

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.

It is customary for the Treasury to issue every year a document entitled "The Treasurer's Statement of Receipts and Expenditure during the year ended 30th June"; and with this is incorporated the report of the Commonwealth Auditor-General for the year. This series of annual statements is the authority for the bulk of the tables given herein.

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 last mentioned 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 paragraphs.

COMMONWEALTH RECEIPTS, 1916-17 TO 1920-21.

Heading.	1916-17.	1917-18.	1918-19.	1919-20.	1920-21.
	£	£	£	£	£
Consolidated Revenue	34,067,434	36,839,868	44,716,918	52,783,102	65,517,808
Trust Funds in aid of Revenue ..	3,000,000	2,077,427	3,925,820	3,523,057	5,724,806
Total	37,067,434	38,917,295	48,642,738	56,306,159	71,242,414
General Loan Fund .. ..	..	1,803,447	1,429,891	1,286,786	4,101,726
Total .. ..	..	1,803,447	1,429,891	1,286,786	4,101,726
War Loan Fund	50,611,810	60,865,195	57,637,507	27,125,203	33,064,475
Unexpended Balance from previous years	20,233,115	17,730,688	23,500,774	18,945,392	..
Total	70,844,925	78,595,883	81,138,281	46,070,595	33,064,475
Grand Total	107,912,359	119,316,625	131,210,910	103,663,540	103,408,615

COMMONWEALTH EXPENDITURE, 1916-17 TO 1920-21.

Heading.	1916-17.	1917-18.	1918-19.	1919-20.	1920-21.
	£	£	£	£	£
Expenditure from Consolidated Revenue	(a)25,719,588	26,573,674	34,786,107	40,387,804	52,059,118
Balance paid into Trust Funds ..	2,077,427	3,925,820	3,476,478	5,724,806	6,618,327
Expenditure from Trust Funds ..	3,000,000	2,077,427	3,879,241	3,523,057	5,724,806
Unexpended Balance from Trust Funds			46,579		
Subsidy to States	6,270,419	6,340,374	6,454,333	6,720,492	6,840,163
Total	37,067,434	38,917,295	48,642,738	56,306,159	71,242,414
General Loan Fund Expenditure ..	..	1,803,447	1,429,891	1,286,786	4,101,726
Total .. ..	..	1,803,447	1,429,891	1,286,786	4,101,726
War Expenditure from War Loan Fund	53,114,237	55,095,109	62,192,889	46,070,595	26,859,445
Unexpended Balance from War Loan Fund	17,730,688	23,500,774	18,945,392	..	6,205,030
Total	70,844,925	78,595,883	81,138,281	46,070,595	33,064,475
Grand Total	107,912,359	119,316,625	131,210,910	103,663,540	108,408,615

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

One transaction of the year 1920-21 is worthy of record. The sum of £7,780,542, being part of the accumulated profit of the Australian note issue, was employed in cancelling Commonwealth Inscribed Stock and Treasury Bills. This has not been treated as a Revenue transaction.

§ 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 regime, amounted to £11,296,985 had, in 1920-21, reached a total of £65,517,608, an increase in the period of £54,220,623.

Particulars concerning the total amount of revenue collected by the Commonwealth Government from 1st July, 1916, to 30th June, 1921, are contained in the following table :—

CONSOLIDATED REVENUE OF THE COMMONWEALTH, 1916-17 TO 1920-21.

—	1916-17.	1917-18.	1918-19.	1919-20.	1920-21.
	£	£	£	£	£
Commonwealth	34,067,434	36,839,868	44,716,918	52,783,102	65,517,608

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 five years :—

COMMONWEALTH REVENUE PER HEAD OF POPULATION, 1916-17 TO 1920-21.

Source of Revenue.	1916-17.	1917-18.	1918-19.	1919-20.	1920-21.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Taxation	4 19 9	4 18 9	6 9 4	7 17 9	9 13 9
Public Works and Services ..	1 8 9	1 18 1	1 16 0	1 8 7	1 13 4
Other Receipts	0 10 0	0 11 1	0 10 8	0 12 7	0 15 1
Total	6 18 6	7 7 11	8 16 0	9 18 11	12 2 2

3. Sources of Revenue.—The following table furnishes detailed particulars concerning the Commonwealth revenue derived from each source during the years 1916-17 to 1920-21 :—

SOURCES OF COMMONWEALTH REVENUE, 1916-17 TO 1920-21.

Source of Revenue.	1916-17.	1917-18.	1918-19.	1919-20.	1920-21.
	£	£	£	£	£
Taxation—					
Customs	12,373,664	9,486,555	11,605,410	13,705,220	21,731,210
Excise	3,236,623	3,737,757	5,821,560	7,869,339	10,078,696
Land Tax	2,121,952	2,123,779	2,169,171	2,110,306	2,155,699
Probate Duties	1,062,168	947,232	923,908	1,441,819	1,179,513
Income Tax	5,621,950	7,385,514	10,376,456	12,848,123	14,351,408
Entertainments Tax	110,683	245,898	358,126	557,911	649,828
War Time Profits Tax .. ..	..	680,008	1,206,538	2,569,012	2,083,139
War Postage .. ..	..	..	463,317	745,962	197,928
Total	24,527,040	24,608,743	32,864,486	41,847,692	52,427,421
Public Works and Services—					
Postal	5,498,517	5,762,190	6,110,522	6,744,755	8,388,569
Railways	305,964	261,107	196,988	265,918	235,387
Commonwealth Steamers .. ..	..	886,000	1,015,762	..	137,959
Detained Enemy Vessels	1,272,621	2,173,418	1,671,905	344,411	131,763
Other .. ..	..	468,769	156,321	218,209	141,418
Total	7,077,102	9,485,484	9,151,498	7,573,293	9,035,096
Other Revenue—					
Interest, Discount, etc.	865,655	995,576	1,479,426	1,589,347	1,996,012
Coinage	354,276	229,378	125,634	76,439	106,373
Defence	478,326	683,804	262,786	183,227	185,649
Quarantine	19,671	16,453	44,118	62,053	42,972
Territories (a)	70,333	71,053	97,873	65,206	79,575
Patents, etc.	20,599	20,282	23,623	34,067	40,639
Lighthouses	99,830	108,556	125,231	153,992	180,105
Pension Contributions	50,474	51,296	51,763	57,642	54,632
Defence Trust Account .. ..	..	250,310	185,082	270,504	116,329
Unexpended Balances of London Orders .. ..	..	186,149	185,746	708,264	696,095
Miscellaneous	504,128	134,684	119,652	161,376	556,710
Total	2,463,292	2,747,641	2,700,934	3,362,117	4,055,091
Grand Total	34,067,434	36,839,868	44,716,918	52,783,102	65,517,608

(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 1916-18, 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. In 1920-21 the receipts from this source were abnormally high owing to the fulfilment of large numbers of contracts abroad before the anticipated time. The postal receipts have shown 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.

4. Customs Revenue for Past Five Years.—Particulars for the Commonwealth as a whole, for the five years 1916-17 to 1920-21, are furnished in the following table :—

COMMONWEALTH CUSTOMS REVENUE, 1916-17 TO 1920-21.

Classes.	1916-17.	1917-18.	1918-19.	1919-20.	1920-21.
	£	£	£	£	£
Stimulants	1,986,321	1,693,957	1,455,667	1,880,531	1,773,103
Narcotics	1,300,683	1,236,085	1,268,357	1,590,450	1,533,860
Sugar	453,380	51,119	107,965	(a) 7,229	3,193
Agricultural products ..	862,227	603,605	515,236	726,360	819,842
Apparel and textiles ..	3,197,778	2,393,618	3,422,371	3,444,292	6,195,545
Metals and machinery ..	1,404,705	1,000,943	1,603,767	2,165,221	4,728,937
Oils, paints, etc. ..	338,202	267,129	319,043	311,022	542,619
Earthenware, etc. ..	249,525	176,244	248,664	280,064	643,731
Drugs and chemicals ..	163,027	163,623	219,532	289,437	420,327
Wood, wicker and cane ..	277,396	203,430	214,715	274,500	540,638
Jewellery, etc. ..	325,718	279,785	334,986	413,134	704,749
Leather, etc. ..	498,874	346,073	466,589	576,106	690,455
Paper and stationery ..	419,323	299,330	506,662	467,623	1,091,173
Vehicles	429,077	322,344	337,334	625,498	1,033,006
Musical instruments ..	107,915	110,413	110,850	142,082	239,822
Miscellaneous articles ..	320,334	298,661	425,349	477,612	718,752
Other receipts	39,179	40,296	48,323	48,517	51,458
Total Customs	12,373,664	9,486,555	11,605,410	13,705,220	21,731,210

(a) Debit.

5. Excise Collections, 1916-17 to 1920-21.—Particulars concerning the amount of Excise collected under each head during each of the years ending 30th June, 1917, to 1921, are given hereunder :—

COMMONWEALTH EXCISE REVENUE, 1916-17 TO 1920-21.

Particulars.	1916-17.	1917-18.	1918-19.	1919-20.	1920-21.
	£	£	£	£	£
Beer	1,387,115	1,703,888	2,862,760	3,702,442	5,439,339
Spirits	670,768	804,476	1,098,440	1,609,065	1,558,766
Tobacco	1,172,787	1,223,792	1,847,661	2,545,214	3,055,308
Licenses	5,953	5,601	12,699	4,681	12,569
Total Excise	3,236,623	3,737,757	5,821,560	7,869,339(a)	10,078,696(b)

(a) Including £7,937 " Other."

(b) Including £12,714 starch.

Comparing the Excise collections for 1920-21 with those for 1916-17, 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 increased revenue from beer is

especially remarkable. The large increase in every item in the last three years is due to the operation of increased excise duties which came into force on 25th September, 1918.

6. Commonwealth Direct Taxation.—(i) *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.

The outbreak of war in 1914 resulted in a great increase in Federal direct taxation. Four new taxes were levied in four successive years, viz., Probate duties, Income Tax, Entertainments Tax, and War Time Profits Tax, all of which have been described in previous issues of the Official Year Book.

(ii) *Probate and Succession Duties.*—Collections from this source for the five years, 1916 to 1921, are given hereunder :—

COMMONWEALTH PROBATE AND SUCCESSION DUTIES, COLLECTED IN EACH STATE, 1916–17 TO 1920–21.

Year.	N.S.W.	Vic. (b)	Q'land.	S. Aust. (a)	W. Aust.	Tas.	Total.
	£	£	£	£	£	£	£
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	28,638	21,502	923,908
1919–20 ..	399,896	700,629	60,670	144,077	99,826	36,720	1,441,818
1920–21 ..	385,070	432,281	98,054	171,450	76,516	16,142	1,179,513

(a) Including Northern Territory.

(b) Including Central Office.

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.

(iii) *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, 18 of 1918, and 31 and 32 of 1921. Full details as to the original Acts are to be found in Commonwealth Official Year Book No. 9. The result of the last five years' collections was as follows:—

COMMONWEALTH INCOME TAX COLLECTIONS IN EACH STATE, 1916-17 TO 1920-21.

States.	1916-17.	1917-18.	1918-19.	1919-20.	1920-21.
	£	£	£	£	£
New South Wales	1,670,829	2,543,427	3,674,633	4,291,947	4,920,154
Victoria (a) ..	2,547,222	2,847,448	3,966,829	5,325,003	5,867,958
Queensland ..	545,475	795,717	1,206,051	1,446,503	1,269,242
South Australia ..	433,446	612,225	803,950	906,837	1,382,029
Western Australia	314,374	433,703	487,842	558,026	557,277
Tasmania ..	108,837	149,947	234,066	318,051	350,382
Northern Territory	1,767	3,047	3,085	1,757	4,366
Total..	5,621,950	7,385,514	10,376,456	12,848,124	14,351,408

(a) Including Central Office.

(iv) *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 five years are as follows:—

ENTERTAINMENTS TAX : COLLECTIONS IN EACH STATE, 1916-17 TO 1920-21.

State.	1916-17.	1917-18.	1918-19.	1919-20.	1920-21.
	£	£	£	£	£
New South Wales ..	48,990	107,033	136,932	234,327	272,373
Victoria ..	32,947	72,209	110,815	176,411	203,781
Queensland ..	12,730	30,086	45,930	62,671	75,332
South Australia ..	8,016	18,430	27,534	33,990	42,210
Western Australia	4,954	11,879	27,934	34,210	39,716
Tasmania ..	2,992	5,988	8,680	10,993	16,266
Northern Territory	54	273	301	309	150
Total ..	110,683	245,898	358,126	557,911	649,828

(v) *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 four 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. The figures for the years 1919-21 represent delayed collections under this Act.

WAR TIME PROFITS TAX : COLLECTIONS IN EACH STATE, 1917 TO 1921.

State.	1917-18.	1918-19.	1919-20.	1920-21.
	£	£	£	£
New South Wales	147,285	524,658	880,442	784,339
Victoria (a)	371,969	364,572	1,066,161	930,927
Queensland	33,526	125,329	230,283	122,728
South Australia	67,795	137,641	243,527	144,198
Western Australia	43,323	15,940	105,517	85,255
Tasmania	16,110	38,398	43,083	15,692
Total	680,008	1,206,538	2,569,013	2,083,139

(a) Including Central Office.

(vi) *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. In 1920-21 it fell to £197,928 as credits under this head of revenue ceased on 1st October, 1920. [For further reference see page 604.]

(vii) *Commonwealth Land Tax.*—Details in regard to rates of tax, etc., will be found in the Official Year Book No. 14 at the end of Section XX.

A table is appended shewing the actual amounts received by the Treasury for five years. The yield of the tax has been remarkably constant for some time.

COMMONWEALTH LAND TAX COLLECTIONS IN EACH STATE, 1916-17 TO 1920-21.

State.	1916-17.	1917-18.	1918-19.	1919-20.	1920-21.
	£	£	£	£	£
New South Wales	921,974	889,164	822,880	955,935	933,649
Victoria (a)	822,946	844,872	885,084	818,769	865,001
Queensland	143,317	149,989	141,121	112,064	85,978
South Australia	150,670	145,852	153,789	118,318	166,260
Western Australia	47,365	58,743	64,378	60,613	63,349
Tasmania	35,680	35,159	41,918	44,607	41,462
Total	2,121,952	2,123,779	2,109,170	2,110,306	2,155,699

(a) Including Central Office.

7. Details of Postal Revenue, 1916-17 to 1920-21.—Particulars concerning the postal revenue of the Commonwealth for each of the financial years from 1916-17 to 1920-21 are contained in the following table :—

COMMONWEALTH POSTAL REVENUE, 1916-17 TO 1920-21.

Particulars.	1916-17.	1917-18.	1918-19.	1919-20.	1920-21.
	£	£	£	£	£
Private boxes and bags ..	33,239	34,926	35,672	37,188	40,044
Commission—					
Money orders and postal notes	127,775	129,651	133,955	147,175	169,256
Telegraphs	950,842	1,032,318	1,103,664	1,274,527	1,369,922
Telephones	1,549,961	1,731,149	1,876,928	2,159,449	2,431,980
Postage	2,614,542	2,625,262	2,726,524	2,874,730	4,142,781
Miscellaneous	222,158	208,884	233,779	251,686	234,586
Total	5,498,517	5,762,190	6,110,522	6,744,755	8,388,569

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 in the years 1916-17 and 1917-18 was made up by fees, wharfage rates, etc., and was independent of the working receipts. 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, 1916-17 TO 1920-21.

Railway.	1916-17.	1917-18.	1918-19.	1919-20.	1920-21.
	£	£	£	£	£
Kalgoorlie-Port Augusta	271,388	164,203	150,856	233,564	221,386
Port Augusta-Oodnadatta	1,379	1,027			
Darwin-Katherine River	32,605	35,172	45,725	31,783	12,761
Capital Territory	592	705	407	571	1,240
Total	305,964	201,107	196,988	265,918	235,337

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. About the end of June, 1916, the Commonwealth Government announced 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. In 1920-21 they were "Profit under Wool Tops Agreement" £89,404, and "Profit on sale of coal to New Zealand Government" £51,555.

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. In 1920-21 they were Interest on Loans and Advances to States, £1,482,569; Interest on General Trust Fund Investments, £243,115; and Interest on Bank Deposits, £165,000.

13. Coinage.—The Commonwealth Revenue under this head is derived from profit on coin issued, and for 1920-21 was made up of £80,846 for silver and £25,527 for bronze. The great fall in revenue from this source during recent years is due to the 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 1920-21, £104,422 was contributed by the Defence Department, and £81,227 by the Navy Office.

15. Patents, etc.—This heading includes Patents, Trade Marks, Copyright and Designs, the administration of which has been exclusively a Commonwealth concern for a very long time. In 1920-21, £28,251 was obtained from Patents, and £12,388 from Trade Marks, Copyright and Designs.

16. Unexpended Balance of London Orders.—The largely increased amount for the last two years 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.

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 amount of £431,690 which was paid into Revenue under the operation of the Sugar Purchase Act of 1915. A large item appeared for the first time in 1920-21, viz., £394,016, net profit on Australian Note Issue.

(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 1916-17 to 1920-21 is shewn in the following table :—

COMMONWEALTH EXPENDITURE, 1916-17 TO 1920-21.(a)

—	1916-17.	1917-18.	1918-19.	1919-20.	1920-21.
	£	£	£	£	£
Commonwealth ..	27,797,015	30,499,494	38,262,585	46,062,610	58,677,445

(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.

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

COMMONWEALTH EXPENDITURE PER HEAD OF POPULATION, 1916-17 TO 1920-21.

—	1916-17.	1917-18.	1918-19.	1919-20.	1920-21.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Commonwealth ..	5 13 0	6 2 5	7 10 7	8 13 8	10 16 10

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, page 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, 1916-17 TO 1920-21.

Year ended 30th June—	Defence.	Trade and Customs.	Postmaster- General.	Treasury.	Prime Minister's Department.	Home and Territories.	Works and Railways.	Total.
	£	£	£	£	£	£	£	£
1917 ..	1,765,253	201,419	590,770	2,085	120,591	293,836	1,314,793	4,288,747
1918 ..	245,501	109,164	233,255	2,377	..	27,718	4,188	622,203
1919 ..	97,018	38,542	239,643	609	..	22,156	7,688	405,656
1920 ..	116,663	12,104	184,788	1	..	21,439	159	335,154
1921 ..	1,097,062	28,103	940,917	5,832	(a)2,353	23,564	372	2,098,203

(a) Including £700 for Parliament.

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

5. Details of Expenditure from Consolidated Revenue.—The following table gives details of the expenditure from Consolidated Revenue. It is arranged in such a manner as to shew under each Department the expenditure on behalf of that Department:—

EXPENDITURE FROM CONSOLIDATED REVENUE, 1916-17 TO 1920-21.

Heads of Expenditure.	1916-17.	1917-18.	1918-19.	1919-20.	1920-21.
	£	£	£	£	£
Cost of Departments—					
Governor-General	25,279	26,893	23,875	27,215	30,707
Parliament	344,060	237,464	245,713	348,415	323,359
Prime Minister	155,797	234,568	231,173	312,408	434,939
Attorney-General	94,195	96,930	94,686	111,007	132,446
Treasury (a)	1,545,923	2,902,578	1,222,580	2,479,078	3,764,051
Trade and Customs	648,147	715,129	817,505	992,142	964,993
Defence	1,544,775	1,283,063	1,392,859	1,163,792	1,553,045
Navy	1,514,961	1,551,258	1,663,888	1,748,847	2,568,786
Postmaster-General	5,288,998	5,349,994	5,449,722	6,136,920	7,305,243
Home and Territories	484,274	468,701	489,163	478,281	746,569
Works and Railways	886,661	672,893	683,874	714,196	698,392
Total	12,533,070	13,539,471	12,315,038	14,512,301	(c)18,585,418
Miscellaneous—					
New Works	4,288,747	622,203	405,656	335,154	2,098,203
War Services (b)	8,421,654	11,863,250	21,255,101	24,579,099	30,464,247
Carried forward in respect of					
Pensions	2,077,427	3,925,820	3,476,478	5,724,806	6,618,327
Interest—State Loans Act	105,000	548,750	810,312	911,250	911,250
Other	371,117	..	..	..	..
Total	15,263,945	16,960,023	25,947,547	31,550,309	40,092,027
Grand Total	27,797,015	30,499,494	38,262,585	46,062,610	58,677,445

(a) For an explanation of the varying amounts in the expenditure on the Treasury, see footnote to the table on page 653. (b) For details see table on page 656. (c) Including £62,888 for Air Services.

More detailed reference to the items included under the above general heads is furnished in the succeeding sub-sections.

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 1916-17 to 1920-21 is as follows :—

**EXPENDITURE, GOVERNOR-GENERAL AND ESTABLISHMENT,
1916-17 TO 1920-21.**

Details.	1916-17.	1917-18.	1918-19.	1919-20.	1920-21.
	£	£	£	£	£
Salary	10,000	10,000	10,000	10,000	10,000
Governor-General's Establishment ..	5,079	6,351	4,390	9,243	13,127
Contingencies (a)	10,200	10,542	9,485	7,972	7,374
Interest on Commonwealth Treasury Bills ..	..	..	..	..	206
Total	25,279	26,893	23,875	27,215	30,707

(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 1916-17 to 1920-21 are furnished in the table given hereunder :—

EXPENDITURE, COMMONWEALTH PARLIAMENT, 1916-17 TO 1920-21.

Details.	1916-17.	1917-18.	1918-19.	1919-20.	1920-21.
	£	£	£	£	£
Salaries of Ministers	13,650	14,901	15,300	15,231	15,368
Allowances to Senators	20,866	20,854	20,760	22,376	34,710
Allowances to Members of House of Representatives	39,072	42,796	42,261	40,993	69,133
Officers, staff, contingencies, etc. ..	36,771	39,583	37,584	40,182	51,661
Repairs, maintenance, etc.	1,988	1,518	1,568	1,663	1,686
Printing	18,997	16,864	26,863	21,347	23,810
Travelling expenses of Members and others	10,339	9,950	8,913	9,379	11,996
Insurance	342	342	342	342	342
Electoral Office	53,091	53,717	53,159	60,677	70,200
Election expenses	83,276	4,355	2,459	98,110	3,037
Referendum	77	..	..
Administration of Electoral Act ..	60,100	27,425	31,460	33,859	28,477
Miscellaneous	5,491	5,159	5,044	4,256	12,939
Total	344,060	237,464	245,713	348,415	323,359

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 further increased to £1,000 per annum.

8. Prime Minister's Department.—This department was created during the financial year 1911-12. In addition to the Prime Minister's Office it includes the Audit Office taken from the Treasury, the Executive Council taken from the External Affairs Department, and the Public Service Commissioner's Office taken from the Home Affairs Department. In 1916-17 it assumed control of the High Commissioner's Office in London, which was detached from the old External Affairs Department when the latter was merged in the Home and Territories Department. The expenditure for the last five years is shewn in the following table :—

EXPENDITURE, PRIME MINISTER'S DEPARTMENT, 1916-17 TO 1920-21.

Details.	1916-17.	1917-18.	1918-19.	1919-20.	1920-21.
	£	£	£	£	£
Salaries, contingencies, etc.	21,691	25,764	33,328	29,125	32,876
Executive Council	170	160	177	210	250
Audit Office	16,726	18,480	25,486	27,745	32,211
Rent, repairs, etc.	4,678	16,489	7,028	6,997	7,214
Public Service Commissioner's Office ..	22,142	22,329	23,129	26,757	30,546
High Commissioner's Office	31,518	52,166	57,106	66,037	75,764
Interest on Commonwealth Securities	22,274	23,467	25,781	27,464	21,620
Sinking Fund on Commonwealth Securities	2,433	2,433	2,433	2,433	433
Mail Service to Pacific Islands	17,073	35,021	28,800	21,600	43,501
Contribution to Secretariat, League of Nations .. ..	..	..	..	..	68,350
Miscellaneous	17,092	38,259	27,905	104,040	122,174
	155,797	234,568	231,173	312,408	434,939

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. In 1920-21 the largest single item was one of £50,371, representing the balance of the expenses of the visit of the Prince of Wales. The remaining items included £10,881 for Basic Wage Commission; £5,418 for Conferences on Coal Industry disputes; £5,802 for Commonwealth representation at Geneva Conference; and £4,000 for Imperial Mineral Resources Bureau Grant.

9. Home and Territories.—Under this 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 1920-21.

Details.	1916-17.	1917-18.	1918-19.	1919-20.	1920-21.
	£	£	£	£	£
Chief Office	17,065	14,737	16,156	18,528	21,756
Census and Statistics	18,505	15,013	16,248	16,795	17,713
Meteorological Branch	27,499	25,971	28,209	29,706	84,923
Lands and Survey	15,556	14,449	15,935	17,280	22,236
Papua	61,746	51,918	51,260	51,492	62,656
Rents, repairs, etc.	1,951	10,493	14,905	13,207	16,380
Northern Territory	237,163	207,620	213,649	186,782	232,011
Federal Capital Territory .. ..	..	23,382	24,142	25,482	26,828
Norfolk Island	3,000	3,000	3,000	3,000	3,000
Interest on Commonwealth Securities (a)	72,202	74,548	84,881	91,572	54,032
Sinking Fund, Commonwealth Securities (a)	5,853	5,853	5,853	5,853	2,612
Miscellaneous	23,734	21,717	14,925	18,584	202,422
Total	484,274	468,701	489,163	478,281	746,569

(a) Includes Northern Territory and Port Augusta Railway.

The large "Miscellaneous" item in 1920-21 includes £149,150 special expenditure on the Census of 1921.

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, and an increase in the item "Patents, Trade Marks, etc." Details for the five years 1916-17 to 1920-21 are furnished hereunder :—

EXPENDITURE, ATTORNEY-GENERAL'S DEPARTMENT, 1916-17 TO 1920-21.

Details.	1916-17.	1917-18.	1918-19.	1919-20.	1920-21.
	£	£	£	£	£
Attorney-General's Office	13,880	10,189	11,510	14,492	15,558
Crown Solicitor's Office	10,766	11,255	12,943	16,042	17,879
Salaries of Justices of High Court	21,500	21,500	21,500	22,448	21,556
High Court expenses	10,280	9,852	8,837	11,922	12,925
Court of Conciliation and Arbitration	11,068	7,900	6,242	7,650	9,112
Rent, repairs, etc.	3,217	9,414	4,839	4,733	5,889
Patents, Trade Marks, etc.	21,856	19,253	23,875	32,321	42,389
Miscellaneous	1,628	7,567	4,940	1,399	7,138
Total	94,195	96,930	94,686	111,007	132,446

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 five years of its existence is as follows :—

EXPENDITURE, WORKS AND RAILWAYS DEPARTMENT, 1916-17 TO 1920-21.

Details.	1916-17.	1917-18.	1918-19.	1919-20.	1920-21.
	£	£	£	£	£
Chief Office	40,558	31,162	36,594	39,770	45,317
Kalgoorlie-Port Augusta Railway	302,550	232,726	237,204	264,798	292,168
Port Augusta-Oodnadatta Railway, and Northern Territory Railways	312,906	172,637	162,077	159,456	156,900
Interest on Transferred Properties	404	403	403	403	374
Interest on Commonwealth Securities	198,406	208,811	226,083	232,948	174,002
Sinking Fund on Commonwealth Securities	11,957	11,957	11,957	11,957	13,200
Rent, repairs, etc.	14,635	2,953	2,957	3,286	4,670
Miscellaneous	5,245	12,244	6,599	1,578	11,761
Total	886,661	672,893	683,874	714,196	698,392

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. Details of the expenditure of this Department for the last five years are given in the following table :—

EXPENDITURE, TREASURER'S DEPARTMENT, 1916-17 TO 1920-21.

Details.	1916-17.	1917-18.	1918-19.	1919-20.	1920-21.
	£	£	£	£	£
Treasury	37,993	29,391	32,072	48,393	61,139
Taxation Office	198,967	281,523	311,330	375,710	513,422
Pensions Office	52,214	53,391	61,406	73,509	85,016
Maternity Allowance Office	13,263	12,280	11,209	12,708	15,902
Coinage	28,728	30,481	18,411	18,956	33,981
Rent, Repairs, etc.	15,487	20,491	18,715	25,676	28,090
Interest on Commonwealth Securities	19,833	12,273	..	..	41,223
Miscellaneous	29,411	7,696	93,597	29,132	34,277
Departmental Expenditure	395,896	447,526	546,740	584,084	813,050
Invalid and Old-age Pensions (a)	453,344	1,781,564	..	1,196,454	2,174,336
Maternity Allowance	662,030	634,428	620,080	625,865	700,760
Maintenance of persons in charitable institutions	34,653	39,060	55,760	72,675	75,905
Total	1,545,923	2,902,578	1,222,580	2,479,078	3,764,051

(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; in 1919-20, £3,350,425; and in 1920-21, £2,900,000.

The fluctuations in the total expenditure on this Department are mainly due to the variations in the method of payment of the Invalid and Old-age Pensions, which, as explained in the footnote, are partly paid from Trust Funds. The increase in the departmental expenditure is largely owing to the Taxation Office. 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. Particulars for the five years 1916-17 to 1920-21 are given in the following table :—

EXPENDITURE, TRADE AND CUSTOMS DEPARTMENT, 1916-17 TO 1920-21.

Details.	1916-17.	1917-18.	1918-19.	1919-20.	1920-21.
	£	£	£	£	£
Chief Office	19,223	21,849	29,404	37,362	43,861
Customs (ordinary)	344,303	339,698	350,253	399,534	460,187
Fisheries	170	224	96	..	18
Analyst	4,440	3,498	4,804	5,637	5,663
Audit (proportion)	5,786	4,525	4,617	5,538	7,940
Quarantine	46,251	50,748	150,820	100,030	100,583
Pensions and retiring allowances	16,215	16,545	17,213	17,186	16,803
Rents, repairs, etc.	19,103	20,945	18,066	20,933	24,386
Sugar and other bounties	14,623	15,418	30,460	16,292	24,406
Inter-State Commission	10,096	11,903	12,007	10,545	3,650
Lighthouses	128,767	133,837	137,364	147,349	168,314
Interest on transferred properties	29,933	79,294	43,951	77,795	71,469
Interest on Commonwealth securities .. ..	..	726	2,200	3,267	3,501
Bureau of Commerce and Industry .. ..	..	..	..	3,774	5,160
Institute of Science and Industry .. ..	..	6,981	13,131	13,109	16,042
Miscellaneous	9,237	8,938	3,119	133,791	13,010
Total	648,147	715,129	817,505	992,142	964,993

The rise in expenditure on quarantine and lighthouses in recent years has caused an increase in the expenditure on this Department. The large "Miscellaneous" vote 1919-20 is due to an item of £130,036 paid to the Australian Wheat Board as profit on cornsacks.

14. **Defence.**—The Commonwealth expenditure from Consolidated Revenue in connexion with Defence, which in 1901-2 amounted to £861,218, had by 1920-21 grown to only £1,553,045. As shewn elsewhere, the bulk of the war expenditure was provided for out of loan. Particulars for the five years 1916-17 to 1920-21 are as follows :—

EXPENDITURE, DEFENCE, 1916-17 TO 1920-21.

Details.	1916-17.	1917-18.	1918-19.	1919-20.	1920-21.
	£	£	£	£	£
Chief Office	49,267	50,163	47,143	59,133	64,188
Military	1,311,481	1,052,848	1,153,036	914,089	1,276,531
Audit (proportion)	11,117	21,548	8,407	13,196	14,269
Pensions and retiring allowances	191	380	380	375	1,412
Rents, repairs, etc.	68,314	54,599	53,484	46,063	62,721
Interest on transferred properties	88,512	88,490	92,289	88,925	82,560
Interest on Commonwealth Securities .. ..	..	1,839	5,917	12,025	23,434
Miscellaneous	15,893	13,196	32,203	29,986	27,930
Total	1,544,775	1,283,063	1,392,859	1,163,792	1,553,045

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. Since 30th June, 1921, it has once more been amalgamated with the Defence, but in this issue of the Official Year Book the accounts will appear separately. Appended is the expenditure for the last five years, under similar headings, to those of the Defence Department:—

EXPENDITURE, NAVY DEPARTMENT, 1916-17 TO 1920-21.

Details.	1916-17.	1917-18.	1918-19.	1919-20.	1920-21.
	£	£	£	£	£
Chief Office	40,747	39,176	39,689	49,296	61,303
Naval	1,401,659	1,426,988	1,506,897	1,562,029	2,367,748
Audit (proportion)	1,272	1,017	1,711	2,908	3,029
Pensions and retiring allowances	899	899	1,012	827	750
Rents, repairs, etc.	15,969	19,079	25,738	32,398	46,007
Interest on transferred properties	41,058	41,058	44,410	41,546	39,765
Interest on Commonwealth Securities	4,381	16,995	42,523	58,980	47,999
Sinking Fund, Commonwealth Securities	40	40	40	40	40
Miscellaneous	8,936	6,006	1,868	823	2,145
Total	1,514,961	1,551,258	1,663,888	1,748,847	2,568,786

16. Postal.—Full details of the expenditure of this Department are given in the table hereunder.

EXPENDITURE, POSTAL DEPARTMENT, 1916-17 TO 1920-21.

Details.	1916-17.	1917-18.	1918-19.	1919-20.	1920-21.
	£	£	£	£	£
Chief Office	22,821	21,960	23,189	25,842	30,949
Postal Department (ordinary) ..	4,853,886	4,920,251	5,015,429	5,681,340	6,844,979
Audit (proportion)	2,981	2,635	2,888	6,224	8,182
Pensions and retiring allowances	55,877	59,174	64,720	67,842	75,057
Rents, repairs, etc.	67,494	60,070	60,756	62,415	86,824
Interest on transferred properties	217,602	212,227	210,908	214,815	186,070
Interest on Commonwealth Securities	40,539	42,150	46,420	52,832	49,562
Sinking Fund on Commonwealth Securities	16,271	16,271	16,271	16,271	16,193
Miscellaneous	11,527	15,256	9,141	9,339	7,427
Total	5,288,998	5,349,994	5,449,722	6,136,920	7,305,243

17. Cost of the War.—A substantial amount of the cost of the war has been paid out of consolidated revenue under the heading "War Services." The expenditure on the war from revenue has already been dealt with in the table on page 649, 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 1918-21, 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, 1921.

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	11,863,250	55,095,110	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
1920-21	30,464,247	26,359,446	57,323,693
Total	101,001,417	295,226,963	396,228,380

The following table gives the details of the war expenditure from Revenue for the last five years :—

WAR SERVICES EXPENDITURE FROM REVENUE, 1916-17 TO 1920-21.

Heading.	1916-17.	1917-18.	1918-19.	1919-20.	1920-21.
	£	£	£	£	£
Special Appropriations—					
Interest, Commonwealth Loans	2,738,673	4,574,816	7,709,771	10,268,246	11,229,087
Interest, Imperial Loans	2,082,258	2,477,288	2,377,690	2,377,656	2,290,460
Sinking Fund, Commonwealth Loans	689,384	515,781	955,303	1,067,402	2,678,000
Sinking Fund, Imperial Loans	477,743	245,410	245,410	245,410	490,820
War Pensions, etc. ..	..	..	4,827,368	5,859,862	6,013,514
Annual Votes—					
Defence	550,377	532	310	497	172,325
Navy	686,701	..	272,608	143,274	824,212
Treasury	1,186,488	5,043,046	3,546,328	1,956,601	2,835,903
Prime Minister's Department	..	999,108	8,194	1,275	7,845
Trade and Customs ..	10,030	7,179	9,238	9,483	17,114
Repatriation .. .. .	..	..	1,300,044	2,614,979	3,867,706
Works and Railways ..	..	..	2,837	34,414	(a) 37,261
Total	8,421,654	11,863,250	21,255,101	24,579,099	30,464,247

(a) Including £10,000 for Home and Territories Department.

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. In 1919-20 it includes £1,816,000, and in 1920-21 £1,743,000, interest to the Imperial Government.

WAR EXPENDITURE FROM WAR LOAN FUND, 1916-17 TO 1920-21.

Department.	1916-17.	1917-18.	1918-19.	1919-20.	1920-21.
	£	£	£	£	£
Defence	47,116,871	52,877,296	49,434,567	17,979,748	846,790
Navy	3,324,181	569,888	7,194,345	3,580,064	(a) 247,371
Treasury	386,743	1,128,907	5,314,153	15,379,318	15,330,886
Trade and Customs ..	111,822	12,778	39,141	(a) 41,680	(a) 54,601
Prime Minister	2,083,483	420,759	120,863	140,713	1,678,775
Home and Territories ..	91,137	85,482	4,458	36,531	7,199
Repatriation .. .. .	..	..	85,362	8,090,614	6,593,924
Works and Railways ..	..	..	..	220,279	(a) 7,100
War Gratuities .. ..	..	..	..	685,008	2,710,944
Total	53,114,237	55,095,110	62,192,889	46,070,595	26,859,446

(a) Credit.

The largest item in the case of the Treasury in 1920-21 was an advance of £15,175,678 to the States and Papua for the purpose of settling returned soldiers on the land. The expenditure under the heading Repatriation was entirely incurred under the War Service Homes Act of 1918.

(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 1916–17 to 1920–21 :—

COMMONWEALTH SUBSIDY PAID TO STATES, 1916–17 TO 1920–21.

State.	1916–17.	1917–18.	1918–19.	1919–20.	1920–21.
	£	£	£	£	£
New South Wales	2,286,913	2,317,783	2,380,139	2,472,717	2,533,234
Victoria	1,722,409	1,739,481	1,764,239	1,847,085	1,878,449
Queensland	823,771	845,913	856,300	895,454	912,628
South Australia	531,340	535,808	549,593	578,094	588,603
Western Australia	569,982	561,129	556,505	569,512	564,735
Tasmania (a)	246,004	250,260	257,557	267,630	272,514
Total (a)	6,180,419	6,250,374	6,364,333	6,630,492	6,750,163

(a) Not including special grant to Tasmania.

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 arrangements for a Commonwealth subsidy to the States. In the meantime the existing arrangement is being continued provisionally.

§ 3. Trust Fund and Miscellaneous.

1. Trust Accounts.—The Trust Fund credit balance on 30th June, 1921, amounted to £16,700,347, as compared with £82,375,522 for the corresponding date in the year ending 30th June, 1920. This enormous decline is the result of the transference of the administration of the Australian Notes Account to the Commonwealth Bank. Details concerning the most important trust accounts are contained in the following table :—

COMMONWEALTH TRUST FUND, 30th JUNE, 1921:

Trust Accounts.	Balance at 30th June, 1921. ..	Trust Accounts.	Balance at 30th June, 1921.
	£		£
Admiralty	72,804	Naval Dockyard	33,811
Australian Soldiers Repatriation	147,391	New York Suspense Account	32,187
Commonwealth Steamers	22,939	Other Trust Funds	849,654
Defence—Clothing Material	134,465	Public Trustee	66,838
Small Arms	21,559	Railway Plant and Stores	64,591
Small Arms Ammunition	119,144	Ships Insurance	472,124
Deferred Pay	371,711	Small Arms Ammunition Factory	32,551
Detained Enemy Vessels	11,431	State Loans Suspense	70,561
General Average Deposits	11,767	Unclaimed Pay	15,596
Interest Imperial Government	3,934,191	War Loans Securities Repurchase	918,299
Insurance, Lost Enemy Vessels	446,904	War Pensions	2,200,623
International Post and Money Order	128,934	War Savings Certificates Interest	246,458
Invalid and Old-age Pensions	4,417,704	War Service Homes	19,516
Sinking Funds	1,004,527	Wireless Workshops	21,064
Molonglo Internment Camp	40,903	Miscellaneous	85,499
Money Order	674,500		
National War Histories	10,101	Total	16,700,347

2. **Australian Notes Account.**—This no longer appears as a Trust Account, the management having been transferred to the Commonwealth Bank in December, 1920. On 30th June, 1921, the notes issued and unredeemed amounted to £58,094,987. Against this there was a reserve of gold coin equal to £23,478,127½ or 40.41 per cent., and other assets of which the most important were investments amounting to £34,120,002.

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 the following table is appended, giving full particulars of the investments of the £34,120,002, to which reference has already been made :—

**AUSTRALIAN NOTES ACCOUNT.—PARTICULARS OF INVESTMENT AS AT
30th JUNE, 1921.**

Investment.	Amount.	Rate of Interest.	Date of Maturity.	Amount of Interest.
	£	%		£
Commonwealth Inscribed Stock ..	3,014,716	3½	1962–1972	105,515
Commonwealth War Loan ..	63,640	4½	1925	2,864
New South Wales Treasury Bills ..	7,400,000	4½	1925	305,250
Victorian Debentures ..	588,000	6	Various	36,000
Victorian Debentures ..	3,900,000	4½	1925	160,875
Victorian Government Securities ..	583,000	5½	(a)	30,607
Queensland Government Securities ..	1,490,000	5½	(a)	78,225
South Australian Treasury Bills ..	2,600,000	4½	1925	107,250
South Australian Government Securities ..	326,000	6	(a)	19,560
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 ..	300,000	3½	1921	11,250
Tasmanian Treasury Bills ..	1,000,000	4½	1925	41,250
Tasmanian Government Securities ..	469,000	5½	(a)	24,622
Tasmanian Stock ..	160,000	6	Various	9,600
Bank Deposits ..	8,200,646	3 to 6	(a)	(b) 369,029
Total ..	34,120,002	..	..	(b) 1,469,484

(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, 1921. The money was allocated to the States as follows :—

**COMMONWEALTH LOANS RAISED IN LONDON ON BEHALF OF STATES
AS AT 30th JUNE, 1921.**

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 has made further advances to the States for various purposes which are set out as follows, the amounts representing what was outstanding on 30th June, 1921 :—

	£	£
Government of New South Wales—		
Settling returned soldiers	6,257,009	
Silos for wheat storage	1,001,597	
Hospitals	77,001	
		7,335,607
Government of Victoria—		
Settling returned soldiers	10,705,601	
Reserve employment	53,400	
		10,759,001
Government of Queensland—		
Settling returned soldiers	2,067,998	
Reserve employment	300,000	
Forestry	40,156	
		2,408,154
Government of South Australia—		
Settling returned soldiers	2,335,039	
Reserve employment	28,796	
		2,363,835
Government of Western Australia—		
Settling returned soldiers	3,186,819	
		3,186,819
Government of Tasmania—		
Settling returned soldiers	1,858,521	
		1,858,521
Total		27,911,937

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. A statement of surpluses and deficiencies for the past five years is hereto appended.

COMMONWEALTH SURPLUS REVENUE, 1916–17 TO 1920–21.

Year.	Surplus.	Deficiency.	Accumulated Surplus at end of Year.
	£	£	£
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
1920–21	893,521	..	6,618,327

§ 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, 1921, stood at £3,968,297, of which £2,209,294 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, in view of 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 money required for the Loan Fund has been mainly obtained by the issue of Treasury Bills. The details of the expenditure for the last five working years are given in the following table. There were no transactions in 1916–17.

**COMMONWEALTH LOAN EXPENDITURE FOR WORKS, ETC., DETAILS,
1916 TO 1921.**

Particulars. (b)	1915–16.	1917–18.	1918–19.	1919–20.	1920–21.
	£	£	£	£	£
Railways Construction—					
Trans-Australian Railway	1,646,953	410,596	156,187	138,164	76,009
Northern Territory	126,592	42,178	1,226d	2,539	1,654
Other .. ..	..	4,260	2,193	91d	4,258
Loan Redemption—					
Oodnadatta Railway	923	..	..	..	..
Northern Territory	400,000	..	339,408	..	223,814
Papua—Railways and Wharves	12,829	..	..	..	20,000
Posts and Telegraphs—					
Purchase of land	92,712	2,811	1,692	596d	920
Construction of conduits	271,211	67,375	116,760	305,538	21,635
Acquisition of land (a)—					
London	113,744	69,991	46,120	58,611	55,727
Perth .. ..	..	24,347	18,291	23,073	21,644
Federal Territory	127,537	90,703	1,395	11,968	83,232
Elsewhere (c) .. ..	..	37,622	67,448	37,375	5,474
Defence Machinery ; Dockyards, Cockatoo Island ; Naval Bases, etc.	66,840	375,913	510,318	282,044	305,721
Ship Construction .. ..	..	355,397	..	..	2,999,630
General Arsenal ; Small Arms, etc. ; Cordite .. ..	..	27,253	58,761	350,616	153,083
Lighthouses .. ..	..	42,473	16,115	26,795	29,746
Contribution under River Murray Waters Act .. ..	..	..	55,760	39,241	56,722
Acetate of Lime Factory .. ..	..	52,410	18,001	..	2,420
Plant and Stores Suspense Account .. ..	..	200,000	..	..	..
Wireless Telegraphy .. ..	..	118	22,668	11,509	..
Miscellaneous .. ..	..	..	..	..	40,037
Total	2,859,341	1,803,447	1,429,891	1,286,786	4,101,726

(a) Including cost of erection of buildings.
Works Construction were made from Revenue.

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

(d) Credited by repayment.

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. A valuation was made, with results set out in detail in Official Year Book No. 14, page 694, and the Commonwealth now pays interest to the States on account of all the transferred properties.

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. 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 about 35 years, this payment representing 6 per cent. of the original debt. 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. The amount outstanding on 30th June, 1921, was £92,480,156, which will diminish steadily year by year owing to the operation of the sinking fund.

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.

Full details of the seven War Loans and the first Peace Loan are given in Official Year Book No. 14. In the financial year 1920–21 a second Peace Loan was floated with a currency of 10½ years and a rate of interest of 6 per cent. Particulars of the first nine issues are given in the table hereunder :—

PARTICULARS OF LOCAL AUSTRALIAN LOANS, TO 30th JUNE, 1921.

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	16,271,710	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	53,806	67,472	14,695,240	6,888,780	21,584,020
5th War Loan	9,882	31,826	41,708	14,276,790	6,936,990	21,213,780
6th War Loan, 4½ 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
2nd Peace Loan	8,913	52,635	61,548	12,372,040	14,240,520	26,612,560
Total	119,015	685,280	804,295	127,587,270	112,516,100	240,103,370

PARTICULARS OF LOCAL AUSTRALIAN LOANS, TO 30TH JUNE, 1921—*continued.*

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	45,795	299,866	21,284,154	18,000,000
5th War Loan	239,319	53,317	292,636	20,921,144	20,000,000
6th War Loan, 4½ per cent. ..	423,589	103,403	526,992	35,800,388	} 40,000,000
6th War Loan, 5 per cent. ..	72,767	18,354	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
2nd Peace Loan	117,285	109,318	226,603	26,385,957	25,000,000
Total	2,797,039	708,313	3,505,352	236,598,018	..

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 1917.

PUBLIC DEBT OF THE COMMONWEALTH AS AT 30th JUNE, 1917 TO 1921.

Details.	1917.	1918.	1919.	1920.	1921.
	£	£	£	£	£
Balance of loans taken over from South Australia—					
(a) On account of Northern Territory	2,772,516	2,772,516	2,433,108	2,433,108	2,209,294
(b) On account of Oodnadatta railway	1,759,003	1,759,003	1,759,003	1,759,003	1,759,003
Value of properties transferred by States	10,789,739	11,202,515	11,202,619	11,440,482	11,536,139
Inscribed Stock	4,580,000	4,580,000	4,580,000	4,580,000	8,764,716
Treasury Bills	4,437,543	6,240,990	7,670,881	9,815,600	8,094,153
War Loan from British Government ..	47,774,269	49,082,059	49,082,059	49,082,059	92,480,156
Commonwealth Internal Loans	80,242,510	143,190,680	184,437,870	207,184,380	232,819,660
Accrued Deferred Pay, A.I.F.	9,373,977	10,309,908	5,500,000	280,000	14,720
Loans raised on behalf of States	7,500,000	12,000,000	16,750,000	16,750,000	16,750,000
Gratuities .. ..	..	..	..	30,000,000	25,279,925
Miscellaneous .. ..	..	42,917,398	42,355,207	48,005,293	2,012,258
Total	169,229,557	284,055,069	325,770,747	381,309,905	401,720,024
Commonwealth Debt <i>per capita</i>	£34 11 3	£57 0 8	£63 7 6	£71 19 0	£73 12 9

It will be noticed that the amount of the Commonwealth Internal Loans falls somewhat short of the totals of the nine issues in the table on page 661. 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 £232,819,660 is the balance of the first nine issues. To this must be added £2,004,870 raised by the sale of War Savings Certificates, and £7,388 by the sale of War Savings Stamps. The item "Miscellaneous" is made up of the last two amounts.

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, 1917 TO 1921.

Year ended 30th June—	Payable in—		Value of Transferred Properties.	Total.
	London.	Australia.		
	£	£	£	£
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
1921	112,382,199	277,801,686	11,536,139	401,720,024

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 1921 :—

RATES OF INTEREST ON COMMONWEALTH PUBLIC DEBT, 1917 TO 1921.

Rates of Interest.	Year ended 30th June—				
	1917.	1918.	1919.	1920.	1921.
%	£	£	£	£	£
Not bearing interest ..	9,373,977	..	..	..	..
3	35,063	35,063	35,063	35,063	35,063
3½	16,804,654	17,217,430	17,217,534	17,455,377	15,469,528
£3/12/3	720,411	720,411	720,411	720,411	720,411
3¾	1,394,008	1,394,008	1,054,600	1,054,600	833,870
4	6,647,823	8,451,270	9,881,161	12,025,880	8,304,433
4½	101,353,621	200,261,846	192,766,897	192,130,633	126,769,038
5	25,400,000	43,975,041	87,345,081	111,137,941	157,056,366a
5¼	4,000,000	4,000,000	4,000,000	34,000,000	29,279,925
5½	3,500,000	8,000,000	12,750,000	12,750,000	12,750,000
5¾ .. ..	..	..	..	..	2,000,000
6 .. ..	..	..	..	..	48,501,390
Total	169,229,557	284,055,069	325,770,747	381,309,905	401,720,024
Average rate of interest	£4/4/8	£4/10/9	£4/12/2	£4/13/7	£4/18/4

(a) Including the debt to the Imperial Government, the interest on which (apart from the sinking fund) is nearly 5 per cent.

A table is appended shewing the amounts payable as interest on the Commonwealth Public Debt as at 30th June in the years 1917–21 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.	£
1917	7,166,105
1918	12,879,793
1919	15,017,497
1920	17,847,623
1921	19,752,912

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-fifteenth of the debt no definite date of maturity had been assigned on 30th June, 1921. It will be noticed that about £227,000,000 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, 1921.(a)

Due Dates.	Amounts.	Due Dates.	Amounts.	Due Dates.	Amounts.
	£		£		£
1921 ..	2,500,624	1935 ..	2,035,683	1949 ..	3,854,253
1922 ..	5,038,596	1936 ..	2,633,583	1950 ..	4,046,080
1923 ..	40,420,746	1937 ..	2,151,835	1951 ..	4,247,875
1924 ..	20,375,781	1938 ..	2,258,932	1952 ..	4,459,293
1925 ..	75,694,041	1939 ..	3,231,639	1953 ..	4,681,233
1926 ..	1,327,965	1940 ..	2,489,383	1954 ..	4,914,219
1927 ..	89,583,388	1941 ..	7,613,280	1955 ..	5,158,801
1928 ..	1,389,826	1942 ..	2,743,344	1956 ..	4,042,238
1929 ..	1,458,998	1943 ..	2,879,881	1972 ..	3,764,716
1930 ..	45,783,953	1944 ..	3,023,214	Indefinite ..	27,314,705
1931 ..	1,607,842	1945 ..	3,173,680		
1932 ..	1,687,865	1946 ..	3,331,635		
1933 ..	1,771,870	1947 ..	3,497,451		
1934 ..	1,860,056	1948 ..	3,671,520	Total ..	401,720,024

(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 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 $\frac{1}{4}$ 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, 1921, is set out in the accompanying table :—

COMMONWEALTH SINKING FUNDS, 1917 TO 1921.

30th June—	Total Accumulation.	Total Securities Cancelled.	Balance.
	£	£	£
1917 ..	1,611,903	598,854	1,013,049
1918 ..	2,454,235	1,087,252	1,366,983
1919 ..	3,740,824	1,636,621	2,104,203
1920 ..	5,139,281	2,969,980	2,169,301
1921 ..	8,391,349	7,386,822	1,004,527

The Imperial Government loan will now come in a different category from the others since it is being liquidated by the funding arrangement described in detail on page 661.

§ 5. Budget of 1922-23.

1. **Introductory.**—This Budget was opened before the House of Representatives on 17th August, 1922, a date so early that it is possible to give a summary of its more salient features in this issue of the Official Year Book. In connexion with the statements which follow it must be remembered, however, that the figures for 1921-22 are not final, but subject to a slight revision, whilst the figures for 1922-23 are estimates.

2. **Revenue and Expenditure.**—Excluding the amounts paid as subsidy to the States, the Consolidated Revenue Account stands as follows :—

COMMONWEALTH REVENUE AND EXPENDITURE.

Particulars.	1921-22.	1922-23 (Estimated).
	£	£
Net Revenue	57,861,511	52,163,250
Expenditure	58,071,414	54,868,693
Deficit	209,903	2,705,443
Surplus carried forward	6,408,424	3,702,981

The large apparent deficit estimated in 1922-23 demands an explanation. The Government, with a large surplus of more than £6,400,000 in hand, decided to apply one-half of it in remission of taxation, and thus reduce their net revenue by the sum of £3,200,000. The main concessions were to the payers of direct taxes, particularly income tax, but there was also a reduction of duties on galvanized iron, iron and steel wire, wire netting, and tractors, for which a bounty to local manufacturers was substituted.

3. **Remission of Taxation, etc.**—The estimated reduction of £3,200,000 in the net revenue, to which reference was made in the previous paragraph, is made up of the following items :—

	£
Increase in maximum exemption for income tax purposes to £200	600,000
Ten per cent. reduction of income tax	1,300,000
Reduction in companies' rate of tax	200,000
Removal of war surcharge on land tax	400,000
Entertainment tax reduction	100,000
Reduction of duties	350,000
Payment of bounty	250,000
	<u>3,200,000</u>

4. **Details of Revenue.**—The following table gives details of the more important items of Revenue for the two years :—

COMMONWEALTH NET REVENUE.

Particulars.	1921-22.	1922-23 (Estimated).
	£	£
Taxation—		
Customs	17,328,310	17,500,000
Excise	10,302,049	10,500,000
Land Tax	2,284,040	2,150,000
Income Tax	16,790,682	15,250,000
Succession Duties	991,378	1,050,000
War-time Profits Tax	1,306,708	700,000
Entertainments Tax	675,675	650,000
Total Taxation	49,678,842	47,800,000
Post Office	9,320,654	9,650,000
Miscellaneous	5,897,550	5,068,250
Gross Revenue	64,897,046	62,518,250
Less Subsidy to States	7,035,535	7,155,000
Less Adjustment .. .. .	..	3,200,000
Net Revenue	57,861,511	52,163,250

5. **Details of Expenditure.**—The following table shows the details of expenditure for the two years :—

COMMONWEALTH EXPENDITURE.

Particulars.	1921-22.	1922-23 (Estimated)
	£	£
Ordinary Expenditure	25,823,000	24,492,002
War Expenditure	31,337,164	29,465,441
Interest	911,250	911,250
Total	58,071,414	54,868,693

6. **Public Debt.**—This amounted on 30th June, 1922, to £416,070,509, as set out in the following statement :—

<i>War Debt.</i>	£
Local Inscribed Stock and Bonds	241,879,840
War Savings Certificates and Stamps	1,153,472
War Gratuities	23,088,153
Registered Stock	10,000,000
Debt to Imperial Government	91,453,288
Total War Debt	367,574,753
<i>Other Debt.</i>	
Loans raised for States	16,750,000
Registered Stock for Works, etc.	10,000,000
Transferred Properties	11,186,169
Inscribed Stock	3,764,716
Treasury Bills	2,843,125
Balance of loans taken over from South Australia	3,951,746
Total Other Debt	48,495,756
Total Public Debt	416,070,509

7. **Cost of War Services.**—These are set out for the two years under review as follows :—

COST OF WAR SERVICES.

Particulars.	1921-22.	1922-23 (Estimated).
	£	£
Under Ordinary Votes and Appropriations ..	31,337,164	29,465,441
From War Loan Fund	7,576,977	10,340,893
Total	38,914,141	39,806,334

8. **Expenditure from Loan Fund.**—This is set out for the two years under review as follows :—

EXPENDITURE FROM LOAN FUND.

Particulars.	1921-22.	1922-23 (Estimated).
	£	£
War Loan	7,576,977	10,340,893
Works Loan	5,246,503	6,910,031
Total	12,823,480	17,250,924

9. **Miscellaneous.**—A few items of general interest are worthy of mention at the end of this summary. A special payment of £85,000 was made to Tasmania in continuance of the ten years' special allowance which expired in 1921-22. A sinking fund of $\frac{1}{4}$ per cent. was set aside to provide for the extinction in about 50 years of all the War Debt except that owing to the Imperial Government.