912-13.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Commonwealth ...	1 10 4	1 14 8	2 19 6	3 4 6	3 6 8

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

COMMONWEALTH EXPENDITURE ON NEW WORKS, etc., 1908-9 to 1912-13.

Departments.	1908-9.	1909-10.	1910-11.	1911-12.	1912-13*.
	£	£	£	£	£
Trade and Customs ...	20,019	5,124	...	...	...
Defence ...	101,020	337,961	...	...	...
Postal ...	541,809	555,557	...	...	...
Sundry departments ...	4,339	2,526	2,452,960	3,566,367	2,653,282
Total ...	667,187	901,168	2,452,960	3,566,367	2,653,282

* In addition, the following amounts were spent from Trust Funds:—£475,342 for Fleet construction, and £413,097 for Telegraphs and Telephones.

It will be seen that the Commonwealth expenditure under this head has increased considerably in recent years, the total for 1912-13 being about four times as great as that for 1908-9. The main cause of the great increase in recent years is the large expenditure on fleet construction.

5. **Cost of Departments, etc.**—Arranged in such a manner as to shew under each Department the expenditure on behalf of that Department, the cost of the several branches of the Commonwealth service for the years 1908-9 to 1912-13 was as follows:—

COST OF COMMONWEALTH DEPARTMENTS, etc., 1908-9 to 1912-13.

Departments, etc.	1908-9.	1909-10.	1910-11.	1911-12.	1912-13.
	£	£	£	£	£
Governor-General	22,554	21,908	20,884	23,842	21,648
Parliament	163,991	230,233	211,558	189,550	281,261
Prime Minister ... ..	...	...	...	14,863	57,559
External Affairs	53,513	80,469	454,128	494,010	539,722
Attorney-General	32,027	32,349	35,329	62,899	66,517
Home Affairs	110,291	88,112	179,097	155,628	129,972
Treasury	34,473	74,108	1,960,318	2,308,506	2,910,224
Trade and Customs	837,741	777,788	1,051,497	1,024,389	875,784
Defence	1,050,590	1,534,881	1,895,798	2,128,649	2,612,687
Postmaster-General	3,625,402	3,786,755	3,559,785	4,330,896	4,781,524
All other Expenditure	489,316	882,913	4,290,135	3,990,865	3,510,256
Total	6,420,398	7,499,516	13,158,529	14,724,097	15,787,154

The largeness of the expenditure under the head of Parliament in the years 1909-10 and 1912-13 was in great measure due to the fact that the general elections were held in those years, while the expenditure in connection with the sugar bounties is mainly responsible for the variations which have taken place in the cost of the Department of Trade and Customs. The amount paid in Old-Age and Invalid Pensions is included in Treasury expenditure for the first time in 1910-11. It may be noted that the great increase in the item "all other expenditure," for the year 1910-11 and subsequent years, is owing to the inclusion for the first time of the expenditure on "new works," which had formerly been debited to the departments in which it had been incurred. More detailed reference to the items included under the above general heads is furnished in the succeeding paragraphs.

6. **Governor-General.**—In section 3 of the Constitution it is enacted that, until the Commonwealth Parliament otherwise provides, there shall be payable out of the Consolidated Revenue Fund for the salary of the Governor-General an annual sum of ten thousand pounds, and a proviso is made that the salary of the Governor-General shall not be altered during his continuance in office. The total expenditure in connection with the Governor-General and his establishment for the five years 1908-9 to 1912-13 is as follows:—

EXPENDITURE, GOVERNOR-GENERAL AND ESTABLISHMENTS, 1908-9 to 1912-13.

Details.	1908-9.	1909-10.	1910-11.	1911-12.	1912-13.
	£	£	£	£	£
Salary	10,000	10,000	10,000	9,973	10,000
Repairs, etc., Government Houses	8,941	7,754	6,848	10,113	6,983
Contingencies	3,613	4,154	4,036	3,756	4,665
Total	22,554	21,908	20,884	23,842	21,648

7. **Parliament.**—Under this head have been grouped all the items of expenditure connected with the Parliamentary Government of the Commonwealth, including the

salaries of the Ministers and the allowances to senators and members of the House of Representatives. Details for the five years 1908-9 to 1912-13 are furnished in the table given hereunder:—

EXPENDITURE, COMMONWEALTH PARLIAMENT, 1908-9 to 1912-13.

Details.	1908-9.	1909-10.	1910-11.	1911-12.	1912-13.
	£	£	£	£	£
Salaries of Ministers	12,000	12,000	12,000	12,000	12,000
Allowances to Senators	20,406	21,368	21,519	20,997	20,950
Allowances to Members of House of Representatives	43,418	37,112	43,205	43,257	39,198
Officers, staff, contingencies, etc.	30,127	31,458	30,938	30,985	32,873
Repairs, maintenance, etc.	2,178	2,636	1,939	1,814	3,172
Printing	13,400	15,660	16,507	16,829	19,341
Travelling expenses of Members and others	8,841	9,767	9,153	10,029	9,252
Insurance	342	342	342	342	342
Electoral Office	6,002	6,191	5,288	5,578	6,764
Election expenses	54	49,958	5,364	1,435	82,370
Referendum ... ..	...	...	47,487	4,183	...
Administration of Electoral Act	27,223	33,602	17,437	39,863	54,441
Miscellaneous ... ..	...	139	379	2,238	558
Total	163,991	220,233	211,558	189,550	281,261

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

8. Prime Minister's Department.—This is a new department created during the financial year 1911-12. In addition to the Prime Minister's Office it includes the Audit Office taken from the Treasury, the Executive Council taken from the External Affairs Department, and the Public Service Commissioner's Office taken from the Home Affairs Department. The expenditure on the Prime Minister's Department for the financial year ended 30th June, 1913, included the following items:—Prime Minister's Office, £21,685; Audit Office, £10,663; Public Service Commissioner's Office, £20,683; Executive Council, £128; Rent, Repairs, and Miscellaneous, £4400; total, £57,559. The Public Service Commissioner's Office is included for the first time, and is the principal factor in the largely increased expenditure on the department.

9. External Affairs.—Under the control of the Department of External Affairs is placed the expenditure in connection with the London Office, Papua and the Northern Territory. The expenditure in connection with the Northern Territory is exclusive of the Customs and Postal expenditure. Particulars for the five years 1908-9 to 1912-13 are as follows:—

EXPENDITURE, EXTERNAL AFFAIRS DEPARTMENT, 1908-9 to 1912-13.

Details	1908-9.	1909-10.	1910-11.	1911-12.	1912-13.
	£	£	£	£	£
High Commissioner ... ..	...	...	3,000	3,000	3,000
Chief Office	11,329	13,882	13,862	15,684	16,486
Executive Council	970	781	737	...	...
London Office	3,650	4,647	17,286	14,282	21,351
Papua	22,100	28,549	30,615	30,280	64,987
Rents, repairs, etc.	541	820	655	1,298	1,500
Northern Territory ... ..	...	...	326,347	248,758	281,140
Port Augusta Railway ... ..	...	...	...	119,426	85,965
Miscellaneous	14,923	31,790	61,626	61,282	65,293
Total	53,513	80,469	454,128	494,010	539,722

10. **Northern Territory.**—The Department of External Affairs assumed control of the administration of the Northern Territory from 1st January, 1911, and separate accounts were issued for the first time in the Treasurer's statement for the financial year ending 30th June, 1911. The chief sources of revenue for the year ending 30th June, 1913, were the Customs and Excise, amounting to £12,337, and Railways £13,747. The Postal revenue amounted to £4074, whilst the total revenue was £80,951, inclusive of £24,456 credit balance of Northern Territory funds. The chief items of expenditure were as follows:—Postal Department, £16,761; goldfields and mining, £14,964; railways, £17,963; and police, £10,609. The total expenditure was £242,048. In addition to this expenditure the Commonwealth is liable for interest on loans and redemption, which for this financial year totalled £227,561. The deficiency for the year was £388,658.

11. **Papua.**—The sums shewn in the above table as expenditure in connection with Papua represent the Commonwealth grants towards the cost of administering that territory, as well as certain additional amounts. The ordinary revenue and expenditure of Papua are kept distinct from those of the Commonwealth. Apart from the Commonwealth contribution, the principal source of revenue is the Custom House. Details for the five years 1908-9 to 1912-13 are as follows:—

PAPUAN REVENUE, 1908-9 to 1912-13.

Details.	1908-9.	1909-10.	1910-11.	1911-12.	1912-13.
	£	£	£	£	£
Customs dues	20,758	24,901	32,554	37,751	33,453
Other collections	6,948	11,017	13,418	13,284	18,882
Commonwealth grant	23,000	26,000	30,000	30,000	48,000*
Total	50,706	61,918	75,972	81,035	100,335

* Including £18,000 for special purposes.

One of the largest items of Papuan expenditure is the maintenance, etc., of vessels and boats, including the steam yacht "Merrie England," the total outlay under this head for 1912-13 being no less than £8365. The expenditure on public justice for 1912-13 totalled £24,779, comprising "magistrates, etc.," £13,235; "armed native constabulary," £8033, and "gaols," £3511. The total expenditure for each of the five years 1908-9 to 1912-13 was as follows:—

PAPUAN EXPENDITURE, 1908-9 to 1912-13.

Particulars.	1908-9.	1909-10.	1910-11.	1911-12.	1912-13.
	£	£	£	£	£
Total expenditure	51,036	64,874	70,699	85,636	89,170

12. **Attorney-General's Department.**—The extra expenditure connected with this Department from 1907-8 was brought about in large measure by the extension of the Federal High Court, the total cost of which, including the Court of Conciliation and Arbitration, for the year 1912-13, amounted to £28,024. The expenditure on Patents, Trade Marks, Copyrights, and Designs was included for the first time in 1911-12. Details for the five years 1908-9 to 1912-13 are furnished hereunder:—

EXPENDITURE, ATTORNEY-GENERAL'S DEPARTMENT, 1908-9 to 1912-13.

Details.	1908-9.	1909-10.	1910-11.	1911-12.	1912-13.
	£	£	£	£	£
Attorney-General's Office	3,705	3,684	3,805	4,449	5,279
Crown Solicitor's Office	3,242	3,458	4,472	4,829	6,046
Salaries of Justices of High Court	15,500	15,500	15,500	15,500	16,495
High Court expenses	6,791	6,888	7,459	6,772	6,839
Court of Conciliation and Arbitration	1,746	1,289	2,891	4,047	4,690
Rent, repairs, etc.	1,043	1,530	1,202	3,411	3,745
Patents, Trade Marks, etc. ... ..	...	...	...	23,291	22,768
Miscellaneous ... ..	...	...	...	600	655
Total	32,027	32,349	35,329	62,899	66,517

13. **Home Affairs Department.**—The creation of new departments such as the Bureau of Census and Statistics, and the Meteorological Bureau, and the extension of the field of operations of the Public Works branch, all of which are grouped for general administrative purposes under the Department of Home Affairs, have led to a considerable increase in the expenditure. The heaviness of the expenditure of this department for 1908-9 was, in a large measure, due to the cost incurred by the Commonwealth in connection with the reception of the American fleet; whilst that of 1910-11 was mainly due to the appropriation for the census. Particulars for the five years 1908-9 to 1912-13 are as follows:—

EXPENDITURE, HOME AFFAIRS DEPARTMENT, 1908-9 to 1912-13.

Details.	1908-9.	1909-10.	1910-11.	1911-12.	1912-13.
	£	£	£	£	£
Chief Office	10,383	11,454	14,178	15,684	22,606
Public Service Commissioner	15,636	15,952	16,989	17,881	*
Public Works	15,686	17,738	11,505	17,192	26,054
Census and Statistics	12,394	15,137	106,567	68,857	29,886
Meteorological Bureau	16,818	16,414	17,389	22,389	22,729
Rents, repairs, etc.	5,039	5,882	4,845	6,111	7,796
Reception of United States Fleet	32,580	...	...	...	...
Miscellaneous	1,755	5,535	7,624	7,514	20,901
Total	110,291	88,112	179,097	155,628	129,972

* Now included in Prime Minister's Department.

14. **Treasurer's Department.**—The sub-departments under the control of the Commonwealth Treasurer are the Treasury, the Old Age Pensions Department, and

the Land Tax Office. The Audit Office was transferred to the Prime Minister's Department in 1911-12. During the financial year 1908-9 the expenditure under this department was swelled by a donation of £10,000 to the Sicily Earthquake Relief Fund, and in 1909-10 by the increased expenditure on salaries, etc., in the Old Age Pensions Department. The statements in previous Year Books, up to No. 5 inclusive, have been rearranged so as to include expenditure on Invalid and Old Age Pensions from 1908-9; consequently, from that year onward until 1910-11 the amounts given below differ from those on page 700 by the item "Invalid and Old Age Pensions." Details of the expenditure of this department for each of the five years 1908-9 to 1912-13 are furnished hereunder:—

EXPENDITURE, TREASURER'S DEPARTMENT, 1908-9 to 1912-13.

Details.	1908-9.	1909-10.	1910-11.	1911-12.	1912-13.
	£	£	£	£	£
Treasury	11,113	11,862	12,273	13,708	17,052
Old-age pensions—Salaries, etc. ...	2,297	36,423	37,492	39,810	42,543
Audit	7,996	8,593	8,819	...	...
Rents, repairs, etc.	1,884	3,410	5,293	7,206	- 7,101
Donation to Sicily earthquake relief funds	10,000	...	...	...	...
Invalid and Old-age pensions	462,528	841,181	1,874,568	2,143,212	2,288,368
Land Tax ... ..	...	...	...	60,686	73,452
Maternity Allowance ... ..	...	...	...	...	412,375
Miscellaneous	1,183	13,820	21,873	43,884	69,313
Total	497,001	915,289	1,960,318	2,308,506	2,910,224

15. **Trade and Customs.**—Under this head have been included the expenditure of all the sub-departments under the control of the Minister of Trade and Customs, as well as the amounts payable as sugar and other bounties and the expenses in connection therewith. The Administration of Patents, Trade Marks, and Copyright is now entrusted to the Attorney General's Department. The large divergencies in the total expenditure which these figures exhibit for recent years have been mainly due to variations in the amount payable in respect of sugar bounties. Particulars for the five years 1908-9 to 1912-13 are given in the following table:—

EXPENDITURE, TRADE AND CUSTOMS DEPARTMENT, 1908-9 to 1912-13.

Details.	1908-9.	1909-10.	1910-11.	1911-12.	1912-13.
	£	£	£	£	£
Chief Office	12,223	11,954	13,260	12,698	13,582
Customs (ordinary)	256,937	255,779	286,410	301,278	347,657
Patents	14,245	19,284	20,140	...	...
Trade Marks and Copyrights	3,655	...	...	...	...
Fisheries	3,110	5,605	5,354	6,688	6,754
Analyst	2,010	1,995	2,511	3,235	2,523
Audit (proportion)	7,019	7,426	7,281	7,057	7,763
Quarantine	808	23,355	21,246	22,973	23,371
Pensions and retiring allowances	6,787	8,058	10,308	12,049	14,099
Rents, repairs, etc.	9,932	9,994	12,068	17,969	13,371
Sugar bounties and expenses	483,707	407,777	630,762	543,503	370,125
Bounties	2,633	5,885	11,740	22,941	18,171
New works, etc.	20,019	5,124	...	...	...
Iron Bonus	3,648	32,579	29,427	23,048	18,098
Miscellaneous	14,656	15,552	990	50,950	40,270
Total	841,389	810,367	1,051,497	1,024,389	875,784

16. **Defence.**—The Commonwealth expenditure in connection with Defence, which in 1901-2 amounted to £861,218, had by 1908-9 grown to £1,050,590. A slight fall was experienced in 1910-11 owing to the loss of the item "new works." The largeness of the expenditure for recent years has been in the main the consequence of the new defence system. Particulars for the five years 1908-9 to 1912-13 are as follows:—

EXPENDITURE, DEFENCE, 1908-9 to 1912-13.

Details.	1908-9.	1909-10.	1910-11.	1911-12.	1912-13.
	£	£	£	£	£
Chief Office	23,884	26,366	32,609	54,004	74,480
Military	625,600	853,420	1,040,981	1,409,398	1,557,443
Naval	259,251	263,143	273,076	449,701	1,790,750
Audit (proportion)	960	954	1,142	1,180	1,298
Pensions and retiring allowances	1,017	781	965	2,269	1,121
Rents, repairs, etc.	29,798	29,621	42,863	46,257	58,746
New works, etc.	101,020	337,961	...	...	...
Miscellaneous	9,060	22,635	4,162	165,840	128,849
Total	1,050,590	1,534,881	1,395,798	2,128,649	2,612,687

17. **Postal.**—From a total of £3,625,402 in 1908-9 the cost of the department under the control of the Postmaster-General advanced to £4,781,524 in 1912-13, an increase of £1,156,122. Details for the five years 1908-9 to 1912-13 are furnished hereunder:—

EXPENDITURE, POSTAL DEPARTMENT, 1908-9 to 1912-13.

Details.	1908-9.	1909-10.	1910-11.	1911-12.	1912-13.
	£	£	£	£	£
Chief Office	10,780	12,324	14,208	18,515	20,154
Postal Department (ordinary) ...	2,986,992	3,123,357	3,441,720	3,796,157	4,145,803
Audit (proportion)	2,393	2,398	2,704	2,894	3,184
Pensions and retiring allowances ...	26,186	32,083	31,209	36,812	42,757
Rents, repairs, etc.	51,454	54,484	62,454	72,222	84,383
New works, etc.	541,809	555,557	...	...	...
Miscellaneous	5,788	6,552	7,490	404,296	484,743
Total	3,625,402	3,786,755	3,559,785	4,330,896	4,781,524

18. **Interest on Transferred Properties.**—At the time of Federation, when the Commonwealth undertook control of a great many departments which had previously been worked by the States, a great deal of property was handed over to the Commonwealth Government. This consisted mainly of Post Offices, Customs Houses, Defence works, and other buildings necessary to the effective working of the transferred departments. In the early days of the "Braddon Clause," when the Commonwealth Government was spending less than its statutory proportion of the Customs revenue, the question of suitable compensation to the States did not become acute; but, when the "Braddon Clause" was replaced by another arrangement between Commonwealth and States, much less favourable to the latter, the matter was put upon a more definite footing. In the Commonwealth accounts for 1911-12 and 1912-13, definite amounts (independent entirely of the subsidy) have been paid to the States under the heading "Interest on Transferred Properties." These amounts have been substantially based upon a valuation, made by the Home Affairs Department, with the following result:—

VALUATION OF TRANSFERRED PROPERTIES.

STATES.			DEPARTMENTS.		
	£			£	
New South Wales	3,674,648		Postmaster-General	6,253,888	
Victoria	2,330,174		Defence	2,721,666	
Queensland	1,521,868		Trade and Customs	661,160	
South Australia	1,032,722		Home Affairs	11,735	
Western Australia	704,286				
Tasmania	384,751				
Total	£9,648,449		Total	£9,648,449	

Since the valuation a few transfers and re-transfers have been made. Making allowances for these, the following tables shew particulars of the payments made:—

STATES.

Particulars.	N.S.W.	Vic.	Q'land.	S.A.	W.A.	Tas.	Totals.
	£	£	£	£	£	£	£
Interest—							
Calculated on original valuation	385,838	244,668	159,796	108,436	73,950	40,399	1,013,087
Added for further transfers	71	381	...	...	...	...	452
	385,909	245,049	159,796	108,436	73,950	40,399	1,013,539
Deducted for properties re-transferred	300	407	639	271	2,837	42	4,496
Balance due 30th June, 1913	385,609	244,642	159,157	108,165	71,113	40,357	1,009,043
Paid during year 1911-12 ...	220,296	138,941	90,781	61,769	36,147	23,061	570,995
Paid during year 1912-13 ...	165,313	105,701	68,376	46,396	34,966	17,296	438,048

DEPARTMENTS.

Particulars.	Postmaster-General.	Defence.	Trade and Customs.	Home Affairs.	Totals.
	£	£	£	£	£
Interest—					
Calculated on original valuations	656,658	285,775	69,422	1,232	1,013,087
Added for further transfers	377	59	16	...	452
	657,035	285,834	69,438	1,232	1,013,539
Deducted for properties re-transferred	3,291	1,141	64	...	4,496
Balance due to 30th June, 1913	653,744	284,693	69,374	1,232	1,009,043
Paid during year 1911-12 ...	368,645	162,131	39,515	704	570,995
Paid during year 1912-13 ...	285,099	122,562	29,859	528	438,048

Interest has been paid as from 1st July, 1910. In the year 1911-12, interest at the rate of 3 per cent. for two years was paid. In the year 1912-13, interest at the rate of 3½ per cent. was paid, together with two yearly payments at the rate of ½ per cent., thus completing payment for the full period at the rate of 3½ per cent.

19. **Miscellaneous.**—In addition to the foregoing there are certain items which do not come under any of the heads enumerated. For 1912-13 the total expenditure under this heading was £3,510,256, made up of £2,653,282 for new works, and a payment of £856,974 into the trust fund for the purpose of old-age pensions. The entire expenditure for new works now appears as a separate item instead of being debited to the different departments.

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

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

2. **Payments to the Several States.**—In the following table are furnished particulars relative to the amounts actually paid to the several States on account of each of the financial years 1908-9 to 1912-13:—

COMMONWEALTH SUBSIDY PAID TO STATES, 1908-9 to 1912-13.

State.	1908-9.	1909-10.	1910-11.	1911-12.	1912-13.
	£	£	£	£	£
New South Wales ...	3,326,276	3,480,314	1,954,986	2,046,993	2,173,683
Victoria ...	1,987,435	2,109,379	1,617,572	1,667,657	1,692,121
Queensland ...	1,027,047	1,099,383	691,625	761,302	780,051
South Australia ...	716,957	842,508	514,622	511,719	527,151
Western Australia ...	627,933	707,672	591,243	599,991	605,215
Tasmania ...	244,747	253,180	233,143	236,761	*241,709
Total ...	7,930,395	8,492,436	5,603,191	5,824,423	*6,024,930

* Not including special grant of £95,000 to Tasmania.

For 1908-9 the surplus revenue paid to the States was lower in all cases than that for 1907-8. This was due in part to the fact that the 1907-8 payments were somewhat abnormal, and in part to the retention by the Commonwealth in 1908-9 of all revenue in excess of the statutory three-fourths of net Customs and Excise Revenue. In 1909-10 the surplus revenue returned to the States was higher in every case than in 1908-9. In 1910-11, owing to the new system of allotting the Commonwealth subsidy, the amounts received by each State were the smallest for the period under review, but they all rose, with the exception of South Australia, in 1911-12, and again, without exception, in 1912-13. The amount allotted to Tasmania is exclusive of the first instalment of the special payment to which reference has already been made (see page 693).

3. **Commonwealth Subsidy per head of Population.**—The following table furnishes particulars concerning the amount of surplus Commonwealth revenue per head of population which the several States received during the financial years 1905-6 to 1909-10, and is of interest in connection with the new financial agreement, under which the Commonwealth pays 25s. per head of population, to all the States, for a period of ten years, subject to a special arrangement in favour of Western Australia. (See page 693.)

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

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

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

§ 3. Trust Fund.

1. **Trust Accounts.**—The Trust Fund credit balance on 30th June, 1913, amounted to £13,838,381, as compared with £14,255,098 for the corresponding date in the year ending 30th June, 1912. These enormous amounts are due mainly to the Australian Notes Account referred to in detail in paragraph 3. Details concerning the various trust accounts contributing to this amount are as follows:—

COMMONWEALTH TRUST FUND, 30th JUNE, 1913.

Trust Accounts.	Balance at 30th June, 1913.	Trust Accounts.	Balance at 30th June, 1913.
	£		£
Small Arms Ammunition ...	50,841	Officers' Assurance... ..	1,477
Defence Clothing Material ...	41,885	Defalcations	42
Small Arms... ..	4,531	Guarantee Fund	3,684
Unclaimed Militia Pay—military	2,092	Repatriation of Pacific Islanders	40
" " naval	385	London Liabilities	1,281,114
Military Expenses	6,861	Minerals Account	2,231
Customs Officers' Overtime ...	972	Quarantine	26
Money Order	40,000	Naval Defence	721,487
International Postal & Money		Australian Notes Account ...	9,465,256
Order	15,007	Other Trust Moneys	189,478
Invalid and Old Age Pensions...	2,010,518		
Papua	454		
		Total	13,838,381

2. **Distribution.**—The amounts to credit of Trust Fund in the several States on 30th June, 1913, were as follows:—New South Wales, £671,479; Victoria, £12,213,206; Queensland, £250,731; South Australia, £269,264; Western Australia, £256,148; and Tasmania, £177,553.

3. **Australian Notes Account.**—After the passage of the Australian Notes Act, Australian notes began to appear in circulation in December, 1910. For the first half of the calendar year 1911, they circulated side by side with bank notes and Queensland Treasury notes. After 30th June, 1911, the penal clauses of the Notes Act came into operation and the banks and the Queensland Government began to withdraw their notes from active circulation. By the end of the year the process was virtually complete. On 30th June, 1913, the notes issued and unredeemed amounted to £9,163,518. Against this there was a reserve in gold coin of £3,732,557 and other assets, of which the most important were investments in Government Stock and fixed deposits, totalling £5,720,000, and returning an annual income of £216,600.

The position, according to a Treasury return issued at the end of February, 1914, was as follows:—

COMMONWEALTH NOTES ISSUED AND UNREDEEMED AT 25th FEBRUARY, 1914.

	£	s.	d.
10s.	22,874	10	0
£1	3,068,570	0	0
£5	3,430,365	0	0
£10	1,702,210	0	0
£20	365,440	0	0
£50	852,200	0	0
£100	465,600	0	0
	9,907,259	10	0

The amount of the gold reserve was £4,440,290, representing 44.82 per cent. of the liability. Out of this amount of Commonwealth notes the banks hold about £5,000,000, the balance being in active circulation.

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

4. **Advances by Commonwealth Government to States.**—Reference has been made in the previous paragraph to the investments of the gold reserve from the Australian Notes Account. A large proportion has been advanced to the respective State Governments for short periods, sometimes as low as one year. This is a novel and interesting departure in Australian Public Finance, and in view of the new financial relations thus brought about between the Commonwealth and State Governments, the following table is appended, giving full particulars of the investments of £5,720,000, to which reference has already been made:—

**AUSTRALIAN NOTES ACCOUNT.—PARTICULARS OF INVESTMENT AS AT
30th JUNE, 1913.**

Particulars.	Amount.	Rate of Interest.	Date of Maturity.	Annual Amount of Interest.
STATE GOVERNMENT SECURITIES				
	£	%		£
New South Wales Funded Stock	1,000,000	3½	10/3/19	37,500
Victorian Government Debentures	980,000	3½	1/5/21	35,000
Western Australian Stock ...	650,000	3½	1/9/26	24,375
" " Treasury Bills	100,000	4	15/4/14	4,000
Tasmanian Inscribed Stock ...	200,000	3½	1/4/21	} 18,750
" " " " " "	300,000	3½	1/10/21	
FIXED DEPOSITS—				
New South Wales Government ...	800,000	4	13/6/14	32,000
" " " " " "	200,000	4	21/6/14	8,000
" " " " " "	100,000	3½	17/9/13	3,500
" " " " " "	100,000	3½	17/10/13	3,500
" " " " " "	100,000	3½	17/11/13	3,750
" " " " " "	100,000	3½	17/12/13	3,750
Queensland Government ...	840,000	4	5/3/14	33,600
Commonwealth Bank ...	50,000	3½	30/6/14	1,750
" " " " " "	50,000	3½	31/7/14	1,750
" " " " " "	50,000	3½	31/8/14	1,750
" " " " " "	50,000	3½	30/9/14	1,750
Brisbane Bank ...	25,000	4	20/1/14	1,000
Launceston Bank ...	25,000	3½	16/8/13	875
Total ...	5,720,000	—	—	216,600

In addition to the amounts which appear in this table the Commonwealth Government has made further advances to the States from other Trust Funds. The total amount advanced to the States at 30th June, 1913, was £6,780,000, returning interest to the extent of £259,625.

§ 4. Commonwealth Public Debt.

Although the Federal Government has never gone to the public as a borrower there still exists a Commonwealth debt. The first portions were contracted at the beginning of 1911, when the Federal Government assumed responsibility for the outstanding liabilities of the Northern Territory and the Port Augusta-Oodnadatta Railway. Another item was added to the list later on in the year by the passage of two Acts (Nos. 20 and 24 of 1911), relating to the issue of Inscribed Stock, the former being permissive, and the latter specifying the fixed sum of £2,460,476. This amount was to be raised for the following purposes:—

- (1) Construction of Kalgoorlie-Port Augusta Railway.
- (2) Acquisition of land in Federal Territory.
- (3) Purchase of site for High Commissioner's Office in London.
- (4) Redemption of certain Treasury Bills issued by the South Australian Government on behalf of the Northern Territory.
- (5) Repayment to South Australia of amount paid out of revenue towards construction of Oodnadatta Railway.

On 18th April, 1912, an order was passed in pursuance of these Acts, creating Inscribed Stock to the value of £700,000. The money was taken from the Trust Fund, and the stock sold to the Commonwealth Treasurer at par. Interest is at the rate of $3\frac{1}{2}$ per cent. per annum, with a provision for a sinking fund of $\frac{1}{2}$ per cent. The money was spent as follows:—£400,000 in London; £226,000 in reduction of Northern Territory Debt; £34,476 to the Government of South Australia on account of the Oodnadatta Railway. There was a balance of £39,524 unexpended on 30th June, 1912. The loan is repayable at par, at any time between 1st April, 1962, and 1st April, 1972, at the option of the Commonwealth Treasurer. The amount of stock sold under this Act was subsequently increased, and at 30th June, 1913, stood at £2,000,000. The unexpended balance on 30th June, 1913, was £151,498.

The following is a statement of the Public Debt of the Commonwealth at 30th June, 1913:—

COMMONWEALTH PUBLIC DEBT, 30th JUNE, 1913.

Inscribed Stock	...	...	...	£2,000,000
Balance of Loans, Northern Territory	...	...	...	3,359,891
Balance of Loans, Port Augusta-Oodnadatta Railway				2,071,058
			Total	£7,430,949

Of this amount, £3,646,548 is repayable in London, and £3,784,401 in Australia. The average rate of interest is £3 14s. 10d. per annum.