

SECTION XIX.

COMMONWEALTH FINANCE.

§ 1. General.

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

Section 69 provided for certain departments which were transferable under the Constitution. Section 51 referred to other departments which it would be necessary to create under the Constitution. Section 87 dealt with the financial relations between the Commonwealth and the States. All of these matters have been treated in detail in previous issues of the Official Year Book up to and including No. 12, and no further reference to them will be made here.

2. **Accounts of Commonwealth Government.**—The Commonwealth Government, like the States Governments, operates nearly all its accounts by means of three funds: the Consolidated Revenue Fund, the Trust Fund, and the Loan Fund. The latter only came into existence in the financial year 1911-12, but on the outbreak of war became so important that it is now treated in two parts: a General Loan Fund mainly for purposes of Public Works, and a War Loan Fund for purely military purposes. The accounts of these funds are now so interwoven that a proper conspectus of the Commonwealth Accounts can hardly be obtained by an analysis of each of them singly. Two tables are therefore appended, shewing receipts and disbursements from all sources for the last five years. The different funds will then be treated in detail in the subsequent sections.

COMMONWEALTH RECEIPTS, 1915-16 TO 1919-20.

Heading.	1915-16.	1916-17.	1917-18.	1918-19.	1919-20.
	£	£	£	£	£
Consolidated Revenue	30,762,216	34,067,434	36,839,868	44,716,918	52,783,102
Trust Funds in aid of Revenue ..	..	3,000,000	2,077,427	3,925,820	3,523,057
Total	30,762,216	37,067,434	38,917,295	48,642,738	56,306,159
General Loan Fund	2,859,341	..	1,803,447	1,429,891	1,286,786
Total	2,859,341	..	1,803,447	1,429,891	1,286,786
War Loan Fund	57,656,683	50,611,810	60,865,195	57,637,507	27,125,203
Unexpended Balance from previous years .. ..	..	20,233,115	17,730,688	23,500,774	18,945,392
Total	57,656,683	70,844,925	78,595,883	81,138,281	46,070,595
Grand Total	91,278,240	107,912,359	119,316,625	131,210,910	103,663,540

COMMONWEALTH EXPENDITURE, 1915-16 TO 1919-20.

Heading.	1915-16.	1916-17.	1917-18.	1918-19.	1919-20.
	£	£	£	£	£
Expenditure from Consolidated Revenue	21,415,221	(a)25,719,588	26,573,674	34,786,107	40,337,804
Balance paid into Trust Funds ..	3,000,000	2,077,427	3,925,820	3,476,478	5,724,806
Expenditure from Trust Funds ..	..	3,000,000	2,077,427	3,879,241	3,523,057
Subsidy to States	6,346,995	6,270,419	6,340,374	6,454,333	6,720,492
Unexpended Balance from Trust Funds .. .. .	..	..	..	46,579	..
Total	30,762,216	37,067,434	38,917,295	48,642,738	56,306,159
General Loan Fund Expenditure ..	2,859,341	..	1,803,447	1,429,891	1,286,786
Total	2,859,341	..	1,803,447	1,429,891	1,286,786
War Expenditure from War Loan Fund	37,423,568	53,114,237	55,095,109	62,192,889	46,070,595
Unexpended Balance from War Loan Fund	20,233,115	17,730,688	23,500,774	18,945,392	..
Total	57,656,683	70,844,925	78,595,883	81,138,281	46,070,595
Grand Total	91,278,240	107,912,359	119,318,625	131,210,910	103,663,540

(a) Includes £371,118 repayment of advance from Notes Fund in 1914-15.

§ 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, and other moneys are paid to Loan 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 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 1919-20, reached a total of £52,783,102, an increase in the period of £41,486,117.

Particulars concerning the total amount of revenue collected by the Commonwealth Government from 1st July, 1915, to 30th June, 1920, are contained in the following table :—

CONSOLIDATED REVENUE OF THE COMMONWEALTH, 1915-16 TO 1919-20.

—	1915-16.	1916-17.	1917-18.	1918-19.	1919-20.
	£	£	£	£	£
Commonwealth	30,762,216	34,067,434	36,839,868	44,716,918	52,783,102

The great increase in recent years is due to the large expansion in direct taxation, which will be dealt with in detail in a later subsection.

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 six years :—

COMMONWEALTH REVENUE PER HEAD OF POPULATION, 1915-16 TO 1919-20.

Source of Revenue.	1915-16.	1916-17.	1917-18.	1918-19.	1919-20.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Taxation	4 15 5	5 0 7	4 19 9	6 10 8	7 19 6
Public Works and Services ..	1 4 4	1 9 0	1 18 5	1 16 5	1 8 10
Other Receipts	0 5 0	0 10 2	0 11 1	0 10 8	0 12 10
Total	6 4 9	6 19 9	7 9 3	8 17 9	10 1 2

3. Sources of Revenue.—The following table furnishes detailed particulars concerning the Commonwealth revenue derived from each source during the years 1915-16 to 1919-20 :—

SOURCES OF COMMONWEALTH REVENUE, 1915-16 TO 1919-20.

Source of Revenue.	1915-16.	1916-17.	1917-18.	1918-19.	1919-20.
	£	£	£	£	£
Taxation—					
Customs	13,610,684	12,373,664	9,486,555	11,605,410	13,705,220
Excise	3,323,419	3,236,623	3,737,757	5,821,560	7,869,339
Land Tax	2,040,436	2,121,952	2,123,779	2,109,171	2,110,806
Probate Duties	626,215	1,062,168	947,232	923,908	1,441,819
Income Tax	3,932,775	5,621,950	7,385,514	10,376,456	12,848,123
Entertainments Tax .. ..	..	110,683	245,898	358,126	557,911
War Time Profits Tax .. ..	..	..	680,008	1,206,538	2,569,012
War Postage .. ..	..	..	..	463,317	745,962
Total	23,533,529	24,527,040	24,606,743	32,864,486	41,847,692
Public Works and Services—					
Postal	5,053,596	5,498,517	5,762,190	6,110,522	6,744,755
Railways	304,068	305,964	201,107	196,988	265,918
Commonwealth Steamers .. ..	..	..	880,000	1,015,762	..
Detained Enemy Vessels	646,219	1,272,621	2,173,418	1,671,905	344,411
Other .. ..	..	..	468,760	156,321	218,209
Total	6,003,883	7,077,102	9,485,484	9,151,498	7,573,293
Other Revenue—					
Interest, Discount, etc.	191,395	865,655	995,576	1,479,426	1,589,347
Coinage	359,720	354,276	229,378	125,634	76,439
Defence	234,896	478,326	683,804	262,786	183,227
Quarantine	19,242	19,671	16,453	44,118	62,053
Territories (a)	54,156	70,333	71,053	97,873	65,206
Patents, etc.	20,662	20,599	20,282	23,623	34,067
Lighthouses	123,945	99,830	108,556	125,231	153,982
Pension Contributions	50,447	50,474	51,396	51,763	57,642
Defence Trust Account	85,854	..	250,310	185,082	270,504
Unexpended Balances of London Orders .. ..	..	..	186,149	185,746	708,264
Miscellaneous	84,487	504,128	134,684	119,652	161,376
Total	1,224,804	2,463,292	2,747,641	2,700,934	3,362,117
Grand Total	30,762,216	34,067,434	36,839,868	44,716,918	52,783,102

(a) Exclusive of Railways, and other items which appear elsewhere under their appropriate headings.

In addition to the new direct taxation, there was for some time a fairly steady return from Customs and Excise. In the two years 1916-8, however, there was a striking fall in the Customs returns, due probably to the diminution of imports caused by a scarcity of tonnage. A marked improvement was manifested in 1919-20. The postal receipts have shewn a consistent upward tendency, and there has been also a large addition to the revenue in recent years by the operations of the Commonwealth steamers, detained enemy vessels, and other activities.

The principal items composing the revenue are discussed in greater detail hereunder.

4. Customs Revenue for Past Five Years.—Particulars for the Commonwealth as a whole, for the five years 1915-16 to 1919-20, are furnished in the following table :—

COMMONWEALTH CUSTOMS REVENUE, 1915-16 TO 1919-20.

Classes.	1915-16.	1916-17.	1917-18.	1918-19.	1919-20.
	£	£	£	£	£
Stimulants	2,500,606	1,986,321	1,693,957	1,455,667	1,880,531
Narcotics	1,333,516	1,300,683	1,236,085	1,268,357	1,590,450
Sugar	587,028	453,380	51,119	107,965	a7,229
Agricultural products ..	1,310,437	862,227	603,605	515,236	726,360
Apparel and textiles ..	2,902,012	3,197,778	2,393,518	3,422,371	3,444,292
Metals and machinery ..	1,572,536	1,404,705	1,000,943	1,603,767	2,165,221
Oils, paints, etc. ..	386,994	338,202	267,129	319,043	311,022
Earthenware, etc. ..	368,300	249,525	176,244	248,664	280,064
Drugs and chemicals ..	160,997	163,027	163,623	219,532	289,437
Wood, wicker and cane ..	365,969	277,396	203,430	214,715	274,500
Jewellery, etc. ..	335,147	325,718	279,785	334,986	413,134
Leather, etc. ..	505,652	498,874	346,073	466,589	576,106
Paper and stationery ..	346,158	419,323	299,330	506,662	467,623
Vehicles	499,140	429,077	322,344	337,334	625,498
Musical instruments ..	100,562	107,915	110,413	110,850	142,082
Miscellaneous articles ..	295,895	320,334	298,661	425,349	477,612
Other receipts	39,735	39,179	40,296	48,323	48,517
Total Customs	13,610,684	12,373,664	9,486,555	11,605,410	13,705,220

(a) Debit.

It will be seen that during the period here dealt with, the Customs revenue from stimulants and narcotics has represented a proportion of the total varying approximately from one-fourth to one-third. The other principal articles from which Customs revenue was derived were "apparel and textiles," "metals and machinery," and "agricultural products." The smaller revenue from Customs duties in 1917-18 was due to the restriction of imports in consequence of the shortage of ships.

5. Excise Collections, 1915-16 to 1919-20.—Particulars concerning the amount of Excise collected under each head during each of the years ending 30th June, 1916 to 1920, are given hereunder :—

COMMONWEALTH EXCISE REVENUE, 1915-16 TO 1919-20.

Particulars.	1915-16.	1916-17.	1917-18.	1918-19.	1919-20.
	£	£	£	£	£
Beer	1,485,543	1,387,115	1,703,888	2,862,760	3,702,442
Spirits	627,431	670,768	804,476	1,098,440	1,609,065
Sugar	(a)170	..	..	..	..
Tobacco	1,204,556	1,172,787	1,223,792	1,847,661	2,545,214
Licenses	6,059	5,953	5,601	12,699	4,681
Total Excise	3,323,419	3,236,623	3,737,757	5,821,560	7,869,339(b)

(a) Debit.

(b) Including £7,937 "Other."

Comparing the Excise collections for 1919-20 with those for 1915-16, it will be seen that the revenue from beer, spirits, and tobacco, the most important items, has much more than doubled in the period under review. The large increase in every item in the last two years is due to the operation of increased excise duties which came into force on 25th September, 1918.

6. **Commonwealth Direct Taxation.**—(a) *General.* Under section 51, sub-section (ii) of the Constitution, power is given to the Commonwealth Parliament to make laws with respect to taxation, but so as not to discriminate between States or parts of States. Section 90 of the Constitution makes the power of the Commonwealth Parliament to impose Customs and Excise duties an exclusive one, but it would appear that as regards all other forms of taxation the States and Commonwealth possess concurrent powers. The question of the imposition by the Commonwealth Parliament of direct taxes such as land and income taxes is one which has been the subject of considerable discussion, and the opinion has been expressed that the intention of the framers of the Constitution was that of restricting the powers of taxation of the Commonwealth to the imposition of Customs and Excise duties except in case of great national peril. Whatever the intention of the framers may have been in this matter, the Constitution itself expresses no such limitation, and consequently the Commonwealth Parliament is unfettered 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, treated 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 not specially exempted. Detailed reference to this Act will be found in Commonwealth Year Books Nos. 5 and 6. A conspectus relating to land taxation will be found at the end of Section XX.

(b) *Budget of 1914–15.* The fact stated in the previous paragraph, that there was nothing in the Constitution itself to restrain the Federal Government from entering the field of direct taxation, received further exemplification by the Budget of 1914–15. The outbreak of war then made it necessary for the Commonwealth Government to exercise full powers in the matter of direct taxation. In the first place the Land Tax was raised by altering the graduation so that the increase in rate over the whole taxable value of the estate, for each succeeding pound of taxable value between £5,000 and £75,000, was one eighteen-thousand seven-hundred and fiftieth of a penny, instead of one thirty-thousandth of a penny, as hitherto. The maximum rate for resident owners became 9d. in the £ on estates whose taxable value was more than £75,000. Corresponding increases in the rates payable by absentee owners were made, rising to a maximum of 10d. in the £ on estates whose taxable value is more than £80,000. The Act No. 30 of 1918 increased the existing rates of land tax by 20 per cent. In addition to this substantial increase in an already existing tax, the Federal Government, for the first time, introduced Succession Duties on estates of deceased persons, in addition to those already imposed by the State Governments. The Commonwealth scale of succession duty, exempting all estates of less than £1,000 net value, ranges from a minimum of 1 per cent. to a maximum of 15 per cent. on estates of a higher taxable value than £71,000, the rate of duty going up $\frac{1}{2}$ per cent. for every increase of £1,000 in the taxable estate. The respective collections in the several States are given in the accompanying table.

COMMONWEALTH PROBATE AND SUCCESSION DUTIES, COLLECTED IN EACH STATE, 1915–16 TO 1919–20.

Year.	N.S.W.	Vic. (c)	Q'land.	S. Aust.	W. Aust.	Tas.	Total.
	£	£	£	£	£	£	£
1915–16 ..	261,477	276,923	23,928	32,790(a)	8,530	22,567	626,215
1916–17 ..	306,249	588,125	61,239	65,130	30,064	11,361	1,062,168
1917–18 ..	338,006	448,225	55,181	69,737	18,616	17,467	947,232
1918–19 ..	307,499	377,872	56,909	131,488(b)	28,638	21,502	923,908
1919–20 ..	399,896	700,629	60,670	144,077(d)	99,826	36,720	1,441,818

(a) Including Northern Territory, £164.

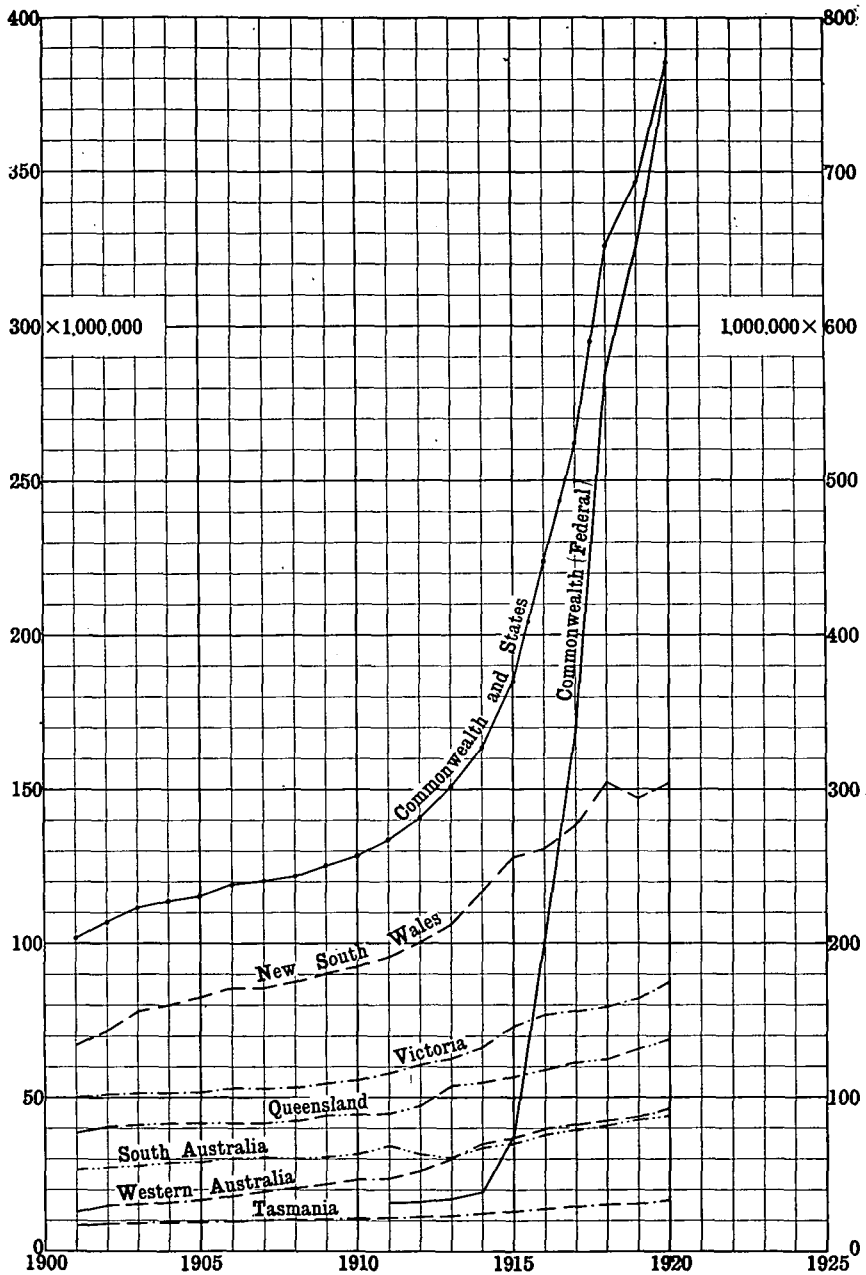
(b) Including Northern Territory, £1,280.

(c) Including Central Office.

(d) Including Northern Territory.

In this table and the corresponding ones dealing with Land Tax, Income Tax, and War Time Profits Tax, it must be noted that the amount received in Victoria includes that collected on behalf of the Central Office, which deals with taxpayers who own property in more than one State.

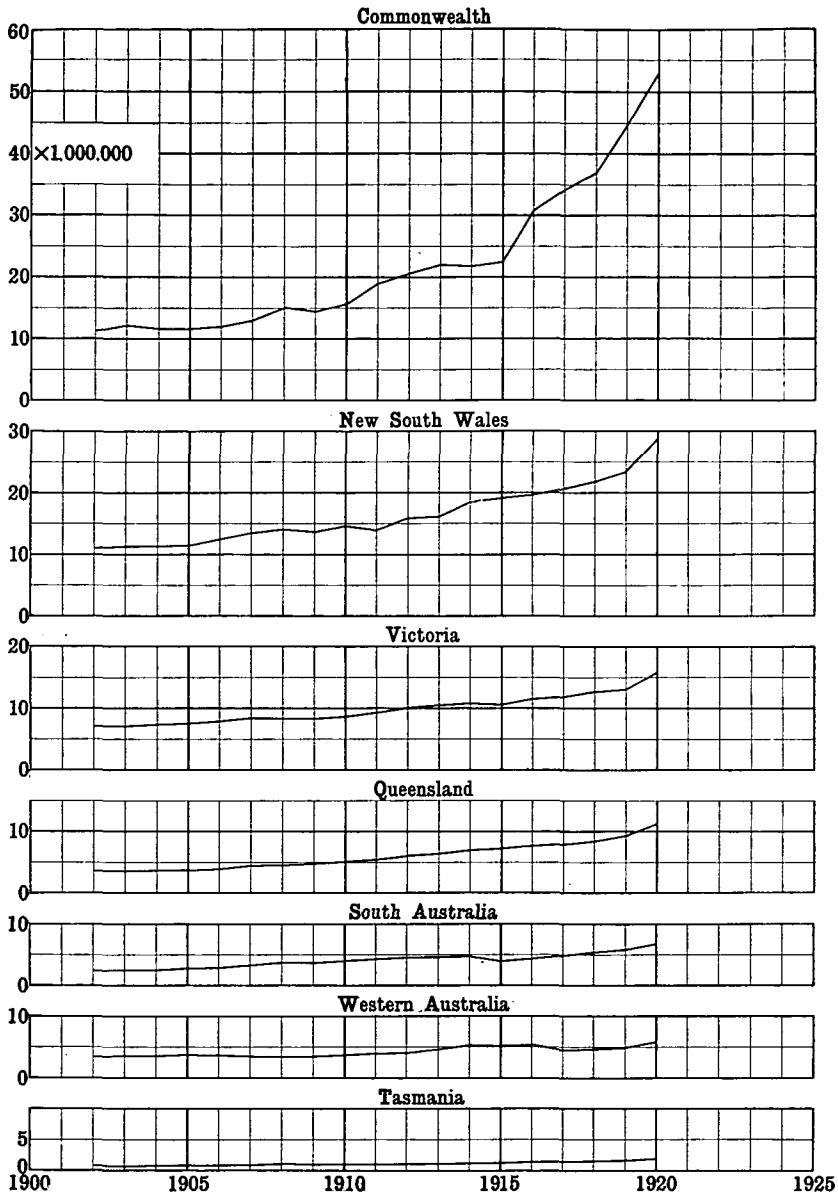
AUSTRALIAN PUBLIC DEBT—COMMONWEALTH AND STATES, 1900-1 TO 1919-20.



See pp. 697, 716.

EXPLANATION OF GRAPHS.—The base of each small square represents an interval of one year, while the vertical height represents £10,000,000 in the case of the Commonwealth (Federal) and States Debts the scale for which is on the left hand side, and £20,000,000 for Commonwealth and States combined the scale for which is on the right hand. The Commonwealth (Federal) debt commenced in the year 1911.

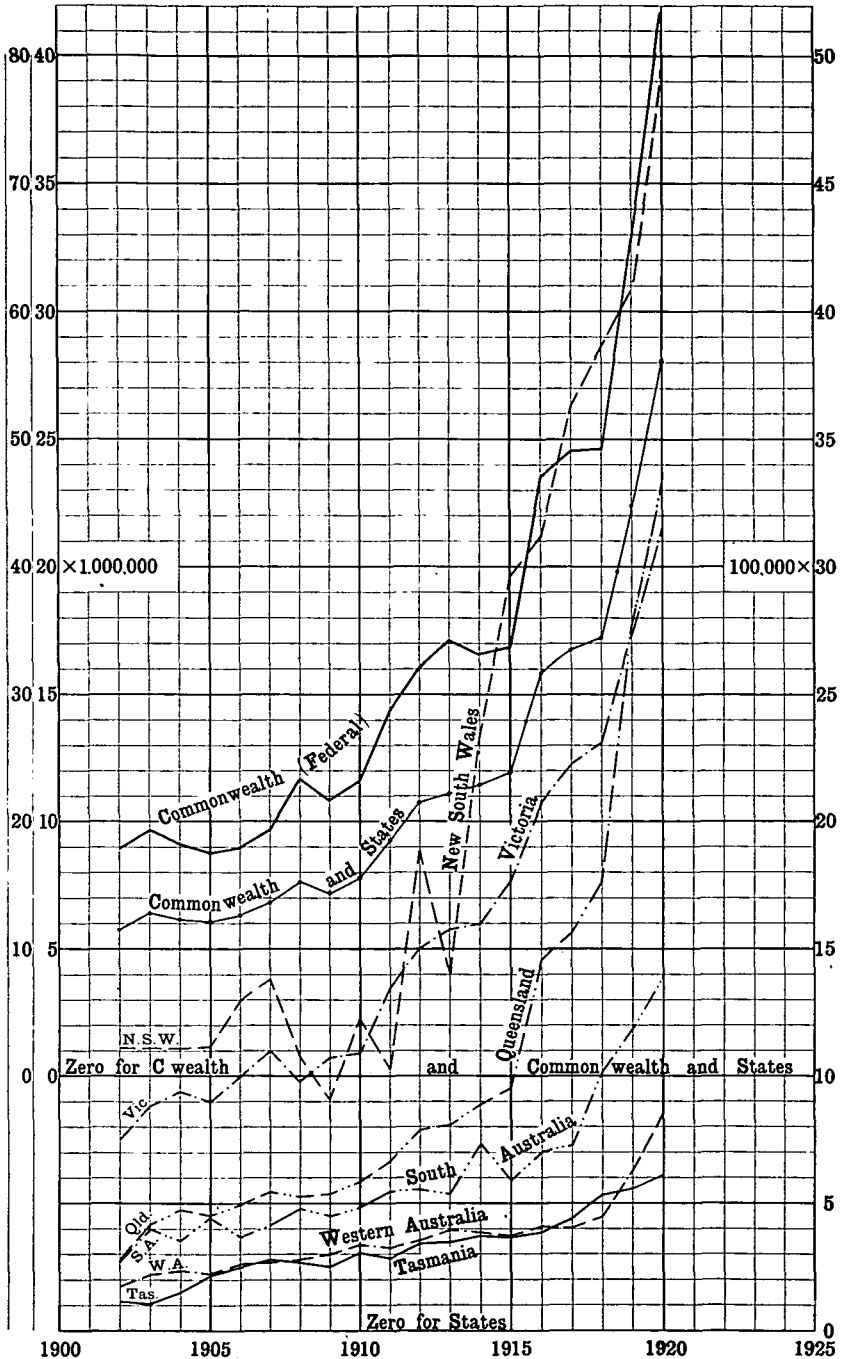
AUSTRALIAN CONSOLIDATED REVENUE—COMMONWEALTH AND STATES, 1901-2 TO 1919-20.



See pp. 668, 702.

EXPLANATION OF GRAPHS.—The base of each small square represents an interval of one year, while the vertical height represents £5,000,000. The zero lines in each case are marked thus "0."

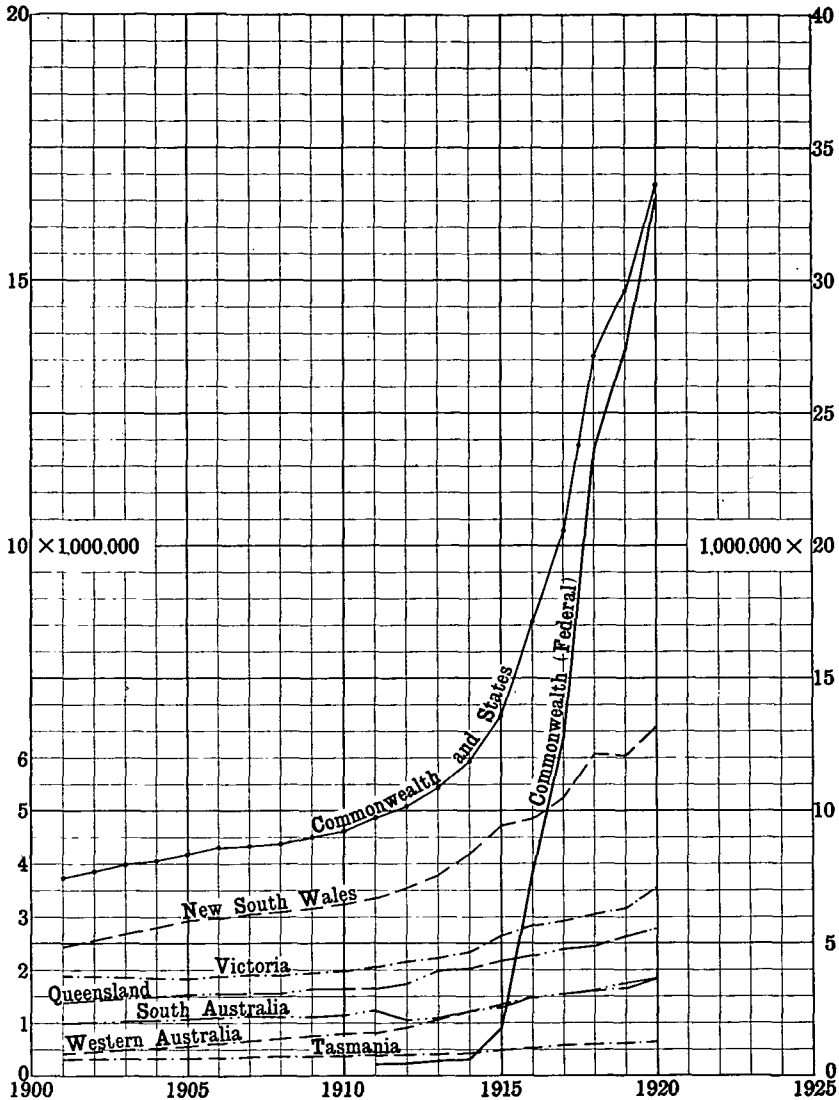
TAXATION.—COMMONWEALTH AND STATES, 1901-2 TO 1919-20.



See pp. 668, 704.

EXPLANATION OF GRAPHS.—The base of each small square represents an interval of one year. Of the two scales on the left hand the outer one is that for the Commonwealth and States combined, the vertical height of each square representing £2,000,000 and the inner one that for the Commonwealth (Federal), the vertical height representing £1,000,000. The scale on the right hand is that for the States and the vertical height of each small square represents £100,000.

INTEREST ON PUBLIC DEBT.—COMMONWEALTH AND STATES, 1900-1 TO 1919-20.



EXPLANATION OF GRAPHS.—The base of each small square represents an interval of one year, while the vertical height represents £500,000 in the case of the Commonwealth (Federal) and States, the scale for which is on the left hand side and £1,000,000 in the case of the Commonwealth and States combined for which the scale is on the right hand side.

(c) *Commonwealth Income Tax.* The first Commonwealth Income Tax was levied during the financial year 1915-16. The legislation on the subject comprised the Income Tax Assessment Act No. 34 of 1915, as amended by the Income Tax Assessment Acts Nos. 47 of 1915, 37 of 1916, 39 of 1916 and 18 of 1918. Full details as to the original Acts are to be found in Commonwealth Official Year Book No. 9. The rates are fixed for one year only, and in each financial year an Income Tax Act fixing the rate for that year is passed. Various estimates as to the probable yield in the first year were made, varying from £3,000,000 to £4,000,000, and the confidence of those who quoted the higher amount was justified by the result. The increased amounts collected in subsequent years are due to increases in the rates. The result of the first five years' collections was as follows :—

COMMONWEALTH INCOME TAX COLLECTIONS IN EACH STATE, 1915-16 TO 1919-20.

States.	1915-16.	1916-17.	1917-18.	1918-19.	1919-20
	£	£	£	£	£
New South Wales ..	1,462,418	1,670,829	2,543,427	3,674,633	4,291,947
Victoria (a) ..	1,476,690	2,547,222	2,847,448	3,966,829	5,325,003
Queensland ..	497,059	545,475	795,717	1,206,051	1,446,503
South Australia ..	245,063	433,446	612,225	803,950	906,837
Western Australia	185,003	314,374	433,703	487,842	558,026
Tasmania ..	66,183	108,837	149,947	234,066	318,051
Northern Territory	359	1,767	3,047	3,085	1,757
Total..	3,932,775	5,621,950	7,385,514	10,376,456	12,848,124

(a) Including Central Office.

(d) *Entertainments Tax.* The rate of Entertainments Tax, according to Amending Act No. 11 of 1919, is as follows :—For tickets of 6d. and less, $\frac{1}{4}$ d.; exceeding 6d. but not exceeding 1s., 1d.; exceeding 1s., 1d. for the first shilling, and $\frac{1}{4}$ d. for every subsequent sixpence or part of sixpence. The collections for the first four years are as follows :—

ENTERTAINMENTS TAX : COLLECTIONS IN EACH STATE, 1916-17 TO 1919-20.

State.	1916-17.	1917-18.	1918-19.	1919-20.
	£	£	£	£
New South Wales ..	48,990	107,033	136,932	234,327
Victoria ..	32,947	72,209	110,815	176,411
Queensland ..	12,730	30,086	45,930	62,671
South Australia ..	8,016	18,430	27,534	38,990
Western Australia ..	4,954	11,879	27,934	34,210
Tasmania ..	2,992	5,988	8,680	10,993
Northern Territory ..	54	273	301	309
Total ..	110,683	245,898	358,126	557,911

(e) *War Time Profits Tax.* This tax came into force on 22nd September, 1917. It provides for a tax on the amount by which the profits made in the war-time financial year (1st July to 30th June following), exceeds the pre-war standard of profits, which may be either :—(a) the average profits of two of the three years before 4th August, 1917, or (b) 10 per cent. on the capital employed in a business. The tax in respect of profits derived in the financial year 1st July, 1915, to 30th June, 1916, was 50 per cent., and in all subsequent years 75 per cent. The collections for the first three years are given in the accompanying table. The original section 2 of the War Time Profits Tax Assessment Act stated that this Act would apply to the profits of any business arising up to 30th

June next after the Declaration of Peace in connexion with the late war. Subsequent to the signing of the armistice, on 11th November, 1918, the section was amended to accord with that intention, and thus fixed the final application of the Act to profits arising during the year ended 30th June, 1919.

WAR TIME PROFITS TAX : COLLECTIONS IN EACH STATE, 1917-20.

State.					1917-18.	1918-19.	1919-20.
					£	£	£
New South Wales	..	..	..	..	147,285	524,658	880,442
Victoria (a)	..	..	..	..	371,969	364,572	1,066,161
Queensland	..	..	..	..	33,526	125,329	230,283
South Australia	..	..	..	..	67,795	137,641	243,527
Western Australia	..	..	..	..	43,323	15,940	105,517
Tasmania	..	..	..	..	16,110	38,398	43,083
Total	..	..	..	..	680,008	1,206,538	2,569,013

(a) Including Central Office.

(f) *War Postage.* This was a new source of revenue derived from an additional halfpenny rate imposed on postages from the 28th October, 1918. The amount credited to "War Postage" is the excess over the normal increase of revenue from postage. The amount collected for the balance of the financial year 1918-19 was £463,317, and in 1919-20 it was £745,962. [For further reference see page 633.]

(g) *Commonwealth Land Tax.*—Particulars as to the Land Tax assessment for each State for the year ending 30th June, 1918, the latest available return at the time of writing, will be found in the following table. Details in regard to rate of tax, etc., will be found at the end of Section XX.

PARTICULARS OF LAND TAX ASSESSMENT FOR EACH STATE OF THE COMMONWEALTH FOR THE YEAR ENDING 30th JUNE, 1918.

State.		Number of Taxable Returns.	Unimproved Value as ascertained by Department.	Tax Assessed.		
				Town.	Country.	Total.
			£	£	£	£
Central—						
Resident	..	1,475	36,090,168	286,288	379,939	666,227
Absentee	..	209	560,758	5,162	3,098	8,260
		1,684	36,650,926	291,450	383,037	674,487
New South Wales—						
Resident	..	4,735	71,125,902	248,864	430,206	679,070
Absentee	..	639	1,306,714	10,778	5,025	15,803
		5,374	72,432,616	259,642	435,231	694,873
Victoria—						
Resident	..	4,277	46,875,824	103,682	183,357	287,039
Absentee	..	691	1,094,878	10,567	3,661	14,228
		4,968	47,970,702	114,249	187,018	301,267

PARTICULARS OF LAND TAX ASSESSMENT FOR EACH STATE OF THE COMMONWEALTH FOR THE YEAR ENDING 30TH JUNE, 1918—continued.

State.	Number of Taxable Returns.	Unimproved Value as ascertained by Department.	Tax Assessed.		
			Town.	Country.	Total.
		£	£	£	£
Queensland—					
Resident	1,075	13,018,143	26,987	65,079	92,066
Absentee	270	349,376	1,453	2,031	3,484
	1,345	13,367,519	28,440	67,110	95,550
South Australia—					
Resident	1,594	17,093,650	44,952	73,154	118,106
Absentee	312	300,544	2,039	1,296	3,335
	1,906	17,394,194	46,991	74,450	121,441
Western Australia—					
Resident	545	6,462,642	23,064	23,667	46,731
Absentee	1,035	413,548	2,029	900	2,929
	1,580	6,876,190	25,093	24,567	49,660
Tasmania—					
Resident	448	5,091,749	7,819	24,404	32,223
Absentee	323	257,561	476	891	1,367
	771	5,349,310	8,295	25,295	33,590
Grand Total—					
Resident	14,149	195,758,078	741,656	1,179,806	1,921,462
Absentee	3,479	4,283,379	32,504	16,902	49,406
	17,628	200,041,457	774,160	1,196,708	1,970,868

The foregoing table relates to the assessments for the latest year in regard to which figures are available. In addition to this, a further table is appended shewing the actual amounts received by the Treasury for five years. The yield of the tax has been remarkably constant since 1915-16.

COMMONWEALTH LAND TAX COLLECTIONS IN EACH STATE, 1915-16 TO 1919-20.

State.	1915-16.	1916-17.	1917-18.	1918-19.	1919-20.
	£	£	£	£	£
New South Wales	925,055	921,974	889,164	822,880	955,935
Victoria (a)	760,205	822,946	844,872	885,084	818,769
Queensland	100,588	143,317	149,989	141,121	112,064
South Australia	154,689	150,670	145,852	153,789	118,318
Western Australia	61,485	47,365	58,743	64,378	60,613
Tasmania	38,414	35,680	35,159	41,918	44,607
Total	2,040,436	2,121,952	2,123,779	2,109,170	2,110,306

(a) Including Central Office.

A conspectus of Commonwealth and State Acts dealing with taxation will be found at the end of Section XX.

7. Details of Postal Revenue, 1915-16 to 1919-20.—Particulars concerning the postal revenue of the Commonwealth for each of the financial years from 1915-16 to 1919-20 are contained in the following table :—

COMMONWEALTH POSTAL REVENUE, 1915-16 TO 1919-20.

Particulars.	1915-16.	1916-17.	1917-18.	1918-19.	1919-20.
	£	£	£	£	£
Private boxes and bags ..	30,743	33,239	34,926	35,672	37,188
Commission—					
Money orders and postal notes	137,355	127,775	129,651	133,955	147,175
Telegraphs	893,904	950,842	1,032,318	1,103,664	1,274,527
Telephones	1,220,855	1,549,961	1,731,149	1,876,928	2,159,449
Postage	2,525,873	2,614,542	2,625,262	2,726,524	2,874,730
Miscellaneous	244,866	222,158	208,884	233,779	251,686
Total	5,053,596	5,498,517	5,762,190	6,110,522	6,744,755

The item "Miscellaneous" includes a subsidy from the Commonwealth Bank for the conduct of Savings Bank business, the mail transit rates, and certain allowances.

8. Railways. The Commonwealth Government is now responsible for four lines, the Kalgoorlie-Port Augusta, the Port Augusta-Oodnadatta, the Darwin-Katherine River, and the Capital Territory line. The appended table shews the amounts paid into the credit of the Consolidated Revenue Fund on account of each of these railways for the past five years. In the case of the Port Augusta-Oodnadatta Railway the amount is made up by fees, wharfage rates, etc. Under an arrangement which came into effect on 1st January, 1914, this line is worked by the South Australian Government, and the Commonwealth Government is to receive the profit, if any, on the working, or to pay the deficiency. Since 1914 there has always been a deficiency, which is met by a payment from the Commonwealth Government, and debited to the Northern Territory Account.

COMMONWEALTH REVENUE FROM RAILWAYS, 1915-16 TO 1919-20.

Railway.	1915-16.	1916-17.	1917-18.	1918-19.	1919-20.
	£	£	£	£	£
Kalgoorlie-Port Augusta	271,510	271,388	164,203	150,856	233,564
Port Augusta-Oodnadatta	2,368	1,379	1,027	..	..
Darwin-Katherine River	29,150	32,605	35,172	45,725	31,783
Capital Territory	1,040	592	705	407	571
Total	304,068	305,964	201,107	196,988	265,918

It will be noticed that there was a substantial fall in the receipts of the Kalgoorlie-Port Augusta Railway in 1917-18, due to the reduction in freight receipts. In 1915-16 and 1916-17 large amounts were credited to working receipts for the carriage of constructional material. The completion of the line in 1917-18 closed this source of revenue.

9. Commonwealth Steamships. The Commonwealth Government announced, about the end of June, 1916, that, owing to the difficulty of obtaining tonnage, and to increasing freight charges, it had purchased fifteen steamers to insure to producers, as far as possible, the transport of their produce. The price given was rather more than £2,000,000, the capital cost brought forward from 30th June, 1917, being £2,080,656. The profits for the year 1916-17 amounted to £327,336, and for the year 1917-18 to £576,164, a total

of £903,500. Out of this amount the sum of £880,000 was transferred from the Trust Account to Consolidated Revenue in 1917-18, under the approval of the Treasurer. The Consolidated Revenue benefited further in 1918-19, the surplus earnings being £1,015,762. In 1919-20 there was not a sufficient balance in the Trust Account to allow of a transfer to Consolidated Revenue, these transfers being taken from Cash Balances and not from Revenue Account Balances, as disclosed by the Profit and Loss and Balance-sheet Statements of the line.

10. Detained Enemy Vessels. This is an item which first appeared in the Commonwealth accounts in 1914-15. For the first two years it appeared in the receipts of the Navy, but since 1916-17 it has ranked as a separate account. The great increases in 1916-17 and 1917-18 are due to higher freight charges, while the fall in 1918-19 is due to the fact that gross receipts were paid into the Consolidated Revenue in 1917-18, and net receipts in 1918-19.

11. Other Public Works and Services.—The most important items in 1917-18 were "Profit on sale of rabbit skins" £301,000, and "Profit on charter of vessels" £166,790. In 1918-19 they were "Profit under Wool Tops Agreement" £141,008, and "Profit on charter of vessels" £15,000. In 1919-20 they were "Profit under Cornsacks Distribution Account," £130,472; and "Profit under Wool Tops Agreement," £78,273.

12. Interest, Discount, etc.—The most important investments of the Commonwealth Government from which interest is derived are—Loans to States, General Trust Funds, Loans to the London Market, Fixed Deposits with the Commonwealth and other Banks, and certain advances and overdrafts. In 1919-20, the main receipts from this source were—Interest on Loans and Advances to States, £967,538; Interest on Bank Deposits, £210,873; and Interest on General Trust Funds, £176,701.

13. Coinage.—The Commonwealth Revenue under this head is derived from profit on coin issued, and for 1919-20 was made up of £40,871 for silver and £35,568 for bronze. The great fall in revenue from this source during recent years is due to the unprecedented rise in the price of silver, which has reduced the profits on seignorage to a very modest figure.

14. Defence.—The income from this source (which is derived from both Defence and Navy Offices) is mainly derived from sales of material and stores supplied, forfeitures, fines, costs, etc. In 1919-20, £94,837 was contributed by the Defence Department, and £88,390 by the Navy Office.

15. Patents, etc.—This heading includes Patents, Trade Marks, Copyrights, and Designs, the administration of which has been exclusively a Commonwealth concern for a very long time. The revenue has been very regular during the period under review at a figure somewhat in excess of £20,000 annually, excepting in the last year, when a substantial advance was shewn. In 1919-20, £23,662 was obtained from Patents, and £10,405 from Trade Marks, Copyright and Designs.

16. Unexpended Balance of London Orders.—The largely increased amount for 1919-20 is due to an amendment by the Treasury of the London Account Regulations, which superseded the system of charging votes upon the remittance of amounts from the Commonwealth, and made such charge only when payment in London is actually completed. This necessitated the closing of the Trust Account for London Liabilities, and the transfer of unexpended balances to the Revenue. A considerable amount was thus transferred in 1919-20, particularly on account of the Department of the Navy.

17. Miscellaneous.—This includes several items which are either small in themselves, or not included under separate headings as they are virtually non-recurring. Thus in 1916-17 there was a large item of £431,690 which was paid into Revenue under the operation of the Sugar Purchase Act of 1915. In 1917-18 it had fallen to £20,390, in 1918-19 to £6,547, and in 1919-20 to £10,279.

(C) Expenditure.

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

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

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

2. **Total Expenditure.**—The expenditure by the Commonwealth Government during the period 1915-16 to 1919-20 is shewn in the following table :—

COMMONWEALTH EXPENDITURE, 1915-16 TO 1919-20.(a)

—	1915-16.	1916-17.	1917-18.	1918-19.	1919-20.
	£	£	£	£	£
Commonwealth ..	24,415,221	27,797,015	30,499,494	38,262,585	46,062,610

(a) Including balance paid into Trust Funds, but excluding subsidies to States.

The largely increased expenditure of recent years is due partly to Old-age and Invalid Pensions, but mainly to the expenditure from Revenue upon War Services. In 1915-16 the expenditure included £3,000,000 set aside for the purposes of Pensions in subsequent years, and this item came to £2,077,427 in 1916-17, £3,925,820 in 1917-18, £3,476,478 in 1918-19, and £5,724,806 in 1919-20. These totals include amounts paid into Trust Funds, but exclude subsidy to States.

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

COMMONWEALTH EXPENDITURE PER HEAD OF POPULATION, 1915-16 TO 1919-20.

—	1915-16.	1916-17.	1917-18.	1918-19.	1919-20.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Commonwealth ..	4 19 0	5 14 0	6 3 6	7 12 1	8 15 7

4. **New Works, etc.**—As previously mentioned, the Commonwealth expenditure on new works, etc., for transferred departments was, prior to 1904-5, included under the head of "transferred" expenditure, but in that and subsequent years up to 1909-10 was

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

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, 1915-16 TO 1919-20.

Year ended 30th June—	Defence.	Trade and Customs.	Postmaster- General.	Home Affairs.	External Affairs.	Treasury.	Prime Minister's Department.	Home and Territories.	Works and Railways.	Total.
	£	£	£	£	£	£	£	£	£	£
1916	1,940,682	133,976	644,134	168,898	50,598	2,547	..	..	..	2,940,835
1917	1,765,253	201,419	590,770	(a)	(a)	2,085	120,591	293,836	1,314,793	4,288,747
1918	245,501	109,164	233,255	(a)	(a)	2,377	..	27,718	4,188	622,203
1919	97,018	38,542	239,643	(a)	(a)	609	..	22,156	7,688	405,656
1920	116,663	12,104	184,788	(a)	(a)	1	..	21,439	159	335,154

(a) Merged into other Departments.

It will be seen that the Commonwealth expenditure from Consolidated Revenue on new works for the first two years of the table was of considerable magnitude. This was largely due to expenditure on fleet construction, which was supplemented in 1916-17 by large payments on account of works and railways which had formerly been charged to loan funds.

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 1915-16 to 1919-20 was as follows :—

COST OF COMMONWEALTH DEPARTMENTS, ETC., 1915-16 TO 1919-20.

Departments, etc.	1915-16.	1916-17.	1917-18.	1918-19.	1919-20.
	£	£	£	£	£
Governor-General	23,535	25,279	26,893	23,875	27,215
Parliament	263,397	344,060	237,464	245,713	348,415
Prime Minister	60,790	155,797	234,568	231,173	312,408
External Affairs	840,199	..	..	..	..
Attorney-General	86,164	94,195	96,930	94,686	111,007
Home Affairs	592,251	..	..	..	..
Treasury (a)	3,817,851	1,545,923	2,902,578	1,222,580	2,479,078
Trade and Customs	589,121	648,147	715,129	817,505	692,142
Defence	1,512,540	1,544,775	1,283,063	1,392,859	1,163,792
Navy	1,552,318	1,514,961	1,551,258	1,663,888	1,748,847
Postmaster-General	5,358,371	5,288,998	5,349,994	5,449,722	6,136,920
Home and Territories .. ..	..	484,274	468,701	489,163	478,281
Works and Railways .. ..	..	886,661	672,893	683,874	714,196
All other Expenditure (b) ..	9,718,684	15,263,945	18,960,023	25,947,547	31,550,309
Total	24,415,221	27,797,015	30,499,494	38,262,585	46,062,610

(a) For an explanation of the varying amounts in the expenditure on the Treasury see footnote to the table on page 685. (b) For details see table on page 687.

The heading "all other expenditure" includes War Services. More detailed reference to the items included under the above general heads is furnished in the succeeding paragraphs, and attention is particularly directed to the table giving detailed information concerning the items composing "all other expenditure" on page 687.

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 connexion with the Governor-General and establishment for the five years 1915-16 to 1919-20 is as follows :—

**EXPENDITURE, GOVERNOR-GENERAL AND ESTABLISHMENT,
1915-16 TO 1919-20.**

Details.	1915-16.	1916-17.	1917-18.	1918-19.	1919-20.
	£	£	£	£	£
Salary	10,000	10,000	10,000	10,000	10,000
Governor-General's Establishment	4,365	5,079	6,351	4,390	9,243
Contingencies (a)	9,170	10,200	10,542	9,485	7,972
Total	23,535	25,279	26,893	23,875	27,215

(a) Represents official services outside the Governor-General's personal interests, and carried out in the main at the instance of the Government.

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 1915-16 to 1919-20 are furnished in the table given hereunder :—

EXPENDITURE, COMMONWEALTH PARLIAMENT, 1915-16 TO 1919-20.

Details.	1915-16.	1916-17.	1917-18.	1918-19.	1919-20.
	£	£	£	£	£
Salaries of Ministers	13,597	13,650	14,901	15,300	15,231
Allowances to Senators	21,000	20,866	20,854	20,760	22,376
Allowances to Members of House of Representatives	43,132	39,072	42,796	42,261	40,993
Officers, staff, contingencies, etc.	37,746	36,771	39,583	37,584	40,132
Repairs, maintenance, etc.	6,085	1,988	1,518	1,568	1,663
Printing	17,817	18,997	16,864	26,863	21,347
Travelling expenses of Members and others	10,458	10,339	9,950	8,913	9,379
Insurance	342	342	342	342	342
Electoral Office	49,155	53,091	53,717	53,159	60,677
Election expenses	1,360	83,276	4,355	2,459	98,110
Referendum	21,334	77	..	..
Administration of Electoral Act	34,687	60,100	27,425	31,460	33,859
Miscellaneous	6,684	5,491	5,159	5,044	4,256
Total	263,397	344,060	237,464	245,713	348,415

In section 66 of the Constitution, provision is made that there shall be payable out of the Consolidated Revenue Fund of the Commonwealth, for the salaries of Ministers of State, an annual sum which, until Parliament otherwise provides, shall not exceed £12,000. This was modified in 1915-16, when the Minister of the Navy was given separate Cabinet rank. Allowances to senators and members of the House of Representatives are also provided for in the Constitution, section 48 of which specifies that until Parliament otherwise provides, each such allowance shall consist of £400 a year, reckoned from the day on which the member takes his seat. During the second session of the Commonwealth Parliament in 1907 the question of allowances to members came under consideration, and an Act was passed raising the annual allowance from £400 to £600, such increase to date from 1st July, 1907. During 1920, the salaries of members of both Houses were raised to £1,000 per annum.

8. **Prime Minister's Department.**—This was a new department created during the financial year 1911-12. In addition to the Prime Minister's Office it includes the Audit Office taken from the Treasury, the Executive Council taken from the External Affairs

Department, and the Public Service Commissioner's Office taken from the Home Affairs Department. In 1916-17 it assumed control of the High Commissioner's Office in London, which was detached from the old External Affairs Department when the latter was merged in the Home and Territories Department. The expenditure for the last five years is shown in the following table:—

EXPENDITURE, PRIME MINISTER'S DEPARTMENT, 1915-16 TO 1919-20.

Details.	1915-16.	1916-17.	1917-18.	1918-19.	1919-20.
	£	£	£	£	£
Salaries, contingencies, etc.	11,906	21,691	25,764	33,328	29,125
Executive Council	137	170	160	177	210
Audit Office	12,574	16,726	18,480	25,486	27,745
Rent, repairs, etc.	3,021	4,678	16,489	7,028	6,997
Public Service Commissioner's Office . .	21,252	22,142	22,329	23,129	26,757
High Commissioner's Office . . . . .	..	31,518	52,166	57,106	66,037
Interest on Commonwealth Securities	..	22,274	23,467	25,781	27,464
Sinking Fund on Commonwealth Securities . . . . .	..	2,433	2,433	2,433	2,433
Mail Service to Pacific Islands . . . .	..	17,073	35,021	28,800	21,600
Miscellaneous	11,900	17,092	38,259	27,905	104,040
	60,790	155,797	234,568	231,173	312,408

The "Miscellaneous" vote for 1917-18 included a grant of £5,000 for the relief of sufferers from the cyclone in Queensland, and an item of £13,831 for the working expenses of the Port Pirie wharf. The "Miscellaneous" vote for 1919-20 included £32,979 as a grant for the relief of distress caused by the maritime strike; £17,301 for the expenses incurred during the visit of the Prince of Wales; £10,994 for the Basic Wage Commission; £15,727 for the Australian Commission in the United States; and £10,000 as a reward to Sir Ross Smith.

9. Home and Territories.—Under this new department, created in the financial year 1916-17, is placed the bulk of the old External Affairs Department (after the removal of the London office), and the Census and Statistics, and Meteorological Offices, taken from the old Home Affairs Department. The Darwin-Katherine River Railway is administered by the Works and Railways Department.

EXPENDITURE HOME AND TERRITORIES DEPARTMENT, 1916-17 TO 1919-20.

Details.	1916-17.	1917-18.	1918-19.	1919-20.
	£	£	£	£
Chief Office	17,065	14,737	16,156	34,426
Census and Statistics	18,505	15,013	16,248	16,795
Meteorological Branch	27,499	25,971	28,209	29,706
Papua	61,746	51,918	51,260	51,492
Rents, repairs, etc.	1,951	10,493	14,905	13,207
Northern Territory	237,163	207,620	213,649	186,782
Federal Capital Territory . . . . .	..	23,382	24,142	25,482
Norfolk Island	3,000	3,000	3,000	3,000
Interest on Commonwealth Securities (a)	72,202	74,548	84,881	91,572
Sinking Fund, Commonwealth Securities (a)	5,853	5,853	5,853	5,853
Miscellaneous	39,290	36,166	30,860	19,966
Total	484,274	468,701	489,163	478,281

(a) Includes Northern Territory and Port Augusta Railway.

10. **Attorney-General's Department.**—The extra expenditure connected with this Department of late years has been caused in large measure by the extension of the Federal High Court. Details for the five years 1915-16 to 1919-20 are furnished hereunder :—

EXPENDITURE, ATTORNEY-GENERAL'S DEPARTMENT, 1915-16 TO 1919-20.

Details.	1915-16.	1916-17.	1917-18.	1918-19.	1919-20.
	£	£	£	£	£
Attorney-General's Office	10,457	13,880	10,189	11,510	14,492
Crown Solicitor's Office	10,078	10,766	11,255	12,943	16,042
Salaries of Justices of High Court..	21,500	21,500	21,500	21,500	22,448
High Court expenses	9,947	10,280	9,852	8,837	11,922
Court of Conciliation and Arbitra- tion	8,637	11,068	7,900	6,242	7,650
Rent, repairs, etc.	3,412	3,217	9,414	4,839	4,733
Patents, Trade Marks, etc. . .	20,579	21,856	19,253	23,875	32,321
Miscellaneous	1,554	1,628	7,567	4,940	1,399
Total	86,164	94,195	96,930	94,686	111,007

11. **Works and Railways Department.**—The great extension of Commonwealth Works and Railways led, in 1916-17, to the separation of these functions from the old Home Affairs Department and the constitution of a separate office. This new office also administers those Railways which were formerly under the control of the old External Affairs Department. The expenditure for the four years of its existence is as follows :—

EXPENDITURE, WORKS AND RAILWAYS DEPARTMENT, 1916-17 TO 1919-20.

Details.	1916-17.	1917-18.	1918-19.	1919-20.
	£	£	£	£
Chief Office	40,558	31,162	36,594	39,770
Kalgoorlie-Port Augusta Railway ..	302,550	232,726	237,204	264,798
Port Augusta-Oodnadatta Railway, and Northern Territory Railways	312,906	172,637	162,077	159,456
Interest on Transferred Properties ..	404	403	403	403
Interest on Commonwealth Securities ..	198,406	208,811	226,083	232,948
Sinking Fund on Commonwealth Securities..	11,957	11,957	11,957	11,957
Rent, repairs, etc.	14,635	2,953	2,957	3,286
Miscellaneous	5,245	12,244	6,599	1,578
Total	886,661	672,893	683,874	714,196

The rather large expenditure on the Port Augusta-Oodnadatta Railway in 1916-17, as compared with subsequent years, is due to the repayment of £137,128 which constituted part of the debt upon the line, and matured on 1st April, 1917.

12. **Treasurer's Department.**—The sub-departments under the control of the Commonwealth Treasurer are the Treasury, the Pensions Department, and the Taxation Office. The Audit Office was transferred to the Prime Minister's Department in 1911-12. Details of the expenditure of this Department for the last five years are given in the following table :—

EXPENDITURE, TREASURER'S DEPARTMENT, 1915-16 TO 1919-20.

Details.	1915-16.	1916-17.	1917-18.	1918-19.	1919-20.
	£	£	£	£	£
Treasury	26,996	37,993	29,391	32,072	48,393
Taxation Office	133,495	198,967	281,523	311,330	375,710
Pensions Office	42,796	52,214	53,391	61,406	73,509
Maternity Allowance Office ..	11,334	13,263	12,280	11,209	12,708
Coinage	16,584	28,728	30,481	18,411	18,956
Rent, Repairs, &c. ..	17,103	15,487	20,491	18,715	25,676
Interest on Commonwealth Securities	14	19,833	12,273	..	..
Miscellaneous	18,187	29,411	7,696	93,597	29,132
Departmental Expenditure	266,509	395,896	447,526	546,740	584,084
Invalid and Old-age Pensions (a)	2,859,766	453,344	1,781,564	..	1,196,454
Maternity Allowance ..	659,745	662,030	634,428	620,080	625,865
Maintenance of persons in charitable institutions ..	31,831	34,653	39,060	55,760	72,675
Total	3,817,851	1,545,923	2,902,578	1,222,580	2,479,078

(a) In addition, the following amounts were spent from Trust Funds:—In 1916-17, £3,000,000; in 1917-18, £2,077,427; in 1918-19, £3,879,241; and in 1919-20, £3,350,425.

The fluctuations in the expenditure on this Department are mainly due to the variations in the method of payment of the Invalid and Old-age Pensions, as explained in the footnote. The "Miscellaneous" vote for 1918-19 included £78,344, temporary credits under certain Trust Fund accounts.

13. 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 connexion therewith. The administration of Patents, Trade Marks, and Copyright is now entrusted to the Attorney-General's Department. The large amount of £133,791 included in "Miscellaneous" for 1919-20 is due to the payment of £130,036 to the Australian Wheat Board as profit on cornsacks. Particulars for the five years 1915-16 to 1919-20 are given in the following table:—

EXPENDITURE, TRADE AND CUSTOMS DEPARTMENT, 1915-16 TO 1919-20.

Details.	1915-16.	1916-17.	1917-18.	1918-19.	1919-20.
	£	£	£	£	£
Chief Office	15,986	19,223	21,849	29,404	37,362
Customs (ordinary)	323,309	344,303	339,698	350,253	399,534
Fisheries	492	170	224	96	..
Analyst	3,576	4,440	3,498	4,804	5,637
Audit (proportion)	6,722	5,786	4,525	4,617	5,538
Quarantine	38,804	46,251	50,748	150,820	100,030
Pensions and retiring allowances	14,524	16,215	16,545	17,213	17,186
Rents, repairs, etc.	21,067	19,103	20,945	18,066	20,933
Sugar and other bounties	6,767	3,169	15,418	30,460	16,292
Iron bonus	24,465	11,454	..	..	..
Inter-State Commission	10,231	10,096	11,903	12,007	10,545
Lighthouses	86,524	128,767	133,837	137,364	147,349
Interest on transferred properties	30,125	29,933	79,294	43,951	77,795
Interest on Commonwealth securities .. ..	..	..	726	2,200	3,267
Bureau of Commerce and Industry .. ..	..	..	..	..	3,774
Institute of Science and Industry .. ..	..	..	6,981	13,131	13,109
Miscellaneous	6,529	9,237	8,938	3,119	133,791
Total	589,121	648,147	715,129	817,505	992,142

The rise in expenditure on quarantine and lighthouses in recent years has counteracted the abolition of the sugar bounty, and caused an increase in the expenditure on this Department.

14. **Defence.**—The Commonwealth expenditure from Consolidated Revenue in connexion with Defence, which in 1901-2 amounted to £861,218, had by 1919-20 grown to only £1,163,792. As shewn elsewhere, the bulk of the war expenditure is provided for out of loan. Particulars for the five years 1915-16 to 1919-20 are as follows :—

EXPENDITURE, DEFENCE, 1915-16 TO 1919-20.

Details.	1915-16.	1916-17.	1917-18.	1918-19.	1919-20.
	£	£	£	£	£
Chief Office	46,441	49,267	50,163	47,143	59,133
Military	1,273,885	1,311,481	1,052,848	1,153,036	914,089
Audit (proportion) ..	5,486	11,117	21,548	8,407	13,196
Pensions and retiring allowances	363	191	380	380	375
Rents, repairs, etc. ..	76,744	68,314	54,599	53,484	46,063
Interest on transferred properties	88,519	88,512	88,490	92,289	88,925
Interest on Commonwealth Securities .. ..	..	..	1,839	5,917	12,025
Miscellaneous	21,102	15,893	13,196	32,203	29,986
Total	1,512,540	1,544,775	1,283,063	1,392,859	1,163,792

15. **Navy Office.**—During the financial year 1915-16, the Navy Office, owing to its increasing importance, was separated from the Defence Department and constituted an independent Department. Appended is the expenditure for the last five years, under similar headings to those of the Defence Department :—

EXPENDITURE, NAVY DEPARTMENT, 1915-16 TO 1919-20.

Details.	1915-16.	1916-17.	1917-18.	1918-19.	1919-20.
	£	£	£	£	£
Chief Office	39,170	40,747	39,176	39,689	49,296
Naval	1,444,521	1,401,659	1,426,988	1,506,897	1,562,029
Audit (proportion) ..	1,166	1,272	1,017	1,711	2,908
Pensions and retiring allowances	899	899	899	1,012	827
Rents, repairs, etc. ..	17,402	15,969	19,079	25,738	32,398
Interest on transferred properties	39,920	41,058	41,058	44,410	41,546
Interest on Commonwealth Securities	2,270	4,381	16,995	42,523	58,980
Sinking Fund, Commonwealth Securities	40	40	40	40	40
Miscellaneous	6,930	8,936	6,006	1,868	823
Total	1,552,318	1,514,961	1,551,258	1,663,888	1,748,847

16. Postal.—The expenditure of this Department has remained practically constant in the five years under review, except that the last year shews an increase. Full details are given in the table hereunder.

EXPENDITURE, POSTAL DEPARTMENT, 1915-16 TO 1919-20.

Details.	1915-16.	1916-17.	1917-18.	1918-19.	1919-20.
	£	£	£	£	£
Chief Office	21,400	22,821	21,960	23,189	25,842
Postal Department (ordinary) ..	4,904,839	4,853,886	4,920,251	5,015,429	5,681,340
Audit (proportion)	3,670	2,981	2,635	2,888	6,224
Pensions and retiring allowances	53,358	55,877	59,174	64,720	67,842
Rents, repairs, etc.	92,083	67,494	60,070	60,756	62,415
Interest on transferred properties	217,625	217,602	212,227	210,908	214,815
Interest on Commonwealth Securities	33,619	40,539	42,150	46,420	52,832
Sinking Fund on Commonwealth Securities	16,271	16,271	16,271	16,271	16,271
Miscellaneous	15,506	11,527	15,256	9,141	9,339
Total	5,358,371	5,288,998	5,349,994	5,449,722	6,136,920

17. Miscellaneous.—In addition to the foregoing there are certain items which do not come under any of the heads enumerated. They consist in the main of war services, expenditure on new works which has already been treated in detail on page 680, and sums carried forward in respect of pensions in subsequent years. The particulars for the five years, 1916-20, are given in detail in the next table.

ALL OTHER EXPENDITURE, 1915-16 TO 1919-20.

Details.	1915-16.	1916-17.	1917-18.	1918-19.	1919-20.
	£	£	£	£	£
New Works	2,940,835	4,288,747	622,203	405,656	335,154
War Services (a)	3,777,849	8,421,654	11,863,250	21,255,101	24,579,099
Carried forward in respect of pensions	3,000,000	2,077,427	3,925,820	3,476,478	5,724,806
Interest—State Loans Act .. .. .	..	105,000	548,750	810,312	911,250
Miscellaneous .. .. .	..	371,117	..	..	..
Total	9,718,684	15,263,945	16,960,023	25,947,547	31,550,309

(a) For details see second table appended to next paragraph.

18. Cost of the War.—A substantial amount of the cost of the war has been paid out of consolidated revenue in the last six years under the heading "War Services." The expenditure on the war from revenue has already been dealt with in the previous table, but a further table is here presented shewing the total expenditure from the different funds during the four years for which the war lasted up to 1917-18, and including also the period 1918-20, which contained the last four months of war, and the first portion of the reconstruction period.

COST OF WAR SERVICES TO COMMONWEALTH TO 30th JUNE, 1920.

Year.	From Consolidated Revenue.	From War Loan Fund.	Total.
	£	£	£
1914-15	640,217	14,471,118	15,111,335
1915-16	3,777,849	37,423,568	41,201,417
1916-17	8,421,654	53,114,237	61,535,891
1917-18	11,863,251	55,095,109	66,958,360
1918-19	21,255,101	62,192,889	83,447,990
1919-20	24,579,099	46,070,595	70,649,694
Total	70,537,171	268,367,516	338,904,687

The expenditure in 1920-21, which will be mainly incidental to Repatriation and interest services, has been estimated at £62,241,931, of which £36,841,931 will come from Revenue, and £25,400,000 from Loan Funds. Full details of the war expenditure from Revenue and from Loan are given in the subjoined tables.

WAR SERVICES EXPENDITURE FROM REVENUE TO 30th JUNE, 1920.

Heading.	1914-15.	1915-16.	1916-17.	1917-18.	1918-19.	1919-20.
	£	£	£	£	£	£
Special Appropriations—						
Interest, Commonwealth Loans	..	..	2,738,673	4,574,817	7,709,771	10,268,246
Interest, Imperial Loans	..	..	2,082,258	2,477,288	2,377,690	2,377,656
Sinking Fund, Commonwealth Loans	..	..	689,384	515,781	955,303	1,067,402
Sinking Fund, Imperial Loans	..	..	477,743	245,410	245,410	245,410
War Pensions, &c.	..	..	..	..	..	409,862
Annual Votes—						
Defence	640,217	3,005,994	550,377	532	310	497
Navy .. .. .	..	771,855	686,701	..	272,608	143,274
Treasury .. .. .	..	..	1,186,488	3,043,046	8,373,696	7,406,601
Prime Minister's Department	..	..	..	999,198	8,194	1,275
Trade and Customs	..	..	10,030	7,179	9,238	9,483
Repatriation .. .. .	..	..	..	..	1,300,044	2,614,979
Works and Railways	..	..	..	..	2,837	34,414
Total	640,217	3,777,849	8,421,654	11,863,251	21,255,101	24,579,099

The extremely large vote debited to the Treasury in 1918-19 includes £3,430,000, which represents two years' interest to the Imperial Government for the maintenance of troops, and £4,827,368 spent on War Pensions. In 1919-20 it includes £5,450,000 for War Pensions, and £1,816,000 interest to the Imperial Government.

WAR EXPENDITURE FROM WAR LOAN FUND TO 30th JUNE, 1920.

Department.	1914-15.	1915-16.	1916-17.	1917-18.	1918-19.	1919-20.
	£	£	£	£	£	£
Defence	14,471,118	31,938,863	47,116,871	52,877,295	49,434,567	17,979,748
Navy .. .. .	..	5,093,530	3,324,181	569,888	7,194,345	3,580,064
Treasury .. .. .	..	..	386,743	1,128,907	5,314,153	15,379,318
Trade and Customs	..	391,175	111,822	12,778	39,141	(a) 41,680
Prime Minister	..	..	2,083,483	420,759	120,863	140,713
Home and Territories	..	..	91,137	85,482	4,458	36,531
Repatriation .. .. .	..	..	..	..	85,362	8,090,614
Works and Railways	..	..	..	..	..	220,279
Total	14,471,118	37,423,568	53,114,237	55,095,109	62,192,889	646,070,595

(a) Credit.

(b) Including £685,008 War Gratuity.

The expense incurred upon the Defence Department was almost entirely in connexion with the expeditionary forces. The largest item in the case of the Treasury was an advance of £10,149,222 to the States and Papua for the purpose of settling returned soldiers on the land.

(D) Subsidy Paid to States.

1. 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 1915-16 to 1919-20 :—

COMMONWEALTH SUBSIDY PAID TO STATES, 1915-16 TO 1919-20.

State.	1915-16.	1916-17.	1917-18.	1918-19.	1919-20.
	£	£	£	£	£
New South Wales	2,297,872	2,286,913	2,317,783	2,380,139	2,472,717
Victoria	1,743,467	1,722,409	1,739,481	1,764,239	1,847,085
Queensland	836,743	823,771	845,913	856,300	895,454
South Australia	540,649	531,340	535,808	549,593	578,094
Western Australia	591,064	569,982	561,129	556,505	569,512
Tasmania (a)	247,200	246,004	250,260	257,557	267,630
Total (a)	6,256,995	6,180,419	6,250,374	6,364,333	6,630,492

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

The normal rate of increase was checked in 1914-15 owing to the departure of the troops, and in 1915-16 four of the States, from this cause, shewed a decrease. This was still more marked in 1916-17, but, owing to the return of soldiers, increases were manifested in 1917-18 and 1918-19. The amounts allotted to Tasmania are exclusive of the instalments of the special payment.

The amounts of subsidy given in the preceding table are based upon an annual payment of £1 5s. per capita, with a special concession to Western Australia. This is in accordance with the provisions of the "Commonwealth Surplus Revenue Act" which was passed in 1910 and came into effect on the 1st July, for a period of ten years, after which it became subject to revision. This period expired on the 30th June, 1920, and it is now possible for Parliament to extend the Act for a further period, or to make new financial provisions for a Commonwealth subsidy to the States. In the meantime the existing arrangement is being continued provisionally. The matter was discussed at a meeting of Commonwealth and State Ministers held in January, 1919, at Melbourne, and the Commonwealth Treasurer of the day (Mr. Watt) made the following tentative proposal as the basis of a new arrangement :—In 1920-21 the States were to receive 22s. 6d. per capita, and in each succeeding year an amount diminishing by 2s. 6d. per head until 1925-26, when they would receive 10s. per head, after which the arrangement would come up for further revision. The Conference, however, adjourned without coming to a decision. It was subsequently announced that the matter would come up for decision at the forthcoming Federal Convention.

§ 3. Trust Fund and Miscellaneous.

1. **Trust Accounts.**—The Trust Fund credit balance on 30th June, 1920, amounted to £82,375,522, as compared with £75,058,977 for the corresponding date in the year ending 30th June, 1919. These enormous amounts are due mainly to the Australian Notes Account referred to in detail in par. 2 hereunder. Other large items are "Interest—Imperial Government" and "Invalid and Old-age Pensions." Details concerning the most important trust accounts contributing to this amount are as follows:—

COMMONWEALTH TRUST FUND, 30th JUNE, 1920.

Trust Accounts.	Balance at 30th June, 1920.	Trust Accounts.	Balance at 30th June, 1920.
	£		£
Admiralty	91,504	National War Histories	14,969
Australian Notes Account	63,678,560	Naval Dockyard	46,283
Repatriation	113,419	New York Transactions Suspense	46,172
Australian War Museum	25,721	Northern Territory	99,905
Commonwealth Steamers	30,530	Other Trust Funds	469,465
Defence Clothing Material	356,220	Port Augusta Railway Sinking Fund	63,972
Small Arms Ammunition	238,119	Public Trustee	94,372
Small Arms	17,423	Railway Plant and Stores	53,794
Deferred Naval Pay	265,405	Ships' Insurance	449,937
Detained Enemy Vessels	15,424	State Loans Suspense	73,039
General Average Deposits	11,787	Unclaimed Militia Pay	17,770
Interest—Imperial Government	4,802,416	War Loan Securities Repurchase	960,331
Insurance, Lost Enemy Vessels	446,904	War Pensions	2,824,806
International Post and Money Order	30,491	War Savings Certificates Interest	564,124
Invalid and Old-age Pensions	2,900,000	Williamstown Dockyard	16,460
Loans Sinking Fund	2,030,818	Miscellaneous	70,463
London Liabilities	753,419		
Money Order	713,500	Total	82,375,522

2. **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, 1920, the notes issued and unredeemed amounted to £56,768,530. Against this there was a reserve in gold coin of £23,658,092 or 41.67 per cent., and other assets, of which the most important were investments in Government Stock and fixed deposits, totalling £37,808,770 and returning an annual income of about £1,500,000.

The position, according to a Treasury return issued at the end of June, 1921, was as follows:—

COMMONWEALTH NOTES ISSUED AND UNREDEEMED AT 27th JUNE, 1921.

	£
10s.	2,311,869½
£1	14,413,496
£5	9,960,225
£10	4,217,550
£20	616,980
£50	1,485,350
£100	1,592,600
£1,000	23,630,000
	£58,228,070½

The amount of the gold reserve was £23,844,394, representing 40.95 per cent. of the liability.

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

3. **Advances by Commonwealth Government to States.**—Reference has been made in the previous paragraph to the investments constituting the assets of 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 an interesting departure in Australian Public Finance, and in view of the financial relations thus brought about between the Commonwealth and State Governments, the following table is appended, giving full particulars of the investments of the £37,808,770, to which reference has already been made :—

AUSTRALIAN NOTES ACCOUNT.—PARTICULARS OF INVESTMENT AS AT 30th JUNE, 1920.

Investment.	Amount.	Rate of Interest.	Date of Maturity.	Amount of Interest.
	£	%		£
Commonwealth Inscribed Stock ..	3,830,000	3½	1962–1972	134,050
Commonwealth War Loan ..	63,640	4½	1925	2,864
Commonwealth Treasury Bills ..	5,777,530	4	(a)	231,101
New South Wales Treasury Bills ..	7,400,000	4½	1925	305,250
Victorian Debentures ..	784,000	3½	1921	28,000
Victorian Debentures ..	3,900,000	4½	1925	160,875
Victorian Government Securities ..	583,000	5½	(a)	7,875
Queensland Government Securities ..	1,490,000	5½	(a)	78,225
South Australian Treasury Bills ..	2,600,000	4½	1925	107,250
Western Australian Stock ..	590,000	3½	1926	22,125
Western Australian Treasury Bills ..	3,100,000	4½	1925	127,875
Western Australian Government Securities ..	335,000	5½	(a)	17,587
Tasmanian Stock ..	460,000	3½	1921	17,250
Tasmanian Treasury Bills ..	1,000,000	4½	1925	41,250
Tasmanian Government Securities ..	469,000	5½	(a)	24,622
Bank Deposits ..	5,426,600	3 to 5	(a)	(b) 217,064
Total ..	37,808,770	..	..	(b) 1,523,263

(a) Not fixed.

(b) Approximate.

4. **London Flotations on behalf of States.**—Act No. 17 of 1916 authorised the Treasurer to borrow £8,940,000 in the United Kingdom, and Act No. 16 of 1917 to raise £8,000,000, and to lend the amount to the several States, other than that of New South Wales, and, pending the borrowing of the money, to advance the amounts set forth in the Acts out of loans made by the Government of the United Kingdom to the Commonwealth. In pursuance of these Acts, £16,750,000 was distributed to the States up to 30th June, 1920. The money was allocated to the States as follows :—

COMMONWEALTH LOANS RAISED IN LONDON ON BEHALF OF STATES AS AT 30th JUNE, 1920.

State.	£
Victoria	1,954,000
Queensland	5,462,500
South Australia	4,116,000
Western Australia	4,150,500
Tasmania	1,067,000
Total	16,750,000

In addition to these amounts the Commonwealth Government had advanced as at 30th June, 1920, the sum of £11,235,310 to the States for the purpose of settling returned soldiers on the land. This sum was allocated as follows :—New South Wales, £1,996,731; Victoria, £5,750,371; Queensland, £727,678; South Australia, £614,058; Western Australia, £1,166,097; and Tasmania, £980,375. In addition, New South Wales was advanced £755,610 for the construction of silos for wheat storage. Lastly, the following advances were made to States to provide reserve employment through Local Government Bodies :—Victoria, £15,700; Queensland, £100,000; and South Australia, £19,796.

5. Surplus Revenue.—Until the end of 1906–7, the whole balance of the Consolidated Revenue Fund was paid to the States. From 1907–8, and until the abolition of the book-keeping provisions of the Constitution, the States received only three-fourths of the net Customs and Excise Revenue, and the balance of the Consolidated Revenue Fund was transferred to the Invalid and Old-age Pensions Trust Account, and the Naval Defence Trust Account, to provide for expenditure in subsequent years. The surplus existing on 30th June, 1920, is to be used for the payment of Invalid and Old-age Pensions, and War Pensions. A statement of surpluses and deficiencies for the past five years is hereto appended.

COMMONWEALTH SURPLUS REVENUE, 1915–16 TO 1919–20.

Year.				Surplus.	Deficiency.	Accumulated Surplus at end of Year.
				£	£	£
1915–16	..	..	..	3,000,000	..	3,000,000
1916–17	..	..	..	..	922,573	2,077,427
1917–18	..	..	..	1,848,393	..	3,925,820
1918–19	..	..	..	..	402,763	3,523,057
1919–20	..	..	..	2,201,749	..	5,724,806

§ 4. Commonwealth Public Debt.

Although it was not until 1915 that the Federal Government appeared before the public as a direct borrower, there had been a Commonwealth Public Debt for many years. It now includes several items, such as the balance of the debt taken over from South Australia, the money owing to the States for transferred properties, the Commonwealth General Loan Fund, the loans for military purposes, etc. In view of the large expansion of the Public Debt, and its present importance in Commonwealth public finance, the different items are treated seriatim in the sub-sections that follow.

1. Loans Taken Over from South Australia.—The first portions of the debt were contracted at the beginning of 1911, when the Commonwealth assumed responsibility for the administration and the liabilities of the Northern Territory and the Port Augusta-Oodnadatta Railway. At 30th June, 1911, the debt on account of the former was £3,657,836, and on account of the latter, £2,274,486—a total of £5,932,322. As the securities fall in they are redeemed by the Commonwealth Government, the money required being taken from the Loan Fund, which was created for this purpose, amongst others. This item is thus a constantly diminishing one, and on 30th June, 1920, stood at £4,192,111, of which £2,433,108 was on account of the Northern Territory, and £1,759,003 on account of the railway.

2. **Loan Fund for Public Works, etc.**—Up to 1911 the Commonwealth Government had met its Public Works expenditure out of Revenue. In that year, however, the Commonwealth being faced with the heavy prospective cost of the Transcontinental Railway and the Federal Capital Territory, it was decided to initiate a Loan Fund similar to those of the States. The flotation of this Fund was greatly assisted by the fact that the Treasury at this time held a large quantity of gold, principally on behalf of the Australian Notes Account, at that time only just inaugurated. Up to 30th June, 1914, the money required for loan expenditure was taken mainly from this account at 3½ per cent., and inscribed stock of an equivalent value created. Since the outbreak of war the creation of inscribed stock has ceased, the money required for the Loan Fund being obtained by the issue of Treasury Bills. The relation between the magnitude of the Loan Fund and the expenditure therefrom is shewn for the last five years in the following table :—

**SECURITIES CONSTITUTING COMMONWEALTH LOAN FUND FOR WORKS, ETC.,
AND EXPENDITURE THEREFROM, 1916 TO 1920.**

Year ended 30th June—	Commonwealth Loan Fund.			Expenditure in year ended 30th June.	Total Expenditure up to year ended 30th June.
	Inscribed Stock.	Treasury Bills.	Total Receipts.		
	£	£	£	£	£
1916	4,580,000	4,437,543	9,017,543	2,859,341	9,017,543
1917	4,580,000	4,437,543	9,017,543	..	9,017,543
1918	4,580,000	6,240,990	10,820,990	1,803,447	10,820,990
1919	4,580,000	7,670,881	12,250,881	1,429,891	12,250,881
1920	4,580,000	8,957,667	13,537,667	1,286,786	13,537,667

The preceding table gives the total expenditure. The details of the expenditure for five years are as follows :—

**COMMONWEALTH LOAN EXPENDITURE FOR WORKS, ETC., DETAILS,
1916 TO 1920.**

Particulars.	1915-16.	1916-17.(b)	1917-18.	1918-19.	1919-20.
	£	£	£	£	£
Railways Construction—Trans Australian					
Railway	1,648,953	..	410,506	156,187	138,164
Northern Territory	126,592	..	42,178	1,226d	2,539
Other .. ..	..	..	4,260	2,193	d91
Loan Redemption—Oodnadatta Railway	923	..	..	..	..
Northern Territory	400,000	..	..	339,408	..
Papua—Railways and Wharves	12,829	..	..	..	..
Posts and Telegraphs—Purchase of land	92,712	..	2,811	1,692	d596
Construction of con-					
duits	271,211	..	67,375	116,760	305,538
Acquisition of land (a)—London	113,744	..	69,991	46,120	58,611
Perth .. ..	..	..	24,347	18,291	23,073
Federal Territory	127,537	..	90,703	1,895	11,968
Elsewhere (c) .. ..	..	..	37,622	67,448	37,375
Defence Machinery : Dockyards, Cockatoo					
Island ; Naval Bases, &c.	66,840	..	375,913	510,318	282,044
Fleet Construction .. ..	..	..	355,397	..	..
General Arsenal ; Small Arms, &c. ; Cordite .. ..	..	..	27,253	58,761	350,616
Lighthouses .. ..	..	..	42,473	16,115	26,795
Contribution under River Murray Waters Act .. ..	..	..	..	55,760	39,241
Acetate of Lime Factory .. ..	..	..	52,410	18,001	..
Plant and Stores Suspense Account .. ..	..	..	200,000	..	..
Wireless Telegraphy .. ..	..	..	118	22,668	11,509
Total	2,859,341	..	1,803,447	1,429,891	1,286,786

(a) Including cost of erection of buildings.
Works Construction were made from Revenue.
(d) Credited by repayment.

(b) No transactions in 1916-17. Payments for
(c) Excluding purchases for Posts and Telegraphs.

The expenses of interest and sinking fund are allocated among the different departments which have benefited, as follows :—

**LIABILITIES OF DIFFERENT DEPARTMENTS WITH REGARD TO LOAN FUND,
1919-20.**

Department.	Interest on Inscribed Stock.	Sinking Fund. Inscribed Stock.	Interest on Treasury Bills.	Total.
	£	£	£	£
Prime Minister	17,034	2,433	10,429	29,896
Home and Territories	40,974	5,853	50,598	97,425
Defence .. ..	..	..	12,025	12,025
Navy	28	40	58,952	59,020
Trade and Customs .. ..	..	..	3,267	3,267
Works and Railways	83,697	11,957	149,250	244,904
Postmaster-General	18,567	16,271	34,265	69,103
Total	160,300	36,554	318,786	515,640

3. **Properties Transferred from States.**—At the time of Federation, when the Commonwealth took over the control of a great many departments which had previously been administered by the States, a large amount of property was handed over to the Commonwealth Government. This consisted mainly of Post Offices, Customs Houses, Defence works, and other buildings necessary to the effective working of the transferred departments. In the early days of the “Braddon Clause,” when the Federal Government was spending less than its statutory proportion of the Customs revenue, the question of suitable compensation to the States did not become acute; but, when the “Braddon Clause” was replaced by another arrangement between Commonwealth and States, much less favourable to the latter, the time had evidently come to put matters on a more definite footing. In the Commonwealth accounts of the last nine years, certain amounts (independent entirely of the subsidy) have been paid to the States as “Interest on Transferred Properties.” These amounts have been substantially based upon a valuation made by the old Home Affairs Department, with the following result :—

ORIGINAL VALUATION OF TRANSFERRED PROPERTIES.

State.	Department.				
	Postmaster-General.	Defence.	Trade and Customs.	Home Affairs.	Total.
	£	£	£	£	£
New South Wales	2,337,316	1,182,003	154,009	1,320	3,674,648
Victoria	1,332,862	805,389	190,657	1,266	2,330,174
Queensland	925,628	386,802	202,082	7,356	1,521,868
South Australia	842,281	161,140	28,486	815	1,032,722
Western Australia	600,895	64,842	37,714	835	704,286
Tasmania	214,906	121,490	48,212	143	384,751
Total	6,253,888	2,721,666	661,160	11,735	9,648,449

Since the valuation some transfers and retransfers have been made. The estimated value of the transferred properties for the last five years is given in the table in sub-section 6 hereinafter.

4. War Loan from the Imperial Government.—On the outbreak of the European war in 1914, the Commonwealth Government contracted a loan from the Imperial Government for the purpose of financing the large military expenditure which was seen to be inevitable. At first, the arrangement was that the Imperial Government should advance the sum of £18,000,000 in twelve monthly instalments of £1,500,000 each. It was soon found, however, that this would be insufficient, and consequently the Imperial Government made a fresh advance of £6,500,000, also to be paid in monthly instalments. A third loan of £25,000,000 was subsequently negotiated, of which £12,000,000 was received by 30th June, 1916, and £11,000,000 in 1916–17. The total capital debt thus created up to 30th June, 1920, is set out in the following table :—

**CAPITAL DEBT TO IMPERIAL GOVERNMENT ON ACCOUNT OF WAR LOANS,
30th JUNE, 1920.**

Authority.	Imperial Loans—Capital Debt created up to 30th June, 1920.			
	Issues, 3½%.	Issues, 4½%.	Issues, 5%.	Total.
War Loan Act 1914—£18,000,000 ..	£ 1,263,158	£ 11,500,000	£ 5,757,540	£ 18,520,698
War Loan Act No. 2 1915—£6,500,000 ..	..	..	6,885,656	6,885,656
War Loan Act (United Kingdom) No. 2 1916—£25,000,000 (a) .. ..	..	..	23,675,705	23,675,705
	1,263,158	11,500,000	36,318,901	49,082,059

(a) Only £23,000,000 has been advanced.

In addition to this capital indebtedness, a further sum of £42,696,500 is due to the British Government for the maintenance of Australian troops.

The last item of nearly £43,000,000 remained unfunded until early in 1921. An arrangement was then concluded with the Imperial Government, by means of which almost the entire debt (nearly £92,500,000) was consolidated. The Commonwealth Government undertook to extinguish the debt by annual payments of approximately £5,550,000, spread out over 35½ years. This provides for interest at nearly 5 per cent., and a sinking fund of a little more than 1 per cent., and may be regarded as a very satisfactory arrangement for the Commonwealth, since it entails only a moderate rate of interest, and provides for the ultimate extinction of nearly one-fourth of the National War Debt.

5. Flotation of War Loans in Australia.—In addition to the advances from the Imperial Government, the Commonwealth Government has raised large amounts of money for the prosecution of the war, by direct application to the investing public of Australia. Acts No. 21 and No. 50 of 1915 authorised the Commonwealth to make application for £20,000,000 and £18,000,000 respectively, and in pursuance of these a loan of £5,000,000 was placed upon the market late in 1915, and a further amount of £10,000,000 early in 1916. These issues—unprecedented in Australian finance—were entirely successful, the latter being subscribed twice over, and the former more than two and a-half times. Both loans were issued at par, bore interest at 4½ per cent., and

were redeemable on 15th December, 1925. The expenses included a commission of two shillings per cent. to the Commonwealth Bank, commission to brokers at $\frac{1}{4}$ per cent., and miscellaneous items such as printing. The total cost of flotation, however, was very moderate, amounting only to £86,103, or less than five shillings per cent. of the amount subscribed. The two Acts already mentioned were succeeded by a third, which authorised the Commonwealth Parliament to raise a further sum of £50,000,000. In pursuance of this a third issue was placed upon the market, closing on 1st August, 1916, and subsequently a fourth issue, closing on 8th February, 1917. It may be mentioned that whilst the expenses of flotation were small, the accrued interest was by no means negligible. Owing mainly to this, the net proceeds to the Federal Government only amounted to about 98 $\frac{1}{2}$ per cent., consequently, when allowance is made for redemption at par, the Government pays about £4 14s. per cent. interest, instead of the nominal 4 $\frac{1}{2}$ per cent. In view, however, of the advancing rate of interest, this could not be called excessive.

A fifth Commonwealth War Loan, floated in November, 1917, realised £21,213,780, and a sixth loan, floated in April, 1918, realised £42,951,120. The sixth issue differed from the preceding ones in that it gave the investor the option of 4 $\frac{1}{2}$ per cent. free of income tax, or 5 per cent. subject to tax, the bulk of the money being invested in the former security. The fifth and sixth loans, moreover, are redeemable on 15th December, 1927, thus to a large extent relieving the pressure on 1925 as year of maturity.

A seventh loan was floated in September and October, 1918. It was entirely a 5 per cent. loan, was repayable in 1923 after a currency of 5 years, and realised £44,083,750. This was the last War Loan. The first Peace Loan, floated in October, 1919, carried 5 per cent., and was redeemable on 15th December, 1927. It realised £25,025,370. Full particulars of the respective issues are as follows:—

PARTICULARS OF LOCAL AUSTRALIAN LOANS, TO 30th JUNE, 1920.

Number of Issue.	Number of Subscribers.			Amount Subscribed.		
	Inscribed Stock.	Treasury Bonds.	Total.	Inscribed Stock.	Treasury Bonds.	Total.
				£	£	£
1st War Loan	8,603	10,145	18,748	9,581,120	3,808,320	13,389,440
2nd War Loan	12,450	16,495	28,945	18,271,710	5,383,970	21,655,680
3rd War Loan	13,660	88,382	102,042	15,417,880	8,169,770	23,587,650
4th War Loan	13,666	53,805	67,472	14,695,240	6,888,780	21,584,020
5th War Loan	9,882	31,828	41,708	14,276,790	6,936,990	21,213,780
6th War Loan, 4 $\frac{1}{2}$ per cent.	17,781	72,526	90,307	14,169,600	22,157,780	36,327,380
6th War Loan, 5 per cent.	8,549	45,008	53,557	4,441,470	2,182,270	6,623,740
7th War Loan	16,303	226,891	243,194	14,886,730	29,197,020	44,083,750
1st Peace Loan	9,208	87,566	96,774	11,474,690	13,550,680	25,025,370
Total	110,102	632,645	742,747	115,215,230	98,275,580	213,490,810

Number of Issue.	Deductions.			Net Proceeds of Loan.	Amount required.
	Accrued Interest.	Flotation Expenses.	Total.		
	£	£	£	£	£
1st War Loan	221,502	35,451	256,953	13,132,487	5,000,000
2nd War Loan	324,169	50,652	374,821	21,280,859	10,000,000
3rd War Loan	326,887	52,278	379,165	23,208,485	No definite amount
4th War Loan	254,071	45,705	299,866	21,284,154	18,000,000
5th War Loan	230,310	53,317	282,636	20,921,144	20,000,000
6th War Loan, 4 $\frac{1}{2}$ per cent.	423,589	103,403	526,992	35,800,388	40,000,000
6th War Loan, 5 per cent.	72,767	18,854	91,621	6,532,119	
7th War Loan	361,010	140,410	501,420	43,582,330	40,000,000
1st Peace Loan	456,440	98,835	555,275	24,470,095	25,000,000
Total	2,679,754	598,995	3,278,749	210,212,061	..

6. **Total Commonwealth Public Debt.**—Separate consideration has now been given to the items composing the Public Debt. The table appended to this sub-section shows the entire debt of the Commonwealth (apart from the States) at yearly intervals since 1916. The liability on account of the note issue is excluded, but the liability on account of the transferred properties has been included for the entire period. The Commonwealth Public Accounts first took cognizance of this item in 1913 although the debt had been incurred much earlier.

PUBLIC DEBT OF THE COMMONWEALTH AS AT 30th JUNE, 1916 TO 1920.

Details.	1916.	1917.	1918.	1919.	1920.
	£	£	£	£	£
Balance of loans taken over from South Australia—					
(a) On account of Northern Territory	2,778,266	2,772,516	2,772,516	2,433,108	2,433,108
(b) On account of Oodnadatta railway	1,896,132	1,759,003	1,759,003	1,759,003	1,759,003
Value of properties transferred by States	10,781,797	10,789,739	11,202,515	11,202,619	11,440,462
Amount of Commonwealth Loan Fund—					
Inscribed Stock	4,580,000	4,580,000	4,580,000	4,580,000	4,580,000
Treasury Bills	4,808,661	4,437,543	6,240,990	7,670,881	9,815,600
War Loan from British Government	36,774,269	47,774,269	49,082,059	49,082,059	49,082,059
Commonwealth Internal Loans	34,965,430	80,242,510	143,190,680	184,437,870	207,184,380
Accrued Deferred Pay, A.I.F.	4,759,730	9,373,977	10,309,908	5,500,000	260,000
Loans raised on behalf of States .. .. .	..	7,500,000	12,000,000	16,750,000	16,750,000
Gratuities .. .. .	..	..	..	..	30,000,000
Miscellaneous .. .. .	..	..	42,917,398	42,355,207	48,005,293
Total	101,344,285	169,229,557	284,055,069	325,770,747	381,309,905
Commonwealth Debt per capita	£20 13 5	£34 11 3	£57 0 8	£63 7 6	£71 19 0

It will be noticed that the amount of the Commonwealth Internal Loans does not quite agree with the totals of the first eight issues in the table on page 696. This is owing to the fact that stock to a considerable amount has been presented as payment of Estate Duty, and cancelled, the payments being accepted in accordance with the provisions of section 5 of the Commonwealth Inscribed Stock Act 1915. The amount of £207,184,380 is the balance of the first eight issues. To this must be added £5,297,500 raised by the sale of War Savings Certificates, and £11,293 by the sale of War Savings Stamps. The item "Miscellaneous" is made up of the last two amounts and a sum of £42,696,500 due to the British Government for the maintenance of Australian troops.

7. **Place of Flotation.**—The loans taken over from South Australia, which constituted the first portion of the Federal Public Debt, included both London and Australian securities. The presence in the Treasury of a large holding of gold, and the moderate rate of interest ruling on gilt-edged securities, made the conditions in 1911, and for some little time afterwards, very favourable for the flotation of local loans. London securities were redeemed as they fell due, and replaced by the 3½ per cent. stock of the Loan Fund. Consequently, up to 1914 the amount of the securities repayable in London fell steadily, and the amount repayable in Australia rose rapidly. In 1915 the military loan from the Imperial Government caused a sharp rise in the amount of the securities repayable in London, which was maintained in the two following years. This was, however, more than offset by the flotation of the local war loans. Appended is a table shewing particulars of the loans of the Commonwealth for five financial years which have been floated in London and Australia respectively. A separate column is reserved for the cost of the transferred properties, which, for obvious reasons, it is impossible to allocate.

COMMONWEALTH PUBLIC DEBT.—LONDON AND AUSTRALIAN FLOTATIONS,
1916 TO 1920.

Year ended 30th June—	Payable in—		Value of Transferred Properties.	Total.
	London.	Australia.		
	£	£	£	£
1916	40,063,440	50,499,048	10,781,797	101,344,285
1917	58,426,312	100,013,506	10,789,739	169,229,557
1918	102,579,102	170,273,452	11,202,515	284,055,069
1919	106,123,102	208,445,026	11,202,619	325,770,747
1920	111,680,602	258,188,841	11,440,462	381,309,905

8. Rates of Interest.—When the first debt was taken over from South Australia it consisted in the main of a mass of securities varying from 3 per cent. to 4 per cent., the average rate of interest for the first year being £3 12s. 4d. For the first three years the increase in the debt was due almost entirely to the expansion of the 3½ per cent. stock of the Loan Fund, and as a consequence the average rate of interest fell steadily, until on 30th June, 1914, it stood at £3 11s. 10d. Then came the loans for military purposes, and the fall in the average rate was ultimately converted into a rise which is almost certain to be maintained, since there is not likely to be any further borrowing for some time at a rate of less than 5 per cent. In fact, the influence of the heavy borrowing of the last five years at high rates is already reflected in the rise of the average rate of interest. It is notoriously difficult to forecast the future of the rate of interest, but the influence of the large Imperial War Loans on gilt-edged securities has been so far-reaching, that in all probability for some years the average rate of interest on the Federal Public Debt will rise continuously.

The accompanying table gives full particulars concerning the interest for the five financial years ended 30th June, 1920 :—

RATES OF INTEREST ON COMMONWEALTH PUBLIC DEBT, 1916 TO 1920.

Rates of Interest.	Year ended 30th June—				
	1916.	1917.	1918.	1919.	1920.
	£	£	£	£	£
Not bearing interest ..	4,759,730	9,373,977	..	..	..
3 ..	35,063	35,063	35,063	35,063	35,063
3½ ..	16,796,712	16,804,654	17,217,430	17,217,534	17,455,377
£3/12/3 ..	720,411	720,411	720,411	720,411	720,411
3¾ ..	1,399,758	1,394,008	1,394,008	1,054,600	1,054,600
4 ..	7,156,070	6,647,823	8,451,270	9,881,161	12,025,880
4½ ..	56,076,541	101,353,621	200,261,846	192,766,897	192,130,633
5 ..	14,400,000	25,400,000	43,975,041	87,345,081	111,137,941
5½ ..	..	4,000,000	4,000,000	4,000,000	34,000,000
5¾ ..	..	3,500,000	8,000,000	12,750,000	12,750,000
Total ..	101,344,285	169,229,557	284,055,069	325,770,747	381,309,905
Average rate of interest	£4/2/10	£4/4/8	£4/10/9	£4/12/2	£4/13/7

A table is appended shewing the amounts payable as interest on the Commonwealth Public Debt as at 30th June in the years 1916-20 inclusive. The rapid increase is due not only to the great expansion of the War Loan Fund, but also to the high rate of interest on recent loans.

**AMOUNT OF INTEREST PAYABLE ON COMMONWEALTH PUBLIC DEBT AS AT
30th JUNE—**

Year.	£
1916	4,196,404
1917	7,166,105
1918	12,879,793
1919	15,017,497
1920	17,847,623

9. **Dates of Maturity.**—A table is appended giving the dates of maturity of the several portions of the Commonwealth debt. The Commonwealth Government has refrained from issuing interminable stock, although as regards about one-fourth of the debt no definite date of maturity had been assigned on 30th June, 1920. It will be noticed that about £225,000,000 falls due in the space of four years, 1923-27, the bulk of this being represented by the balance of the first eight internal loans.

**DUE DATES OF THE COMMONWEALTH PUBLIC DEBT OUTSTANDING ON
30th JUNE, 1920.(a)**

Due Dates.	Amounts.	Due Dates.	Amounts.	Due Dates.	Amounts.
	£		£		£
1920 ..	176,714	1926 ..	66,801	1939 ..	881,393
1921 ..	47,100	1927 ..	100,717,955	1945 ..	11,500,000
1922 ..	4,000,125	1928 ..	1,263,158	1947 ..	36,318,901
1923 ..	42,122,000	1930 ..	750,950	1972 ..	4,580,000
1924 ..	5,493,887	1935 ..	83,051	Indefinite ..	95,615,231
1925 ..	77,108,870	1936 ..	583,769		
				Total ..	381,309,905

(a) Those loans in the case of which the Government has the option of redemption during a specified period have been in each case classified according to the latest date of maturity.

On pages 671 to 674 will be found a series of graphs illustrating the rise in the revenue, public debt, and taxation of the Commonwealth and States since 1902, the year 1901-2 being the first complete financial year since Federation.

10. **Sinking Fund.**—The Commonwealth Government has followed the usual practice in establishing a sinking fund against most of the securities which constitute its public debt. Part of the inscribed stock issued for works purposes carries a sinking fund of 5 per cent., and the remainder one of $\frac{1}{2}$ per cent. The loan from the Imperial Government, and the internal issues carry sinking funds, partly of $\frac{1}{2}$ per cent., and partly of 1 per cent. The War Savings Certificates carry a sinking fund of $\frac{1}{2}$ per cent., and the Northern Territory and Port Augusta-Oodnadatta Railway loans one of $\frac{1}{2}$ per cent. These sinking funds are invested partly in Treasury Bills, partly in Commonwealth Inscribed Stock, and partly in Bonds (War Issues). The situation of the Sinking Funds, as at 30th June, 1920, is set out in the accompanying table. It must, however, be pointed out that the situation as regards the loan to the Imperial Government has been materially altered since that date by the funding arrangement described in detail on page 695.

COMMONWEALTH SINKING FUNDS TO 30th JUNE, 1920.

	Loans against which Sinking Funds are being accumulated.	Loans for Works Purposes.		Loans for War Purposes.		North-ern Terri-Loans.	Port Augusta Oodna-datta Rail-way Loans.
		5 per cent. Contributions.	½ per cent. Contributions.	½ per cent. Contributions.	1 per cent. Contributions.	½ per cent. Contributions.	½ per cent. Contributions.
	£	£	£	£	£	£	£
Commonwealth Inscribed Stock—							
For Works Purposes—							
Subject to 5 per cent. Contribution ..	303,435	96,219	..	..	..	..	..
Subject to ½ per cent. Contribution ..	4,276,565	..	146,778	..	..	..	..
For War Purposes ..	207,249,440	..	..	2,469,092	890,160	..	..
Loan from Imperial Government ..	49,082,059	..	..	736,231	477,743	..	..
War Savings Certificates ..	5,294,568	..	..	69,394	..	..	..
Northern Territory Loans ..	2,433,108	..	..	..	..	72,190	..
Port Augusta-Oodna-datta Railway Loans ..	1,759,003	..	..	..	..	..	46,263
	270,398,178	..	..	3,274,717	1,367,903	..	..
Add interest accumulated ..	..	7,296	11,232	4,642,620 96,652	..	12,322	7,709
Deduct Stock and Certificates surrendered in payment of Succession Duties .. ..	..	..	..	4,739,272 2,969,980	..	..	..
Total Sinking Funds at 30th June, 1920		103,515	158,010	1,769,292 2,169,301	..	84,512	53,972