

CHAPTER XXVI. PUBLIC FINANCE.

A.—GENERAL.

In early issues of the Official Year Book the plan was adopted of including a single Chapter under the general heading of "Finance". A departure was made in Official Year Book No. 25 by dividing the subject into separate Chapters with the two broad headings of "Public Finance" and "Private Finance". Notwithstanding that the financial transactions of Local Government Bodies and certain statutory Governmental Bodies come within the category of Public Finance, it is convenient to deal with these in a separate Chapter.

The subject of "Public Finance" has been dealt with in this Chapter under the two major divisions of Commonwealth Finance—including currency and coinage—and State Finance. The close financial relations between the Commonwealth and States particularly since the Financial Agreement has been in operation, however, demand a combination of these two divisions under the heading of Commonwealth and State Finance.

Certain banking activities are conducted by both Commonwealth and State Governments, but as the services provided are essentially connected with the banking system of the Commonwealth they have been included in the section of the Private Finance Chapter relating to Banking. An exception has been made in the case of the Commonwealth Bank Note Issue Department, which is dealt with in § 9 "Currency and Coinage" of this Chapter.

B.—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 contained in Chapter IV. "Finance and Trade" being Sections 81 to 105 of the Commonwealth Constitution. Two other sections which have a most important bearing on questions of Commonwealth finance are Sections 69 and 51.

Section 69 provides for the transfer to the Commonwealth from the States of certain specified departments, and Section 51, in outlining the powers of the Commonwealth Parliament, implies the transfer or creation of various other departments. Section 87 deals with the financial relations between the Commonwealth and the States. These matters have been treated in previous issues of the Official Year Book and on p. 814 of this issue a *résumé* is given of the constitutional obligations upon the Commonwealth regarding payments to the States.

The majority of the tables relating to Commonwealth Finance have been compiled from the annual Budget Papers as presented to Parliament by the Treasurer of the Commonwealth.

2. **Accounts of Commonwealth Government.**—(i) *General.* The Commonwealth Government, like the State Governments, bases its accounts mainly upon three funds, the Consolidated Revenue Fund, the Trust Fund and the Loan Fund. The last-mentioned fund came into existence in the financial year 1911-12, but on the outbreak of the War of 1914-19 it became so important that it was treated in two parts—a General Loan Fund mainly for purposes of Public Works, and a War Loan Fund for purely war purposes. From the year 1923-24 inclusive the loan expenditure on War Service Homes was debited against works loan expenditure. Previously such expenditure had been a charge on War Loans. Since the year mentioned the transactions of the War Loan Fund consist mainly of credits arising from repayments of expenditure during previous years.

(ii) *Receipts, Expenditure, etc.* The following statement shows for the period 1924-25 to 1940-41 the receipts, expenditure and excess receipts or deficiency for the year, together with the accumulated result and the payments made from the excess receipts.

The receipts and expenditure on account of the Balance of Interest on States' Debts payable by the States to the Commonwealth under the Financial Agreement have been excluded.

COMMONWEALTH CONSOLIDATED REVENUE : RECEIPTS, EXPENDITURE, ETC.

Year.	Receipts.	Expenditure.	Ordinary Transactions.		Payments from Excess Receipts.	Accumulated Result.	
			Excess Receipts.	Deficiency.		Excess Receipts.	Deficiency. (a)
	£	£	£	£	£	£	£
1924-25 ..	67,697,124	67,178,748	518,376	..	..	3,109,529	..
1925-26 ..	70,203,572	70,577,204	..	373,632	b2,450,000	285,897	..
1926-27 ..	75,544,382	72,908,785	2,635,597	..	(c)100,000	2,821,494	..
1927-28 ..	73,808,227	76,438,464	..	2,630,237	d2,820,000	..	2,628,743
1928-29 ..	74,894,799	77,253,774	..	2,358,975	..	..	4,987,718
1929-30 ..	77,143,389	78,614,392	..	1,471,003	..	..	6,458,721
1930-31 ..	69,566,920	80,324,539	..	e10,757,619	..	..	17,216,340
1931-32 ..	71,532,298	70,218,207	1,314,091	..	..	1,314,091	..
1932-33 ..	73,512,809	69,966,201	3,546,608	..	..	4,860,699	..
1933-34 ..	73,941,953	72,640,383	1,301,570	..	..	6,162,269	..
1934-35 ..	77,369,105	76,657,900	711,205	..	f6,160,000	713,474	..
1935-36 ..	82,203,341	78,635,621	3,567,720	..	(g)713,474	3,567,720	17,002,866
1936-37 ..	82,807,977	81,531,419	1,276,558	..	h3,567,720	1,276,558	15,935,146
1937-38 ..	89,458,154	85,963,421	3,494,733	..	h1,276,558	3,494,733	15,658,588
1938-39 ..	95,064,790	94,437,481	627,309	..	h3,494,733	627,309	15,658,588
1939-40 ..	111,913,784	108,985,409	2,928,375	..	(h)627,309	2,928,375	15,658,588
1940-41 ..	150,482,306	150,482,306	..	..	h2,928,375	..	15,658,588

(a) Met by temporary advance from loan fund. (b) Naval construction, £1,500,000; Main Roads, £750,000; Science and Industry investigations, £100,000; and prospecting for oil and precious metals, £100,000. (c) Prospecting for oil and precious metals. (d) Naval construction and Defence reserve, £2,250,000; Science and Industry investigation, £250,000; Civil Aviation, £200,000; Purchase of radium, £100,000; and Geophysical Survey of Australia, £20,000. (e) Excludes Interest, etc., paid on behalf of New South Wales and not recovered at 30th June, 1931. (f) Defence equipment, £4,160,000 and Financial Assistance to States, £2,000,000. (g) Grants to States, £500,000 and Reduction of Deficit, £213,474. (h) See table following.

(iii) *Excess Receipts.* Particulars of the excess receipts, accumulated balances and allocation of excess receipts for each of the past five years are as follows:—

COMMONWEALTH CONSOLIDATED REVENUE : EXCESS RECEIPTS.

Particulars.	1936-37.	1937-38.	1938-39.	1939-40.	1940-41.
	£	£	£	£	£
Accumulated balance	3,567,720	1,276,558	3,494,733	627,309	2,928,375
Excess receipts	1,276,558	3,494,733	627,309	2,928,375	..
Total for year	4,844,278	4,771,291	4,122,042	3,555,684	2,928,375
Expenditure from excess receipts—					
Grants to States	500,000	..	..	..	..
Defence equipment	2,000,000	..	3,494,733	627,309	2,928,375
Post Office works provision .. ..	..	1,000,000	..	..	..
Reduction of deficit	1,067,720	276,558	..	..	..
Total	3,567,720	1,276,558	3,494,733	627,309	2,928,375
Accumulated balance	1,276,558	3,494,733	627,309	2,928,375	..

The transactions of the Consolidated Revenue Fund during 1940 41 resulted in a balanced budget, the whole of the revenue available after charging ordinary services having been applied for war purposes.

§ 2. Consolidated Revenue Fund.

Division I.—Nature of Fund.

The provisions made for the formation of a Commonwealth Consolidated Revenue Fund, and the means to be adopted for operating on the fund, are contained in Sections 81, 82 and 83 of the Constitution (*see* Official Year Book No. 33, p. 19).

Division II.—Revenue.

1. General.—The following table furnishes details of the revenue from each source and the amount per head of population under each of the main headings during the years 1936-37 to 1940-41 :—

COMMONWEALTH CONSOLIDATED REVENUE : SOURCES.

Source.	1936-37.	1937-38.	1938-39.	1939-40.	1940-41
	£	£	£	£	£
Taxation	62,773,452	69,048,485	74,036,899	90,010,663	125,383,522
Percentage of Total .. %	75.8	77.2	77.9	80.4	83.3
Per head of population (a) ..	£9 4 6	£10 1 2	£10 13 10	£12 17 4	£17 17 8
Business Undertakings	16,247,795	17,188,881	17,892,221	18,485,141	19,975,434
Percentage of Total .. %	19.6	19.2	18.8	16.5	13.3
Per head of population (a) ..	£2 7 9	£2 10 1	£2 11 8	£2 12 10	£2 17 0
Territories (b)	300,253	330,975	355,401	415,412	506,864
Percentage of Total .. %	0.4	0.4	0.4	0.4	0.3
Per head of population (a) ..	£0 0 11	£0 1 0	£0 1 0	£0 1 2	£0 1 5
Other Revenue—					
Interest, etc. (c)	1,074,423	1,044,076	1,144,014	1,145,989	1,172,130
Coinage	295,167	362,705	127,764	180,458	752,471
Defence	41,731	29,244	151,208	166,880	303,640
Civil Aviation	4,418	5,556	5,745	11,171	137,951
Health	67,134	17,621	18,204	15,740	14,338
Patents, Trade Marks, etc. ..	62,163	61,435	67,914	61,982	57,150
Bankruptcy	30,569	36,441	30,770	35,817	32,318
Commerce and Marine—					
Wool Levy	72,805	77,523	74,396	84,361	84,279
Marine	216,406	182,463	158,137	147,315	136,706
Other	Dr. 1,104				
Net Profit on Australian Note Issue	898,585	839,883	766,730	985,993	1,461,839
Balance of Trust Accounts ..	477,048	10,940	..	..	31,476
Other	247,132	221,926	235,387	166,862	432,188
Total	3,486,477	2,889,813	2,780,269	3,002,568	4,616,486
Percentage of Total .. %	4.2	3.2	2.9	2.7	3.1
Per head of population (a) ..	£0 10 3	£0 8 5	£0 8 0	£0 8 7	£0 13 2
Grand Total	82,807,977	89,458,154	95,064,790	111,913,784	150,482,306
Per head of population (a) ..	£12 3 5	£13 0 8	£13 14 6	£15 19 11	£21 9 3
Balance of Interest on States' Debts—recoverable from States	25,081,605	25,580,374	25,584,456	26,299,098	26,416,555

(a) Based on mean population of each financial year. (b) Excluding Railways. (c) Excluding balance of Interest on States' Debts payable by States.

2. Taxation.—(i) *Total Collections.* (a) *Amount.* Collections under each heading for the years 1936-37 to 1940-41 are given below :—

COMMONWEALTH TAXATION : TOTAL COLLECTIONS.

Heading.	1936-37.	1937-38.	1938-39.	1939-40.	1940-41.
	£	£	£	£	£
Customs	28,782,784	32,972,666	31,160,462	34,830,306	29,409,666
Excise	14,210,248	13,410,339	16,471,903	18,994,600	24,370,117
Sales Tax	8,008,427	8,023,886	9,308,334	12,196,175	19,792,680
Flour Tax	Dr. 12,193	3,025	1,808,972	2,486,070	1,498,595
Land Tax	1,435,405	1,368,444	1,489,436	1,645,829	3,190,822
Income Tax	8,556,014	9,398,503	11,882,440	16,430,313	39,315,548
War-time (1939-41) Company Tax and Super Tax .. .. .	..	..	..	..	3,989,691
Gold Tax .. .. .	..	..	..	1,214,621	1,452,260
Estate Duty	1,792,600	1,872,654	1,915,352	2,212,690	2,364,133
Entertainments Tax	107	1	..	59	10
War-time (1914-19) Profits Tax ..	..	Dr. 1,033	..	..	..
Total Taxation	62,773,452	69,048,485	74,036,899	90,010,663	125,383,522
Percentage on Total Revenue ..	75.8	77.2	77.9	80.4	83.3

(b) *Percentages of Total Collections.* The following table shows the percentages of the collections under each class of taxation on the total collections for the last five years :—

COMMONWEALTH TAXATION : PERCENTAGES ON TOTAL COLLECTIONS.

Heading.	1936-37.	1937-38.	1938-39.	1939-40.	1940-41.
	%	%	%	%	%
Customs	45.9	47.8	42.1	38.7	23.5
Excise	22.6	22.3	22.3	21.1	19.4
Sales Tax	12.7	11.6	12.6	13.5	15.8
Flour Tax .. .. .	..	..	2.4	2.8	1.2
Land Tax	2.3	2.0	2.0	1.8	2.5
Income Tax	13.6	13.0	16.0	18.3	31.3
War-time (1939-41) Company Tax and Super Tax .. .. .	..	..	..	..	3.2
Gold Tax .. .. .	..	..	..	1.3	1.2
Estate Duty	2.9	2.7	2.6	2.5	1.9
Entertainments Tax .. .. .	..	..	..	..	..
War-time (1914-19) Profits Tax .. .. .	..	..	..	..	..
Total	100.0	100.0	100.0	100.0	100.0

(ii) *Customs Revenue.* (a) *Classified.* Particulars for the five years 1936-37 to 1940-41 are shown in the following table :—

COMMONWEALTH CUSTOMS REVENUE : CLASSIFICATION.

Classes.	1936-37.	1937-38.	1938-39.	1939-40.	1940-41.
	£	£	£	£	£
Stimulants	1,157,707	1,174,494	1,165,503	1,449,899	963,841
Narcotics	3,041,660	3,243,490	3,256,496	3,379,971	4,030,766
Sugar	4,204	5,380	7,238	5,812	6,606
Agricultural products	1,286,331	1,268,440	1,365,938	1,465,400	1,149,380
Apparel and textiles	2,752,891	3,169,485	2,801,103	3,217,479	2,050,028
Metals and machinery	2,195,393	2,762,044	2,385,882	2,161,144	1,256,736
Oils, paints, etc.	8,401,394	9,631,390	9,927,346	12,305,774	11,968,756
Earthenware, etc.	460,849	534,912	509,980	448,585	274,553
Drugs and chemicals	265,068	312,532	309,984	370,991	244,158
Wood, wicker and cane	726,350	779,677	739,057	649,237	323,732
Jewellery, etc.	451,511	522,365	480,916	586,270	441,493
Leather, etc.	412,714	497,950	477,163	504,682	362,804
Paper and stationery	447,048	488,716	453,548	435,677	182,870
Vehicles	2,186,245	2,696,560	2,061,762	1,555,746	439,729
Musical instruments	30,041	27,956	31,589	19,608	7,289
Miscellaneous articles	920,854	1,173,635	1,023,556	1,140,649	734,340
Primage	3,833,165	4,450,901	3,913,578	4,623,131	3,428,344
Special War Duty .. .. .	..	..	..	395,227	1,384,170
Other receipts	209,359	232,739	249,823	205,024	160,101
Total Customs Revenue	28,782,784	32,972,666	31,160,462	34,830,306	29,409,666

(b) *States.* The following table shows the Customs Duties collected in each State during the last five years :—

COMMONWEALTH CUSTOMS DUTIES : COLLECTIONS IN EACH STATE.

State.	1936-37.	1937-38.	1938-39.	1939-40.	1940-41.
	£	£	£	£	£
New South Wales (a) ..	12,807,629	14,831,986	14,070,130	15,228,153	12,637,757
Victoria	9,338,212	10,626,241	9,970,730	11,437,572	9,947,177
Queensland	2,652,736	2,955,788	2,977,792	3,419,454	2,842,785
South Australia (b) ..	1,906,269	2,332,090	2,090,020	2,447,372	2,049,622
Western Australia ..	1,704,018	1,814,435	1,653,906	1,843,192	1,471,149
Tasmania	373,920	412,126	397,884	454,563	461,176
Total	28,782,784	32,972,666	31,160,462	34,830,306	29,409,666

(a) Includes Australian Capital Territory.

(b) Includes Northern Territory.

(iii) *Excise Revenue.* (a) *Classified.* Particulars concerning the amount of Excise collected under each head during each of the five years ended 30th June, 1941, are given hereunder :—

COMMONWEALTH EXCISE REVENUE : CLASSIFICATION.

Particulars.	1936-37.	1937-38.	1938-39.	1939-40.	1940-41.
	£	£	£	£	£
Beer	6,109,526	6,893,739	7,288,579	8,780,470	11,228,913
Spirits (a)	1,492,318	1,579,486	1,604,220	1,899,931	2,368,572
Tobacco	3,209,263	3,414,513	3,867,983	4,059,020	4,811,701
Cigars and cigarettes	1,984,378	2,177,784	2,418,723	2,507,292	2,993,641
Cigarette papers ..	450,510	468,659	530,868	545,057	689,128
Petrol	706,884	681,870	581,978	989,869	1,802,516
Matches	77,438	81,510	81,960	91,903	244,361
Playing cards	12,231	10,006	11,432	14,252	13,240
Miscellaneous	77,694	101,872	86,160	106,806	218,045
Total Excise Revenue ..	14,210,248	15,410,339	16,471,903	18,994,600	24,370,117

(a) Includes concentrated grape must.

(b) *States.* Excise collections in each State for the last five years were as follows :—

COMMONWEALTH EXCISE REVENUE : COLLECTIONS IN EACH STATE.

State.	1936-37.	1937-38.	1938-39.	1939-40.	1940-41.
	£	£	£	£	£
New South Wales ..	6,724,164	7,373,723	6,940,301	8,479,925	11,022,450
Victoria	4,265,286	4,871,017	5,687,832	6,533,146	8,073,057
Queensland	1,250,125	1,304,390	1,538,042	1,548,510	1,974,064
South Australia (a) ..	856,021	717,676	1,018,148	1,029,912	1,494,473
Western Australia ..	957,684	972,131	1,103,481	1,186,165	1,532,825
Tasmania	156,968	171,402	184,099	216,942	273,248
Total	14,210,248	15,410,339	16,471,903	18,994,600	24,370,117

(a) Includes Northern Territory.

(iv) *Other Taxation.* (a) *Collections paid to Revenue.* The following statement shows particulars of the collections on account of Land Tax, Estate Duty, Income Tax, Entertainments Tax, Sales Tax and Flour Tax during the last ten years. War-time (1914-19) Profits Tax, which has been excluded from the statement, and Entertainments Tax are now inoperative, particulars for the last few years relate chiefly to arrears and refunds. Particulars of the Gold Tax introduced during 1939-40 and the War-time (1939-41) Company and Super Tax introduced during 1940-41 are now included. Owing to certain accounting technicalities the figures herein differ slightly from those on the following pages showing further particulars of the several taxes.

OTHER TAXATION COLLECTIONS : AUSTRALIA.

Year ended 30th June—	Land Tax.	Estate Duty.	Income Tax.	War-time (1939-41) Company Tax and Super-tax.	Gold Tax.	Entertainments Tax.	Sales Tax.	Flour Tax.
£	£	£	£	£	£	£	£	£
1932 ..	2,156,765	1,385,811	13,481,982	..	..	133,072	8,425,067	..
1933 ..	1,650,311	1,126,996	10,878,718	..	..	134,042	9,369,276	..
1934 ..	1,325,393	1,511,296	9,314,768	..	..	51,216	9,695,689	1,253,957
1935 ..	1,281,424	1,507,827	8,761,619	..	..	Dr. 599	8,554,076	798,354
1936 ..	1,326,991	1,472,860	8,775,562	..	..	13	9,432,483	1,150,724
1937 ..	1,435,465	1,792,600	8,556,014	..	..	107	8,008,427	Dr. 12,193
1938 ..	1,368,444	1,872,654	9,398,503	..	..	1	8,023,886	3,025
1939 ..	1,489,436	1,915,352	11,882,440	..	..	..	9,308,334	1,808,972
1940 ..	1,645,829	2,212,690	16,430,313	..	1,214,621	59	12,196,175	2,486,070
1941 ..	3,190,822	2,364,133	39,315,548	3,989,691	1,152,260	10	19,792,680	1,498,595

"Other Taxation" is assessed and collected in general by the Commissioner of Taxation. The organization comprises an office in each State assessing taxpayers who are concerned with that State only, and a Central Office assessing taxpayers whose interests are in more than one State. Taxes, however, may be paid to any office, so that the sums actually received by any office do not correspond to the assessments made by that office and frequently differ by very large amounts. Consequently the actual receipts by any State office, e.g., of income tax by the Queensland office, may include tax in respect of Central Office or New South Wales assessments, and, therefore, may not be a proper measure of income tax paid on account of income derived from Queensland.

The actual receipts by the various offices are the figures of necessity used by the Treasury for accounting purposes, and may be called the "Treasury" figures. These figures have been used in issues of the Official Year Book prior to No. 25. In order to give a more significant picture of the taxation in States, these figures have been replaced by figures furnished by the Commissioner of Taxation, which refer strictly to the assessments made on account of the State specified. The totals of these figures do not quite agree with the total Treasury figures owing to certain technicalities of accounting, but the differences are small. The Taxation Office figures give a fair comparison between States, e.g., in taxation paid per head, but do not give the absolute measure of taxation, because the Central Office collections, which include taxation on account of all States, have not been allocated to the States. In the absence of precise information, it may be assumed as a rough approximation that Central Office collections may be divided among States in proportion to State office collections. It is probable, however, that a somewhat larger share is derived from the more populous States, New South Wales and Victoria.

(b) *Land Tax.* Commonwealth Land Tax was first imposed on the unimproved value of land in 1910-11. The following table shows the rates of Land Tax imposed for each assessment year from 1933-34 to 1941-42 :—

LAND TAX : RATE OF TAX PER £1 OF TAXABLE VALUE.

(T = Taxable Value.)

Assessment Year.	Residents.			Absentees.(a)				
	Taxable Value £1 to £75,000.	Taxable Value over £75,000.		Taxable Value £1 to £80,000.		Taxable Value over £80,000.		
		First £75,000.	Excess over £75,000.	First £5,000.	Excess over £5,000.	First £5,000.	Next £75,000.	Excess over £80,000.
1933-34 to 1937-38	$\frac{45}{100} \left(1 + \frac{T}{18,750} \right)$	d.	d.	d.	$\frac{45}{100} \left(2 + \frac{T-5,000}{18,750} \right)$	d.	d.	d.
		2.25	4.05	.45		.45	2.7	4.5
1938-39 to 1939-40	$\left(\frac{1}{2} + \frac{T}{37,500} \right)$	2.5	4.5	.5	$\left(1 + \frac{T-5,000}{37,500} \right)$	.5	3	5
1940-41 and 1941-42	$\left(1 + \frac{T}{18,750} \right)$	5	9	1	$\left(2 + \frac{T-5,000}{18,750} \right)$	1	6	10

(a) Absentees are not allowed an exemption of £5,000 granted to residents. (b) In addition, if the taxable value exceeds £20,000, there is payable for 1941-42 a super tax equal to the lesser amount of the following :—(i) twenty per cent. of the amount of land tax ; or (ii) one per cent. of the amount by which the taxable value of the land exceeds £20,000.

Land Tax receipts in each State and Central Office for the years 1936-37 to 1940-41 were as follows. The particulars shown differ slightly from those quoted in (a) above.

LAND TAX RECEIPTS.

State, etc.	1936-37.	1937-38.	1938-39.	1939-40.	1940-41.
	£	£	£	£	£
Central Office ..	482,127	438,813	525,959	578,769	1,186,885
New South Wales ..	530,603	505,143	509,913	568,840	1,042,271
Victoria ..	277,718	277,512	290,798	333,194	653,279
Queensland ..	27,159	26,887	29,568	30,086	58,557
South Australia ..	54,878	48,295	55,280	64,865	120,681
Western Australia ..	51,835	59,074	63,854	53,351	98,949
Tasmania ..	11,530	12,237	12,879	16,388	31,216
Total ..	1,435,859	1,367,961	1,488,251	1,645,493	3,191,838

(c) *Estate Duty.* The Commonwealth Estate Duty Act 1914 and Estate Duty Assessment Acts 1914-1928 imposed a duty on the estates of deceased persons the net value of which exceeded £1,000. The rate of tax, where the value of the estate for duty did not exceed £2,000, was £1 per cent. Where the value of the estate for duty exceeded £2,000 the rate was increased by one-fifth of £1 for each £1,000 or part thereof in excess of £2,000, to a maximum rate of £15 per cent. on estates over £71,000. Where the estate passed to a widow, children or grand-children, duty was payable at two-thirds of the ordinary rate.

Under the Estate Duty Assessment Act (No. 12 of 1940) the Estate Duty Assessment Act 1914-1928 was amended to allow the following Statutory Exemption, namely :—

(a) Where the whole of the estate passes to the widow, children or grand-children of the deceased, the sum of £2,000 decreasing by £1 for every £10 by which the value exceeds £2,000 up to £10,000, and thereafter decreasing by £1 for every £2 by which the value

exceeds £10,000; (b) When no part of the estate passes to the widow, children or grand-children the sum of £1,000 decreasing by £1 for every £10 by which the value exceeds £1,000 up to £6,000, and thereafter decreasing by £1 for every £8 by which the value exceeds £6,000; and (c) Where part only of the estate passes to the widow, children or grand-children the Statutory Exemption is to be calculated proportionately under (a) and (b).

Under the Estate Duty Act (No. 13 of 1940) the following new rates were fixed: £1 to £10,000, 3 per cent.; £10,001 to £20,000, 3 per cent. to 6 per cent.; £20,001 to £100,000, 6 per cent. to 18 per cent.; £100,001 to £500,000, 18 per cent. to 20 per cent.; over £500,000, 20 per cent. By the Estate Duty Act (No. 51 of 1941) these rates were amended to the following:—£1 to £10,000, 3 per cent.; £10,001 to £20,000, 3 per cent. to 6 per cent.; £20,001 to £120,000, 6 per cent. to 26 per cent.; £120,001 to £500,000, 26 per cent. to 27.9 per cent.; over £500,000 27.9 per cent.

Particulars of the collections in each State and Central Office for the last five years are appended. Owing to certain accounting technicalities, these figures differ slightly from the Treasury returns given in (a) above.

ESTATE DUTY RECEIPTS.

State, etc.	1936-37.	1937-38.	1938-39.	1939-40.	1940-41.
	£	£	£	£	£
Central Office	989,688	902,266	999,202	1,165,049	1,280,052
New South Wales	324,365	396,003	422,567	391,978	444,579
Victoria	308,719	397,386	294,406	413,269	420,369
Queensland	70,784	85,335	60,041	82,153	96,000
South Australia	60,447	44,295	82,789	82,456	84,879
Western Australia	21,110	31,809	34,074	51,806	32,256
Tasmania	10,253	12,506	15,900	21,528	16,184
Northern Territory .. ..	..	119	..	..	..
Total	1,797,366	1,869,719	1,909,039	2,208,239	2,372,319

Particulars relating to the number and value of estates with duty assessed for each of the last five assessment years are given in the table hereunder:—

ESTATE DUTY ASSESSMENTS.

Particulars.		1935-36.	1936-37.	1937-38.	1938-39.	1939-40.
Number of Estates	No.	8,887	8,803	9,085	9,681	10,303
Gross Value (a)	£,000	56,009	59,419	60,964	65,699	75,482
Dutiable Value	£,000	45,121	47,723	49,340	53,069	59,748
Duty Payable	£	1,467,355	1,836,946	1,852,956	2,002,283	2,359,428
Average dutiable value	£	5,077	5,421	5,431	5,482	5,799
Average duty per estate	£	165	209	204	207	229

(a) Assessed values.

(d) *Income Tax.* The first Commonwealth Income Tax was levied during the year 1915-16. The Income Tax Assessment Act 1936 consolidated and amended the laws relating to the imposition, assessment and collection of income tax. Full details of this Act and a commentary on the Income Tax law are contained in an explanatory handbook* which also gives particulars relating to the pre-existing law. The following table shows the rate of tax on personal exertion and property incomes for the assessment years 1936-37 to 1941-42.

* "Explanatory handbook showing the differences between the Income Tax Assessment Act 1936 and the Income Tax Assessment Act 1922-1934" issued by the Commissioner of Taxation under the authority of the Commonwealth Treasurer, August, 1936.

INCOME TAX : RATE OF TAX PER £1 OF TAXABLE INCOME.—INDIVIDUAL.(a)

(T = Taxable Income(b).)

Assessment Year.	Personal Exertion.			
	Taxable Income £1-£6,900.	Taxable Income. Over £6,900.		
		First £6,900.	Excess over £6,900.	
1936-37 and 1937-38	$\frac{d.}{100} \left(3 + \frac{T}{160} \right)$	$\frac{d.}{35.28562}$	$\frac{d.}{68.85}$	
1938-39	$\frac{87.975}{100} \left(3 + \frac{T}{160} \right)$	40.57846	79.1775	
1939-40	$\frac{96.7725}{100} \left(3 + \frac{T}{160} \right)$	44.63632	87.09525	
1940-41	Taxable Income £1-£400.	Taxable Income £401-£1,500.	Taxable Income Over £1,500.	
			First £1,500.	Excess over £1,500.
	$\frac{d.}{16}$	$\frac{d.}{\left(16 + \frac{T-400}{25} \right)}$	$\frac{d.}{60}$	$\frac{d.}{120}$
1941-42	Taxable Income £1-£400.	Taxable Income £401-£2,500.	Taxable Income Over £2,500.	
			First £2,500.	Excess over £2,500.
	$\frac{d.}{16}$	$\frac{d.}{\left(16 + \frac{T-400}{25} \right)}$	$\frac{d.}{100}$	$\frac{d.}{200}$

Assessment Year.	Property Income.				
	Taxable Income. £1-£500.	Taxable Income. £501-£1,500.	Taxable Income. £1,501-£3,700.	Taxable Income over £3,700.	
				First £3,700.	Excess over £3,700.
1936-37 and 1937-38	$\frac{90}{100}\left(3 + \frac{T}{100}\right)$	$\frac{90}{100}\left(1 + \frac{14T}{1,000}\right)$	$\frac{90}{100}\left(4\frac{1}{2} + \frac{23T}{2,000}\right)$	$\frac{d.}{42.57}$	$\frac{d.}{81}$
1938-39	$\frac{103.5}{100}\left(3 + \frac{T}{100}\right)$	$\frac{103.5}{100}\left(1 + \frac{14T}{1,000}\right)$	$\frac{103.5}{100}\left(4\frac{1}{2} + \frac{23T}{2,000}\right)$	48.9555	93.15
1939-40	$\frac{113.85}{100}\left(3 + \frac{T}{100}\right)$	$\frac{113.85}{100}\left(1 + \frac{14T}{1,000}\right)$	$\frac{113.85}{100}\left(4\frac{1}{2} + \frac{23T}{2,000}\right)$	53.85105	102.465
1940-41	Taxable Income £1-£400.	Taxable Income £401-£1,200.	Taxable Income over £1,200.		
			First £1,200.	Excess over £1,200.	
	$\frac{d.}{20}$	$\frac{d.}{\left(20 + \frac{T-400}{20}\right)}$	$\frac{d.}{60}$	$\frac{d.}{120}$	
1941-42	Taxable Income £1-£400.	Taxable Income £401-£2,000.	Taxable Income over £2,000.		
			First £2,000	Excess over £2,000.	
	$\frac{d.}{20}$	$\frac{d.}{\left(20 + \frac{T-400}{20}\right)}$	$\frac{d.}{100}$	$\frac{d.}{200}$	

(a) Minimum Tax payable is 10s. (b) Taxable Income is the Income remaining after all deductions including the Statutory Exemption) have been made.

Where income is derived from both Personal Exertion and Property sources the rates applicable to each part are those which would apply if the whole of the income had been derived from that source.

A statutory exemption is allowed from income after concessional deductions for wife, children, State taxes paid, insurance premiums, medical and hospital expenses, etc., have been made. For the years 1936-37 to 1939-40 this statutory exemption was £250 less £1 for every £2 by which the income exceeded £250. For 1940-41 and 1941-42 the statutory exemption has been reduced to £200 less £1 for every £1 by which the income exceeds £200. The rate of tax payable by residents and non-residents is the same.

Companies are assessed at a flat rate of tax, and are not allowed the benefit of a statutory exemption. The rate for the assessment years 1936-37 and 1937-38 was 12d. per £1 of taxable income. For the year 1938-39 it was 13.8d., 24d. for 1939-40 and 1940-41 and 4s. for 1941-42. An addition to the 1940-41 and 1941-42 tax provides for the payment by non-private companies of a super tax of 1s. in £1 on all income over £5,000 and a tax of 2s. in £1 on undistributed profits.

The following table shows the receipts from income tax and super tax in each State and Central Office for the last five years. As previously mentioned, the totals differ from figures already given in (a) above.

INCOME TAX RECEIPTS.

State, etc.	1936-37.	1937-38.	1938-39.	1939-40.	1940-41.
	£	£	£	£	£
Central Office	2,949,280	3,476,651	4,040,671	6,358,554	13,278,743
New South Wales	2,489,536	2,580,359	3,608,044	4,356,403	11,125,424
Victoria	1,773,769	1,952,543	2,397,469	3,276,642	8,472,206
Queensland	503,891	529,904	738,119	974,386	3,133,342
South Australia	370,895	413,877	551,129	654,190	1,907,681
Western Australia	340,369	326,144	369,314	528,296	1,242,447
Tasmania	104,684	123,902	153,671	224,506	491,195
Northern Territory	2,294	2,585	4,417	6,840	60,442
Total	8,534,718	9,405,965	11,862,834	16,379,817	39,711,480

In the table above, differences in the rapidity of assessment and collection will affect the comparison from year to year. With this proviso, the State collections (excluding Central Office collections) relative to population at the beginning of the year specified may be given :—

INCOME TAX RECEIPTS PER HEAD OF POPULATION.

(EXCLUDING CENTRAL OFFICE COLLECTIONS.)

State.	1936-37.	1937-38.	1938-39.	1939-40.	1940-41.
	s. d.	s. d.	s. d.	s. d.	s. d.
New South Wales	18 8	19 2	26 6	31 9	80 2
Victoria	19 3	21 1	25 8	34 10	89 0
Queensland	10 3	10 8	14 9	19 2	61 1
South Australia	12 8	14 1	18 7	22 0	63 9
Western Australia	15 1	14 4	16 1	22 8	53 1
Tasmania	9 1	10 8	13 1	19 0	41 1
Six States	16 6	17 5	22 9	28 0	75 3

Agreements made in 1923 between the Commonwealth and all the States, except Western Australia, provide that the Commonwealth tax and the State tax shall be collected by an officer acting for the Commonwealth and State, the Commonwealth appointing the State Commissioner as Deputy Commonwealth Commissioner for the State under the Income Tax Assessment Act of the Commonwealth. Provisions were included relating to the transfer of officers, the accounting of receipts and the division

of expenses. A joint form of income tax return is to be used in cases where the income is derived in one State only. The respective agreements were to remain in operation for a period of five years, and thereafter until the expiration of not less than six calendar months, upon notice in writing by either party to the agreement.

In Western Australia an arrangement had previously been made, whereby the Commonwealth undertook the collection of the State income tax.

The Income Tax Assessment Act 1936-1941 provides for the collection of income tax and war tax by deduction of instalments from salaries and wages. The rates of deduction for Income Tax and War Tax combined are fixed by regulation and range from two shillings per week if the weekly salary or wages are between £3 and £3 5s., to a maximum of 4s. in the £1 on salaries and wages exceeding £18 10s. per week. Although the deduction is made at the time of payment of the salary or wages, income tax and war tax are payable on annual assessment and provision exists for an employee, on payment of the tax assessed, to obtain a certificate of exemption which authorizes his employer to discontinue making further deductions during the currency of the certificate.

(e) *War Tax.* The War Tax Act 1941, which came into operation on 31st December, 1941, imposed a war tax on all incomes which exceed £156 per annum. The rate varies from 6d. in the £1 on incomes of £157 to 1s. in the £1 on incomes which exceed £300. For the assessment year 1941-42 the rates were fixed at half of the above rates.

War Tax is assessed on income derived during the year immediately preceding the year of assessment. Certain deductions of a concessional nature allowable from the assessable income for income tax purposes are not allowed for war tax purposes.

A rebate of £2 12s. (£1 6s. for 1941-42) for each dependant is allowed from war tax payable.

War tax is assessed and collected in a similar manner to income tax.

(f) *War-time (Company) Tax.* The War-time (Company) Tax Assessment Act 1940-41 and the War-time (Company) Tax Act 1940-41 provide for a tax on the amount by which the taxable profit, derived by any company during the preceding accounting period exceeds the statutory percentage of 5 per cent. on capital employed in the business.

The rate of tax ranges from 6 per cent. of the first 1 per cent. of profits in excess of the percentage standard to 78 per cent. of profits in excess of 12 per cent. above the percentage standard.

Provision is made in the Act to increase the statutory percentage in cases where it is considered just that the statutory percentage should be increased and to deduct from the tax payable any super tax payable under the Income Tax Act 1941.

Private and Co-operative Companies as defined by the Income Tax Assessment Act 1936-1941, Mutual Life Assurance Companies, and companies whose taxable profit does not exceed £1,000 or is derived from commissions, fees or charges for services rendered are exempted from the tax.

War-time (Company) Tax receipts at Central Office and in each State during 1940-41 were as follows:—Central Office, £1,173,687; New South Wales, £115,786; Victoria, £79,299; Queensland, £5,325; South Australia, £10,076; Western Australia, £10,044; Total, £1,394,217.

(g) *Sales Tax.* The Sales Tax was imposed in August, 1930, as part of the Budget proposals for 1930-31. The operation of the tax is controlled chiefly by a system of registration of taxpayers, and all manufacturers and wholesale merchants, who are the taxpayers under the Act in respect of goods sold in Australia, must be registered with the Department. The tax on imports subject to sales tax is collected by the Customs Department at ports of entry.

Since the inception of the tax certain exemptions have been allowed. These exemptions, which have been extended from time to time, relate mainly to goods of an essential nature or used in primary production. Owing to the need for additional revenue for war purposes, certain of these exemptions were withdrawn as from 22nd November, 1940.

The following are the rates of sales tax imposed since its inception in August, 1930: 2½ per cent. to 10th July, 1931; 6 per cent. to 25th October, 1933; 5 per cent. to 10th September, 1936; 4 per cent. to 21st September, 1938; 5 per cent. to 8th September,

1939; 6 per cent. to 2nd May, 1940; 8½ per cent. to 21st November, 1940; 5 per cent., 10 per cent. and 15 per cent. to 29th October, 1941, and 5 per cent., 10 per cent. and 20 per cent. from 30th October, 1941.

The differential rates applicable as from 22nd November, 1940, relate to different classes of goods specified in Schedules in the Sales Tax (Exemptions and Classifications) Act 1935-1941. The rate of 5 per cent. applies to goods which were formerly exempt but have been brought back into the taxable field. The rate of 20 per cent. is applied to goods which may be described as being of a non-essential nature.

Particulars of the net amount of sales tax payable, and the sales of taxable, non-taxable and exempt goods in each State for 1940-41 are given in the following table. The figures regarding "Tax payable" are in respect of the periods 1st July to 30th June of each year adjusted on account of rebates of tax allowed in returns to taxpayers as deductions, while those relating to sales are in respect of the periods 1st June to 31st May.

SALES TAX AND AMOUNT OF SALES, 1940-41.(a)

State, etc.	Gross Taxable Sales.	Non-Taxable Sales.	Sales of Exempt Goods by Registered Persons.	Net Amount of Sales on which Sales Tax was payable.	Tax Collected.		
					Taxation Department.	Customs Department.	Total.
	£'000.	£'000.	£'000.	£'000.	£'000.	£'000.	£'000.
New South Wales ..	93,538	116,814	117,115	87,226	7,839	619	8,458
Victoria ..	75,857	97,912	98,476	71,216	6,356	384	6,740
Queensland ..	23,344	13,871	41,644	22,917	1,947	95	2,042
South Australia ..	16,781	14,333	24,829	14,575	1,282	84	1,366
Western Australia ..	10,208	6,428	17,451	10,028	858	52	910
Tasmania ..	3,405	3,004	7,029	2,949	273	21	294
Northern Territory ..	93	6	190	93	7	1	8
Total ..	223,226	252,368	306,734	209,004	18,562	1,256	19,818

(a) The difference between the amount of tax collected and the amount of tax calculated at the ruling rate on the net amount of sales on which tax was payable is due to rebates allowed as deductions from tax without the corresponding deduction from "Net Sales".

Similar details for Australia as a whole for each year 1931-32 to 1940-41 are given in the following table:—

SALES TAX AND AMOUNT OF SALES, 1931-32 TO 1940-41.

Year.	Gross Taxable Sales.	Non-Taxable Sales.	Sales of Exempt Goods by Registered Persons.	Net Amount of Sales on which Sales Tax was payable.	Tax Collected.		
					Taxation Department.	Customs Department.	Total.
	£'000.	£'000.	£'000.	£'000.	£'000.	£'000.	£'000.
1931-32 ..	156,608	119,971	189,634	147,730	7,931	501	8,432
1932-33 ..	158,469	135,843	195,285	147,217	8,797	594	9,391
1933-34 ..	162,852	135,877	191,370	150,614	8,166	540	8,706
1934-35 ..	170,256	140,735	202,320	156,791	7,967	614	8,581
1935-36 ..	188,228	156,692	219,756	174,312	8,779	703	9,482
1936-37 ..	187,433	162,046	251,820	174,443	7,522	644	8,166
1937-38 ..	198,083	180,117	283,622	183,479	7,342	707	8,049
1938-39 ..	197,809	171,810	280,282	183,296	8,559	758	9,317
1939-40 ..	207,106	196,790	302,479	192,589	11,177	1,019	12,196
1940-41 ..	223,226	252,368	306,734	209,004	18,562	1,256	19,818

In the foregoing tables exempt sales relate to goods exempted from sales tax under the Sales Tax Exemptions Act, while non-taxable sales relate to goods on which tax is not payable at the time of sale. In this latter case the sale has been made to a registered taxpayer who has quoted his certificate. These sales, however, become taxable before passing into consumption, unless used for a purpose exempted under the Act.

The figures given in the foregoing tables do not represent the total sales of all commodities, as vendors trading in exempt goods only are not required to be registered and consequently the volume of their sales is not included in the above statistics.

(h) *Flour Tax.* A Flour Tax of £4 5s. per ton operated from 4th December, 1933 to 31st May, 1934, and of £2 12s. 6d. per ton from 7th January, 1935 to 24th February, 1936. On 5th December, 1938, the Flour Tax was again imposed in a more or less permanent form. The new legislation provided for a tax on flour (not exceeding £7 10s. per ton) varying as the price of wheat varies from 5s. 2d. a bushel at Williamstown. Provision is made in another Act for the imposition of a special tax on wheat when world parity rises above 5s. 2d. at Williamstown.

Net collections after allowing for refunds made and tax outstanding were as follows :—

FLOUR TAX.

State, etc.	1936-37.	1937-38.	1938-39.	1939-40.	1940-41.
	£	£	£	£	£
New South Wales ..	Dr. 8,744	2,400	704,152	951,185	604,887
Victoria ..	Dr. 465	972	531,577	696,428	409,775
Queensland ..	Dr. 1,074	Dr. 329	237,854	334,040	192,760
South Australia ..	Dr. 283	Dr. 15	141,048	203,964	116,084
Western Australia ..	Dr. 1,623	Dr. 3	123,856	162,908	95,479
Tasmania ..	Dr. 4	..	55,346	72,220	38,341
Northern Territory ..	..	..	..	Dr. 8	..
Total ..	Dr. 12,193	3,025	1,793,833	2,420,737	1,457,326

(i) *Wool Levy.* The Wool Tax Acts, assented to in May, 1936, provide for a levy on all wool grown in Australia and shorn on or after 1st July, 1936. The levy is collected through wool-brokers and dealers who furnish quarterly returns on which the levy is assessed. The levy is payable prior to export on wool not previously taxed in the hands of a broker or dealer. The rates applicable are :—6d. per bale : 3d. per fadge or butt ; and 1d. per bag. The amounts levied during the past five years were as follows :—

WOOL LEVY.

State.	1936-37.	1937-38.	1938-39.	1939-40.	1940-41.
	£	£	£	£	£
New South Wales ..	32,616	32,689	28,889	35,175	34,229
Victoria ..	15,778	17,030	15,493	17,236	18,521
Queensland ..	11,970	13,962	14,451	15,738	15,400
South Australia ..	6,462	7,246	8,243	8,613	8,986
Western Australia ..	4,768	5,211	5,795	6,054	5,672
Tasmania ..	1,211	1,385	1,525	1,545	1,471
Total ..	72,805	77,523	74,396	84,361	84,279

(j) *Pay-roll Tax.* The Pay-roll Tax Assessment Act 1941 and the Pay-roll Tax Act 1941 imposed a Pay-roll tax of 2½ per cent. on all wages, in excess of £20 per week, paid by an employer after 30th June, 1941.

Pay-roll tax is collected in a similar manner to sales tax. Employers are required to register and to furnish a monthly return of all wages paid.

(k) *Gift Duty.* The Gift Duty Assessment Act 1941 and the Gift Duty Act 1941 imposed a Gift Duty on all gifts made after the 29th October, 1941. A gift has been defined as any disposition of property, which is made otherwise than by will, without adequate consideration in money or money's worth.

Both the donor and donee are liable to furnish returns and pay the duty.

The following rates of duty have been fixed.

Value of all Gifts made within Eighteen Months.	Rate of Duty.
Does not exceed £500	Nil.
£501 to £10,000	3%
£10,001 to £20,000	3% to 6%
£20,001 to £120,000	6% to 26%
£120,001 to £500,000	26% to 27.9%
£500,001 and over	27.9%

(l) *Gold Tax.* The Gold Tax Collection Act 1939-1940 and the Gold Tax Act 1939 impose a tax on all gold, delivered to the Commonwealth Bank of Australia or to an agent of that bank on and after 15th September, 1939, of 50 per cent. of the amount by which the price payable by the bank for each fine ounce of gold delivered exceeds £9. The amount of tax collected during 1940-41 was £1,452,260.

(m) *Taxation Legislation.* A Royal Commission was appointed by the Commonwealth Government in October, 1932, to inquire into and report upon the simplification and standardization of the taxation laws of the Commonwealth and of the States so far as they relate to similar subject matters of taxation, e.g., income tax, land tax and death duties, and to make recommendations regarding uniformity in legislation and procedure. Four reports covering the field of inquiries were presented and as the result of subsequent conferences between the authorities concerned a substantial degree of legislative uniformity has been attained. Regular conferences are held to ensure the maintenance of uniformity.

3. *Business Undertakings.*—(i) *Postal Revenue.* Particulars concerning this branch of revenue for each of the financial years from 1936-37 to 1940-41 are contained in the following table:—

COMMONWEALTH POSTAL REVENUE.

Particulars.	1936-37.	1937-38.	1938-39.	1939-40.	1940-41.
	£	£	£	£	£
Private boxes and bags ..	70,589	73,039	74,235	74,799	74,371
Commission on money orders and postal notes ..	268,860	280,533	288,580	287,441	283,756
Telegraphs ..	1,370,518	1,377,623	1,372,300	1,401,204	1,481,660
Telephones ..	7,061,245	7,571,635	8,039,580	8,482,940	8,868,183
Postage ..	6,170,144	6,498,212	6,635,977	6,660,807	7,133,458
Radio ..	429,047	492,995	516,178	549,439	697,874
Miscellaneous ..	416,214	438,164	423,641	421,823	520,334
Total ..	15,786,617	16,732,201	17,350,491	17,878,453	19,059,636

The foregoing particulars do not include repayments of the States' proportion of pensions or contributions of officers towards pensions under State Acts.

Further particulars of Postal Revenue are given in Chapter V. "Transport and Communication".

(ii) *Railway Revenue.* The Commonwealth Government is responsible for four lines—the Trans-Australian, the Central Australia, the North Australia and the Australian Capital Territory lines. The following table shows the amounts paid into the credit of the Consolidated Revenue Fund on account of each of these railways for the last five years:—

COMMONWEALTH RAILWAY REVENUE.

Railway.	1936-37.	1937-38.	1938-39.	1939-40.	1940-41.
	£	£	£	£	£
Trans-Australian	270,161	267,754	330,643	368,218	462,344
Central Australia	122,698	124,417	137,521	146,921	243,701
North Australia	36,440	37,768	50,471	60,797	185,808
Australian Capital Territory	6,994	5,803	7,275	11,736	8,040
Total	436,293	435,742	525,910	587,672	899,893

Further particulars are given in Chapter V. "Transport and Communication", (part B, Railways).

4. *Other Sources of Revenue.*—Of other sources of revenue, amounting in 1940-41 to £4,616,486, Interest and Net Profit on the Australian Note Issue are the most outstanding. Interest, including interest from investments of Trust and Surplus Funds, War Service Homes advances, Nauru Island Agreement, from the British Government on Development and Migration Loans and from various advances to the States, amounted to £1,172,130, and Net Profit on the Australian Note Issue to £1,461,839.

Division III.—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, namely:—

- (a) Expenditure on transferred services; (b) Expenditure on new services; and (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. 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 distributed amongst the States *per capita*. Under the arrangement which superseded the "book-keeping" system, a specific subsidy of 25s. per head of population was made annually by the Commonwealth to the States, and there was no further debiting of expenditure to the several States. The States Grants Act 1927 provided for the abolition of the *per capita* payments as from 30th June, 1927. From 1st July, 1928, the temporary provisions of the agreement between the Commonwealth and the several States under the Financial Agreement Act 1928 were operative, and on 1st July, 1929, the Commonwealth Government took over the debts of the States under this agreement which was ratified by all Governments concerned.

2. *Details of Expenditure from Consolidated Revenue.*—(i) *General.* The following table gives details of the expenditure from Consolidated Revenue during the last five years. The "Balance of Interest on States' Debts" (recoverable from the States) is placed at the foot of the table, but is not included in the "Grand Total" therein. Details for each Department, as constituted at 30th June, 1941, are given below.

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

COMMONWEALTH EXPENDITURE FROM CONSOLIDATED REVENUE.

Departments, etc.	1936-37.	1937-38.	1938-39.	1939-40.	1940-41.
War and Repatriation (1914-19)	£	£	£	£	£
Services (a)	18,723,953	18,948,300	19,256,812	18,834,542	18,602,630
Defence and War (1939-41) Services—				15,315,993	} 65,680,207
War Services (1939-41) .. ..	..	..	..	3,770,504	
Army (including Co-ordination)	2,023,372	2,060,732	3,324,650	3,005,000	
Navy	2,580,704	2,497,783	2,755,085	2,043,839	
Air	948,671	1,289,973	1,384,971	..	
Supply and Development (including Munitions and Aircraft Production)	436,966	523,550	596,653	748,415	
Total Cost of Departments—					
Governor-General	34,245	35,067	32,765	30,787	30,587
Parliament	505,287	516,494	444,873	449,876	547,602
Prime Minister	1,263,210	1,510,259	1,355,842	1,509,582	1,282,799
External Affairs	63,104	58,263	70,168	117,782	141,751
Treasury	1,826,124	2,252,506	2,257,628	2,485,450	2,425,259
Attorney-General	252,158	263,319	281,497	276,557	298,110
Interior	972,733	1,018,526	1,275,392	1,257,593	962,999
Civil Aviation	275,563	129,043	328,150	494,060	392,038
Trade and Customs	891,292	993,503	1,064,124	1,032,890	963,269
Health	241,443	402,003	338,155	289,174	295,932
Commerce	1,122,242	1,149,511	1,208,927	1,170,951	1,139,932
Social Services	131,961	150,753	324,734	177,901	161,786
Business Undertakings—					
Postmaster-General	13,203,176	13,964,473	15,028,233	15,285,709	15,876,594
Railways	1,076,077	1,140,315	1,351,041	1,472,521	1,507,850
Total, Business Undertakings	14,279,253	15,104,788	16,379,274	16,758,230	17,384,444
Territories—					
Australian Capital Territory	585,869	615,401	637,228	656,078	679,160
Northern Territory	262,113	381,931	402,899	382,804	462,170
Papua	55,821	48,825	48,830	48,610	85,703
New Guinea	13,431	5,058	5,532	5,988	7,162
Norfolk Island	4,409	5,911	5,471	4,071	4,071
Total, Territories	921,643	1,057,126	1,099,960	1,097,551	1,238,266
New Works	4,319,562	3,551,776	6,565,268	63,036,445	63,211,764
Invalid and Old-age Pensions	13,998,793	15,798,687	15,991,782	16,459,245	17,366,365
Maternity Allowances	370,150	400,004	436,614	416,964	407,533
Payments to or for States—					
Interest on States' Debts	7,584,912	7,584,912	7,584,912	7,584,912	7,584,912
Sinking Fund on States' Debts	1,416,548	1,454,385	1,477,976	1,536,055	1,556,749
Special Grants	2,430,000	2,350,000	2,020,000	2,020,000	2,050,000
Federal Aid Roads	3,039,530	4,149,492	4,266,556	4,455,845	3,484,748
Other Grants	551,000	450,500	300,000	100,000	250,000
Total to or for States (c)	15,021,990	15,989,289	15,649,444	15,696,812	14,926,409
Relief to Primary Producers	327,000	262,166	2,014,713	2,509,266	3,022,624
Grand Total (d)	81,531,419	85,963,421	94,437,481	108,985,409	150,482,306
Per Head of Population	£ s. d. 11 19 8	£ s. d. 12 10 6	£ s. d. 13 12 8	£ s. d. 15 11 9	£ s. d. 21 9 3
Excess Receipts	1,276,558	3,494,733	627,309	2,928,375	..
Balance of Interest on States' Debts—payable by States	25,081,605	25,580,374	25,584,456	26,299,098	26,416,544

(a) For details see § 5. (b) Excludes Defence and War (1939-41) Services. (c) Excludes balance of interest payable on States' Debts (recoverable from States). (d) Excludes amounts expended from excess receipts of previous years (see page 790.).

The items included under the general heads above are referred to in some detail later. Particulars for each department do not include the expenditure on new works which is given in (iii) below.

(ii) *Total Cost of Departments.*—(a) *Governor-General.* Section 30 of the Constitution enacts 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 expenditure in connexion with the Governor-General and establishment for the five years 1936-37 to 1940-41 was as follows:—

EXPENDITURE : GOVERNOR-GENERAL AND ESTABLISHMENT.

Details.	1936-37.	1937-38.	1938-39.	1939-40.	1940-41.
	£	£	£	£	£
Salary	10,000	10,000	10,000	10,000	10,000
Governor-General's Establishment ..	13,641	15,350	12,305	11,379	11,643
Contingencies (a)	5,913	5,003	5,381	4,746	4,389
Interest and Sinking Fund	4,691	4,714	5,079	4,662	4,555
Total	34,245	35,067	32,765	30,787	30,587

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

(b) *Parliament.* Under this head have been grouped all the items of expenditure connected with the parliamentary government of Australia for the last five years. Although the administration of the Electoral Act and the conduct of elections come within the functions of the Department of the Interior, the expenditure in connexion therewith is fundamentally incurred on account of the parliamentary government system, and for that reason is included herein.

EXPENDITURE : COMMONWEALTH PARLIAMENT.

Details.	1936-37.	1937-38.	1938-39.	1939-40.	1940-41.
	£	£	£	£	£
Salaries of Ministers	15,130	15,782	19,325	19,941	19,738
Allowances to Senators	32,617	33,877	36,171	36,200	36,200
Allowances to Members of House of Representatives	67,283	70,058	74,900	75,211	74,631
Officers, staff, contingencies, etc.	61,591	64,183	71,120	69,958	71,978
Rent, repairs, maintenance, etc.	12,601	12,873	14,679	18,560	20,702
Printing	19,000	22,217	22,000	22,815	14,359
Travelling expenses of Members	30,472	33,347	41,429	40,215	40,254
Electoral Office	81,357	86,102	85,143	86,164	89,577
Election expenses	100,042	101,628	3,232	978	109,293
Administration of Electoral Act	28,232	29,391	20,029	30,066	23,115
Interest and Sinking Fund	38,283	38,463	41,444	38,016	37,125
Miscellaneous	18,679	8,573	15,401	11,752	10,630
Total	505,287	516,494	444,873	449,876	547,602

In Section 66 of the Constitution provision is made for the payment from Consolidated Revenue of an annual sum for the salaries of Ministers, and Section 48 specifies the amount of the allowance to each Senator and each Member of the House of Representatives. These amounts, together with subsequent increases, will be found on pp. 14 and 17 of the Official Year Book No. 33.

(c) *Prime Minister's Department.* This department was created during the financial year 1911-12. In addition to the services indicated below, this department administers the external Territories of New Guinea, Papua, Nauru, and Norfolk Island. For convenience, particulars of expenditure on account of these Territories are shown below under that heading. The expenditure for the last five years is shown in the following table :—

EXPENDITURE : PRIME MINISTER'S DEPARTMENT.(a)

Details.	1936-37.	1937-38.	1938-39.	1939-40.	1940-41.
	£	£	£	£	£
Salaries, contingencies and miscellaneous	239,259	647,322	236,221	224,840	227,758
Audit Office	36,587	38,046	38,434	35,697	37,241
Rent, repairs, etc.	7,981	6,568	8,120	10,789	8,723
Public Service Board's Office	49,825	52,807	50,688	50,972	48,364
High Commissioner's Office	59,217	57,945	81,369	90,482	84,037
Interest and Sinking Fund	679,279	630,018	613,696	518,133	488,607
Mail Service, Pacific Islands	40,700	40,346	49,077	41,159	38,456
Council for Scientific and Industrial Research	140,534	177,435	197,764	242,808	319,323
Pensions and Superannuation	9,828	9,772	10,473	10,702	10,290
North Australia Survey .. .. .	..	25,000	10,000	10,000	20,000
National Oil Pty. Ltd. Agreement .. .. .	..	..	60,000	274,000	..
Total	1,263,210	1,510,250	1,355,842	1,509,582	1,282,799

(a) Excluding Territories, see page 811.

(b) Includes special appropriation of £250,000 for Science and Industry.

(d) *Department of External Affairs.* The Department of External Affairs was dissociated from the Prime Minister's Department in 1935-36. Its functions include, *inter alia*, communications with British diplomatic missions and consulates on political matters, foreign affairs, inter-Imperial and Dominion political relations, treaties and international agreements, and League of Nations matters, etc. During 1939-40 representatives of the Commonwealth were installed in Washington and Ottawa, and, during 1940-41, in Tokio. Expenditure for the years 1936-37 to 1940-41 are given in the following table :—

EXPENDITURE : EXTERNAL AFFAIRS.

Details.	1936-37.	1937-38.	1938-39.	1939-40.	1940-41.
	£	£	£	£	£
Salaries and General	12,417	14,215	20,129	19,964	24,268
Legation, United States of America .. .. .	..	..	..	11,917	34,807
Legation, Japan .. .. .	..	..	..	..	23,456
High Commissioner, Canada .. .. .	..	..	..	7,254	15,517
Contribution, League of Nations Secretariat	42,929	34,112	43,329	44,870	38,823
Miscellaneous	7,758	9,936	6,710	(a) 33,777	4,880
Total	63,104	58,263	70,168	117,782	141,751

(a) Includes Grants of £10,000 to the Finnish Government for Red Cross purposes, £10,000 to the Polish Government for relief of distress and £9,597 to the Turkish Government for relief of distress caused by earthquake.

(e) *Department of the Treasury.* The sub-departments under the control of the Commonwealth Treasurer are the Treasury, the Supply and Tender Board, Taxation Office, Superannuation Fund Management Board, and the Bureau of Census and Statistics which was transferred from the Department of Home Affairs on 13th April, 1932. The Pensions and Maternity Allowance Office was transferred from the Treasury to the Department of Social Services which was created during 1940-41. Details of the expenditure of the Treasury for the last five years are given in the following table :—

EXPENDITURE : DEPARTMENT OF THE TREASURY.

Details.	1936-37.	1937-38.	1938-39.	1939-40.	1940-41.
	£	£	£	£	£
Treasury	50,868	52,234	56,528	66,400	76,087
Taxation Office	579,629	595,238	618,537	631,692	779,849
Superannuation Board	6,847	7,987	8,623	7,691	7,709
Census and Statistics	37,021	47,696	60,939	62,589	66,312
Census	16,207	9,789	4,113	1,387	1,392
Rent, repairs, etc.	18,006	12,165	23,088	11,900	13,016
Interest and Sinking Fund	601,695	675,250	911,004	957,002	973,077
Exchange	445,197	579,668	514,240	482,427	194,860
Loan Conversion expenses .. ..	..	126,522	1,588	..	..
Gold Tax collection .. ..	..	..	..	182,491	227,593
Miscellaneous	69,645	(a) 145,957	58,968	81,871	85,364
Total	1,825,115	2,252,506	2,257,628	2,485,450	2,425,259

(a) Includes £96,602 Works and Services.

(f) *Attorney-General's Department.* Details for the five years 1936-37 to 1940-41 are furnished below :—

EXPENDITURE : ATTORNEY-GENERAL'S DEPARTMENT.

Details.	1936-37.	1937-38.	1938-39.	1939-40.	1940-41.
	£	£	£	£	£
Attorney-General's Office	22,985	19,307	19,699	20,438	26,893
Crown Solicitor's Office	26,712	24,869	27,642	28,219	33,025
Salaries of Justices of High Court	18,500	18,500	18,500	18,500	15,928
High Court expenses	14,308	16,639	15,615	15,248	13,307
Court of Conciliation and Arbitration	19,593	22,372	24,046	26,052	32,406
Public Service Arbitrator's Office	3,501	3,721	5,919	3,932	3,459
Rent, repairs, etc.	18,333	14,539	15,131	15,137	16,782
Patents, Trade Marks, etc.	59,346	67,686	71,126	63,635	60,430
Investigation Branch	11,817	13,336	16,219	19,098	23,224
Bankruptcy	37,838	42,249	44,551	44,126	42,533
Reporting Branch	10,653	11,115	13,922	13,371	20,224
Miscellaneous	8,572	8,986	9,127	8,801	9,899
Total	252,158	263,319	281,497	276,557	298,110

(g) *Department of the Interior.* In April, 1932, the Departments of Home Affairs and Works were abolished, and the services under the control of these departments were assumed by a new department called the Department of the Interior. The Bureau of Census and Statistics, formerly under the Department of Home Affairs, was, however, transferred to the Department of the Treasury. The Commonwealth Railways and the Northern and Australian Capital Territories, which are administered by the Department of the Interior, are for convenience respectively included under Railways (n) and Territories (o) below. Expenditure in connexion with the Electoral Office, which is administered by the Department of the Interior, is included under Parliament, in (b) above.

Particulars of the expenditure for the last five years on services under the control of this Department are as follows :—

EXPENDITURE : DEPARTMENT OF THE INTERIOR.(a)

Details.	1936-37.	1937-38.	1938-39.	1939-40.	1940-41.
	£	£	£	£	£
Salaries, Contingencies and Miscellaneous—					
Administrative ..	175,048	204,553	380,550	462,441	220,948
Meteorological Bureau ..	44,455	60,675	80,107	43,938	(b)
Solar Observatory ..	5,600	6,587	6,816	8,793	8,095
Forestry Branch ..	6,922	8,009	10,436	10,545	12,308
Rent, repairs and maintenance ..	16,930	14,851	17,618	18,537	26,368
Pensions and Retiring Allowances (c) ..	19,069	19,985	20,567	21,033	21,623
Petroleum Prospecting ..	2,800	..	..	..	..
Interest ..	639,109	637,926	690,061	619,607	597,323
Sinking Fund ..	62,800	65,940	69,237	72,699	76,334
Total ..	972,733	1,018,526	1,275,392	1,257,593	962,999

(a) Excludes Territories, Railways and Electoral Office.
(c) Includes Superannuation.

(b) Provided under Department of Air.

(h) *Civil Aviation.* Particulars of expenditure on Civil Aviation for the years 1936-37 to 1940-41 are as follows :—

EXPENDITURE : DEPARTMENT OF CIVIL AVIATION.

Details.	1936-37.	1937-38.	1938-39.	1939-40.	1940-41.
	£	£	£	£	£
Salaries and general	53,320	71,862	89,946	133,124	140,514
Development and maintenance of Civil Aviation ..	211,032	42,816	162,232	238,134	150,801
Meteorological Services ..	..	..	..	58,000	58,560
Empire Air Services ..	..	1,927	55,919	41,465	18,277
Rent, repairs and maintenance ..	5,948	6,570	8,428	12,674	13,474
Interest and Sinking Fund ..	5,263	5,868	11,625	10,663	10,412
Total ..	275,563	129,043	328,150	494,060	392,038

(i) *Department of Trade and Customs.* Under this head have been included the expenditure of all the sub-departments under the control of the Minister for Trade and Customs, in addition to the amounts payable as bounties and the expenses in connexion therewith. Particulars for the five years 1936-37 to 1940-41 are given in the following table :—

EXPENDITURE : DEPARTMENT OF TRADE AND CUSTOMS.

Details.	1936-37.	1937-38.	1938-39.	1939-40.	1940-41.
	£	£	£	£	£
Central Office ..	62,768	71,110	70,298	80,111	76,943
Tariff Board ..	12,050	13,154	13,252	12,131	10,340
Film censorship ..	4,888	4,491	4,466	4,502	4,698
Customs—States ..	553,310	589,475	621,425	629,955	617,322
Audit (proportion) ..	11,086	12,000	11,786	11,400	11,150
Pensions and Superannuation ..	45,548	44,906	45,063	47,008	46,859
Rent, repairs, etc. ..	11,539	11,096	7,373	7,075	7,756
Bounties ..	153,878	210,485	225,636	134,809	58,737
Interest and Sinking Fund ..	31,418	31,870	34,321	31,535	30,827
Remissions of duty on materials for Commonwealth Government ship construction ..	..	..	26,702	70,419	86,022
Other remissions of duty ..	1,909	3,534	2,066	2,675	11,237
Miscellaneous ..	2,898	1,382	1,736	1,270	1,378
Total ..	891,292	993,503	1,064,124	1,032,890	963,269

(j) *Department of Health.* This department came into existence in the financial year 1921-22. Details of expenditure for the last five years are as follows:—

EXPENDITURE : DEPARTMENT OF HEALTH.

Details.	1936-37.	1937-38.	1938-39.	1939-40.	1940-41.
	£	£	£	£	£
Central Administration ..	37,073	40,308	42,456	43,134	40,642
States—Salaries, General expenses, &c. ..	83,621	88,414	93,050	91,907	98,484
Interest and Sinking Fund ..	22,060	22,255	23,661	22,117	21,742
Rent and repairs ..	14,404	12,284	14,102	10,907	9,229
Pensions and Superannuation	2,673	2,664	2,870	3,015	3,209
Subsidy, Cattle Tick Control ..	48,350	69,450	69,450	59,450	61,783
Medical Research ..	4,851	30,000	30,000	10,000	20,000
Aerial Medical Services subsidy ..	4,626	5,000	5,000	7,500	7,500
Miscellaneous ..	23,785	(a) 131,628	(b) 57,566	(c) 41,144	(d) 33,343
Total ..	241,443	402,003	338,155	280,174	295,032

(a) Includes National Health Campaign, £100,000. (b) Includes reserve of essential drugs and medical equipment, £39,430. (c) Includes reserve of drugs, etc., £13,445 and Commonwealth Council for National Fitness, £18,222. (d) Includes Commonwealth Council for National Fitness, £19,547.

Other items included in "Miscellaneous" are expenses in connexion with the Commonwealth X-ray and Radium Laboratory, maternal and infant hygiene, nutrition investigations, etc.

(k) *Department of Commerce.* The Department of Commerce was created in April, 1932, by the amalgamation of the Departments of Markets and of Transport. Commonwealth Railways, formerly administered by the Minister for Transport, were transferred to the control of the Minister for the Interior on the amalgamation in 1932. Some details relating to the creation of the Departments of Markets and Transport are given in Official Year Book No. 25, pp. 295-6. Particulars of the expenditure of the Department of Commerce for the last five years are given below:—

EXPENDITURE : DEPARTMENT OF COMMERCE.

Details.	1936-37.	1937-38.	1938-39.	1939-40.	1940-41.
	£	£	£	£	£
Administrative ..	45,042	49,916	58,218	51,683	50,523
Marine ..	206,199	206,966	208,129	211,506	225,005
Administration of Commerce Act ..	141,313	168,216	174,876	190,274	200,691
Australian National Publicity Association ..	15,000	20,000	20,000	15,000	8,300
Oversea trade publicity ..	37,500	37,500	47,016	17,000	..
Commercial intelligence service abroad ..	32,814	38,795	47,248	49,827	58,679
Wool publicity and research	64,541	77,921	73,816	83,577	84,496
Fruit bounties ..	124,566	65,900	10,462	4,057	1,955
Rent, repairs, maintenance, etc. ..	10,118	11,679	18,386	16,461	13,810
Pensions and Retiring Allowances ..	10,778	11,714	12,959	13,008	13,385
Interest ..	191,926	191,637	198,599	189,092	186,058
Sinking Fund ..	222,589	233,718	245,404	257,669	276,897
All Other ..	19,856	35,549	(a) 93,814	(b) 71,797	20,133
Total ..	1,122,242	1,149,511	1,208,927	1,170,951	1,139,932

(a) Includes representation at New York World's Fair, £39,780, and San Francisco Exhibition, £21,335. (b) Includes representation at New Zealand Centenary Exhibition, £44,074, and New York World's Fair, £14,359.

(l) *Department of Social Services.* This Department, constituted during 1940-41, includes the Invalid and Old-age Pension and Maternity Allowance Office, formerly administered by the Treasury Department. Particulars of expenditure during the last five years are as follows :—

EXPENDITURE : DEPARTMENT OF SOCIAL SERVICES.

Details.	1936-37.	1937-38.	1938-39.	1939-40.	1940-41.
	£	£	£	£	£
Administrative .. ..	..	..	..	..	1,481
Child Endowment Branch ..	..	..	..	..	8,191
Invalid and Old-age Pension and Maternity Allowance Office	125,084	133,864	138,634	140,775	140,268
Miscellaneous	7,886	16,889	186,100	37,126	11,846
Departmental Expenditure	132,970	150,753	324,734	177,901	161,786
Invalid and Old-age Pensions	13,998,793	15,798,687	15,991,782	16,459,245	17,366,365
Maternity Allowances ..	370,150	400,004	436,614	416,964	407,533
Total	14,509,913	16,349,444	16,753,130	17,054,110	17,935,684

(m) *Postmaster-General's Department.* Details of the expenditure of this department for the last five years are given in the following table :—

EXPENDITURE : POSTMASTER-GENERAL'S DEPARTMENT.

Details.	1936-37.	1937-38.	1938-39.	1939-40.	1940-41.
	£	£	£	£	£
Salaries, stores and materials, mail engineering services, etc.	9,737,926	10,462,332	11,563,510	11,648,240	12,064,570
Public Works Staff—salaries, etc.	60,000	60,000	60,000	60,000	60,000
Audit (proportion) ..	10,650	10,650	11,660	12,000	12,100
Pensions and Retiring Allowances	86,029	79,035	75,113	67,782	61,729
Superannuation	283,958	301,078	316,747	333,345	347,789
Rents, repairs, etc. ..	131,603	117,352	114,183	100,306	106,791
Interest	1,498,967	1,462,843	1,398,690	1,401,196	1,426,542
Sinking Fund	1,023,673	1,075,248	1,128,933	1,213,878	1,304,360
Exchange	370,370	395,935	359,397	448,962	492,713
Total	13,203,176	13,964,473	15,028,233	15,285,709	15,876,594

(n) *Railways.* In 1928-29 the Commonwealth Railways were transferred from the Department of Works and Railways to the Department of Markets and Transport. In April, 1932, the administration was placed under the Department of the Interior. The expenditure on railways for the last five years is shown below as distinct from the expenditure of the other services controlled by the latter department.

EXPENDITURE : COMMONWEALTH RAILWAYS.

Details.	1936-37.	1937-38.	1938-39.	1939-40.	1940-41.
	£	£	£	£	£
Working Expenses—					
Trans-Australian	292,515	381,404	493,463	527,272	547,681
North Australia	39,518	40,281	55,186	91,404	123,048
Central Australia	132,859	161,251	214,374	216,728	225,405
Australian Capital Territory ..	5,809	5,754	7,365	8,486	9,026
Interest	434,916	385,195	392,194	395,323	388,966
Sinking Fund	76,450	71,648	75,230	78,991	82,939
Exchange	68,024	55,875	62,674	83,193	88,158
Contribution to South Australia (Port Augusta-Port Pirie Rail- way) .. ..	..	20,000	20,000	20,000	20,000
Superannuation	11,775	12,977	13,467	13,982	14,405
Miscellaneous	14,211	5,930	17,088	37,142	8,222
Total	1,076,077	1,140,315	1,351,041	1,472,521	1,507,850

Additional details of the financial operations of the Commonwealth Railways are given in Chapter V. "Transport and Communication".

(o) *Territories.* The following table shows the expenditure on account of territorial services for the last five years. The internal territories are administered by the Department of the Interior, and the Prime Minister's Department controls the external territories. The expenditure has been grouped in one table for convenience. Information in greater detail will be found in the *Finance Bulletin* No. 32, issued by this Bureau.

EXPENDITURE : TERRITORIES.

Details.	1936-37.	1937-38.	1938-39.	1939-40.	1940-41.
	£	£	£	£	£
Internal—					
Australian Capital (a) ..	585,869	615,401	637,228	656,078	679,160
Northern (a)	262,113	381,931	402,899	382,804	462,170
External—					
Papua	55,821	48,825	48,830	48,610	85,703
New Guinea	13,431	5,058	5,532	5,988	7,162
Norfolk Island	4,409	5,911	5,471	4,071	4,071
Total	921,643	1,057,126	1,099,960	1,097,551	1,238,266

(a) Exclusive of Railways.

(iii) *New Works.* The expenditure on additions, new works, etc., during the last five years was as follows:—1936-37, £4,319,562 (excluding £2,000,000 provided from excess receipts for Defence equipment); 1937-38, £3,551,776 (excluding £1,000,000 provided from excess receipts for Post Office works); 1938-39, £5,565,268 (excluding £3,494,733 provided from excess receipts for Defence equipment); 1939-40, £3,036,445 (excluding £627,309 provided from excess receipts for Defence equipment); and 1940-41, £3,211,764 (excluding £2,928,375 provided from excess receipts for Defence equipment). Particulars for the last two years exclude expenditure in connexion with Defence and War (1939-41) Services, which was provided for by Loan and Trust Funds.

(iv) *Defence and War (1939-41) Services.* Full details concerning the expenditure from Consolidated Revenue upon War and Repatriation (1914-19) will be found in § 5. In 1939-40 the separate Departments of Defence Co-ordination, the Navy, the Army, Air, Supply and Development, Munitions and Information were created and in 1940-41 the Departments of Labour and National Service and Aircraft Production. All are

included under the general heading of Defence and War (1939-41) Services. The table hereunder shows, for the last five years, particulars of the expenditure from revenue, trust and loan funds combined on Defence and War Services, including works. Details of expenditure for the year 1940-41 were not allotted to the various funds, and the total expenditure only, was apportioned. Particulars of expenditure from the combined funds in earlier years have been shown below for the purposes of comparison.

EXPENDITURE FROM REVENUE, TRUST AND LOAN FUNDS : DEFENCE AND WAR (1939-41) SERVICES.

Details.	1936-37.	1937-38.	1938-39.	1939-40.	1940-41.
	£	£	£	£	£
Defence Co-ordination—					
Administrative	26,873	29,986	41,223	114,675	137,494
National Register .. .. .	..	..	4,410	60,828	(a)
Man-power Committee .. .. .	..	..	..	14,686	36,614
Home Security .. .. .	..	..	..	..	5,880
Medical Equipment Control Committee .. .. .	..	..	..	..	17,156
Buildings, works, etc. .. .. .	..	2,413	11,390	40,595	127,984
Rent, repairs and maintenance	4,631	2,764	3,885	2,897	6,069
Superannuation .. .. .	..	..	..	3,749	3,565
Total	31,504	35,163	60,908	237,430	334,762
Navy—					
Salaries, pay, general expenses, services, etc.	2,311,159	2,215,156	2,592,328	5,937,787	9,088,110
Auxiliary vessels for naval defence purposes .. .. .	..	..	..	828,065	773,733
Transport services .. .. .	..	..	..	812,309	6,987,106
Naval construction and additions to fleet	661,765	986,990	2,075,681	2,887,359	3,470,991
Construction of graving dock .. .. .	..	..	..	..	434,553
Other buildings, works, etc. .. .. .	..	..	..	617,899	775,027
Audit (Proportion)	2,434	2,634	2,475	2,672	2,678
Pensions and Retiring Allowances(c)	4,302	4,309	4,578	4,643	4,538
Rent, repairs, etc.	26,964	15,465	28,072	28,717	42,939
Interest and Sinking Fund	88,862	91,550	127,632	139,775	136,355
Exchange	146,983	168,669	(b)	(b)	(b)
Miscellaneous .. .. .	..	..	..	269,541	258,097
Total	3,242,469	3,484,773	4,830,766	11,528,767	21,974,127
Army—					
Salaries, pay, general expenses, services, etc.	1,556,194	1,670,933	2,941,264	13,466,482	49,850,293
Internees and prisoners of war—maintenance .. .. .	..	..	..	5,059	129,560
Arms, armament, ammunition, mechanization, etc.	310,231	400,283	1,129,542	8,537,256	30,971,766
Buildings, works, etc.	366,880	408,010	417,379	4,044,811	7,248,807
Audit (Proportion)	5,678	7,610	6,110	12,145	12,173
Pensions and Retiring Allowances (c)	48,328	52,187	54,835	49,863	49,420
Rent, repairs, etc.	61,845	46,652	65,117	117,545	102,989
Interest and Sinking Fund	167,750	170,661	207,806	214,270	209,122
Exchange	152,073	79,939	(b)	(b)	(b)
Total	2,668,979	2,836,275	4,822,053	26,447,431	88,574,130
Air—					
Salaries, pay, general expenses, services, etc.	677,073	983,008	1,303,577	2,438,215	9,454,104
Maintenance of R.A.A.F. Squadrons overseas .. .. .	..	..	..	(d)	1,140,913
Training of R.A.A.F. personnel in Canada .. .. .	..	..	..	552,869	4,111,379
Aircraft, equipment and stores	503,978	1,155,484	1,538,411	6,784,447	12,426,433
Buildings, works, etc. .. .. .	..	..	..	1,747,591	4,719,830
Audit .. .. .	..	..	..	2,186	2,300
Rent, repairs, etc.	22,736	11,772	11,777	13,433	38,998
Interest and Sinking Fund	24,745	28,297	64,119	75,295	73,470
Exchange	219,444	262,093	(b)	(b)	(b)
Superannuation	4,673	4,803	5,498	7,606	8,714
Total	1,452,649	2,445,457	2,923,382	11,621,642	31,976,141

(a) Provided under Labour and National Service. (b) Exchange charged to votes concerned.
(c) Includes Superannuation. (d) Included under Aircraft, equipment and stores.

EXPENDITURE FROM REVENUE, TRUST AND LOAN FUNDS: DEFENCE AND WAR (1939-41) SERVICES—*continued*.

Details.	1936-37.	1937-38.	1938-39.	1939-40.	1940-41.
	£	£	£	£	£
Supply and Development—					
Salaries and general .. ..	..	..	35,698	182,367	849,740
Flax Mills—buildings, plant, etc. ..	..	..	..	..	98,374
Construction of oil storage tanks ..	..	..	..	..	23,129
Commonwealth Coal Board—Provision of handling and storage facilities ..	..	..	..	..	60,500
Other buildings, works, etc. .. ..	..	..	..	5,638	9,117
Rent, repairs, maintenance .. ..	..	..	354	9,950	20,685
Audit, Superannuation .. ..	..	..	..	2,429	2,646
Total .. ..	..	..	36,052	200,384	1,064,191
Munitions—					
Administrative .. ..	..	..	(a)	(a)	223,975
Munitions factories—Salaries, general expenses	375,133	459,477	477,695	778,562	572,181
Technical training .. ..	..	..	..	..	635,944
Munitions factories—					
Machinery, plant, etc.	132,934	327,670	314,021	1,043,758	4,863,778
Buildings, works, etc.	54,416	125,466	462,903	751,118	3,938,720
Armament Annexes—plant, material, etc. ..	..	2,402	340,677	443,708	1,812,756
Reserves of raw materials .. ..	..	..	43,728	624,888	2,502,116
Equipment for training tool-makers and tradesmen .. ..	..	..	..	26,882	134,770
Miscellaneous .. ..	..	..	..	653,614	173,274
Superannuation	282	484	393	1,221	1,436
Interest and Sinking Fund	61,551	63,589	82,513	84,847	82,792
Total	624,316	979,088	1,721,930	4,408,628	14,941,742
Aircraft Production—					
Salaries and general .. ..	..	..	..	..	35,036
Engine factory—					
Materials and current expenses .. ..	..	..	..	..	470,000
Construction and equipment .. ..	..	..	..	356,427	526,820
Buildings, works, etc. .. ..	..	..	..	127,379	75,090
Miscellaneous .. ..	..	..	..	..	97,483
Total .. ..	..	..	..	483,806	1,204,429
Other Services—					
Interest on loans for war purposes ..	..	..	..	393,362	1,895,529
Sinking fund on loans for war purposes ..	..	..	..	150,000	641,570
Exchange on interest remittances to London .. ..	..	..	..	29,186	103,233
Peace Officers .. ..	..	..	..	7,336	111,302
Information .. ..	..	..	..	43,787	182,074
Labour and National Service .. ..	..	..	..	..	51,012
Other Departments .. ..	..	..	..	163,152	813,956
Other Administrations (recoverable expenditure) .. ..	..	..	..	..	6,959,665
Total .. ..	..	..	..	787,123	10,758,341
Total, Defence and War (1939-41) Services—					
Consolidated Revenue Fund	6,950,385	6,371,719	9,410,482	21,883,751	65,680,207
Trust Fund(b)	1,076,187	1,452,250	3,072,325	2,017,414	3,566,426
Loan Fund	Gr. 6,655	1,953,787	1,912,284	28,814,046	101,581,230
Grand total	8,019,917	9,780,756	14,395,091	55,715,211	170,827,863

(a) Included under Supply and Development.

(b) Includes expenditure from excess receipts of previous years appropriated for Defence Equipment Contributions Trust Account.

(b) Includes expenditure from excess receipts of previous years appropriated for Defence Equipment Contributions Trust Account and from National Defence

Division IV.—Payments to or for the States.

1. **Introductory.**—In some previous issues of the Official Year Book particulars were given of the obligations imposed on the Commonwealth by the Constitution Act with reference to the payments to be made to the States, and the following statement briefly outlines the principal financial provisions of the Constitution in regard to the distribution of revenues received by the Commonwealth.

2. **Uniform Customs Duties.**—Prior to Federation, State revenues were largely derived from Customs and Excise duties and as the Commonwealth Constitution, (Sections 86 and 90) transferred exclusively to the Commonwealth this source of revenue it was essential that the Constitution should provide adequate compensation for this

loss to the States. Section 88 directed that uniform duties of customs must be imposed within two years after the establishment of the Commonwealth. This section was complied with on 8th October, 1901, by the introduction of the first Customs Tariff Bill.

3. **Special Western Australian Tariff.**—Section 95 of the Constitution authorized the Western Australian Government for a period of five years after the imposition of the uniform customs duties to impose customs duties on goods passing into that State and not originally imported from beyond the limits of the Commonwealth, such duties to be collected by the Commonwealth.

Provision was also contained in this section for the regulation of the rates of duty.

4. **Distribution of Commonwealth Revenue.**—Broadly, the requirements of the Commonwealth Constitution in regard to the financial relationship between the Commonwealth and the States may be divided into three phases covering definite periods.

(a) 1901 to 1910. This period was covered by Section 87 (known as the "Braddon Clause") which provided that :—

"During a period of ten years after the establishment of the Commonwealth and thereafter until the Parliament otherwise provides, of the net revenue of the Commonwealth from duties of customs and of excise not more than one-fourth shall be applied annually by the Commonwealth towards its expenditure.

The balance shall, in accordance with this Constitution, be paid to the several States, or applied towards the payment of interest on the debts of the several States taken over by the Commonwealth".

The scheme outlined in the Constitution for determining the amount to be paid to the several States is contained in Sections 89 and 93, the former of which relates to the period prior to the imposition of uniform duties of customs (as provided in Section 88), the latter to the first five years after the imposition of such duties and thereafter until Parliament otherwise provides. The principle involved was that of crediting each State with the Commonwealth revenue collected in respect of that State, and of debiting it with the expenditure incurred on its behalf in connexion with transferred departments, as well as its share on a *per capita* basis of the "new" expenditure of the Commonwealth. On this account the method of allocation provided by the Constitution has become very generally known as the "book-keeping system". As the imposition of uniform duties of customs and excise throughout the Commonwealth took place on 9th October, 1901, the five years provided for in Section 93 expired on 8th October, 1906, and consequently the "book-keeping system" could then be changed at any time by the Commonwealth Parliament.

Section 93 provided that the duties of customs chargeable on goods imported into and duties of excise paid on goods produced or manufactured in one State and consumed in another should be credited to the consuming State. The balance in favour of any State was paid monthly by the Commonwealth.

The Surplus Revenue Act 1908 continued the "book-keeping system" but provided that any excess receipts over expenditure should be distributed monthly to each State in proportion to their respective populations. This act more clearly defined "transferred" and "new" expenditure.

(b) 1911 to 1927 (Surplus Revenue Acts). The provisions of Section 87 of the Constitution were terminated by the passing of the Surplus Revenue Act 1910 which provided for the following scheme of payments to operate from 1st July, 1910 :—

- (i) The Commonwealth to pay by monthly instalments or apply to the payment of interest on debts of the States taken over by the Commonwealth an annual sum amounting to twenty-five shillings per head of the number of people of the State ;
- (ii) In addition to the payments above all surplus revenue (if any) to be paid to the States in proportion to the number of people ; and
- (iii) A special payment to be made to Western Australia in monthly instalments of an annual sum of £250,000 in the first year, thereafter progressively diminishing by £10,000 each year. One half of the payments so made to be debited to all of the States (including Western Australia) on a population basis and the amount so debited to be deducted from the amount otherwise payable to each State.

After 1920 and until 1927 the provisions of the several Surplus Revenue Acts continued to govern the payments by the Commonwealth to the States.

(c) 1928 to date (Financial Agreement Act). An Amendment to the Constitution embodied in Section 105A gave effect to the powers conferred on the Commonwealth in Section 105. This amendment included provisions for :—

- (i) taking over the debts of the several States by the Commonwealth ;
- (ii) the payment by the Commonwealth of a fixed annual sum in respect of the interest on such debts and for certain sinking fund contributions ;
- (iii) the indemnification of the Commonwealth by the States in respect of debts taken over from the States ;
- (iv) the borrowing of money by the States or by the Commonwealth or by the Commonwealth for the States ; and
- (v) certain other matters connected with the management, consolidation, renewal, conversion and redemption of such debts.

5. **Special Grants.**—The Constitution provides in Section 96 for the granting of special financial assistance to the States. Reference has already been made to the special grant to Western Australia in the Surplus Revenue Act 1910. This State has continued to receive financial assistance each year since 1910–11. In 1912, a grant under similar conditions was made to Tasmania ; the amount payable in the first year, 1912–13, was £95,000, which was to be progressively reduced by £10,000 in each successive year. The Tasmania Grant Act 1913 provided for an addition to this grant, bringing the amount payable to £85,000 per annum to the year 1921–22 after which annual grants of varying magnitude were made.

South Australia received £360,000 in 1929–30 and further grants in each successive year.

Other direct grants to the States from consolidated revenue include contributions towards the payment of interest and sinking fund on loans expended by Local Government authorities on public works. Grants which have been made from loan fund are indicated in the statement of loan expenditure on page 818.

From the accumulated excess receipts since 1931–32, special assistance to the States was provided as follows :—

State.	1934–35.	1935–36.	1936–37.
	£	£	£
New South Wales	786,000	205,000	197,000
Victoria	550,000	140,000	137,000
Queensland	286,000	75,000	72,000
South Australia	176,000	45,000	44,000
Western Australia	133,000	35,000	33,000
Tasmania	69,000	..	17,000
Total	2,000,000	500,000	500,000

6. **Commonwealth Grants Commission.**—In 1933, the Commonwealth Government appointed the Commonwealth Grants Commission of three members to inquire into and report upon claims made by any State for a grant of financial assistance and any matters relevant thereto.

Applications were received from South Australia, Western Australia and Tasmania during each year from 1933 and the recommendations of the Commission in respect of the years 1937–38 to 1941–42 were as follows :—

State.	Grant Recommended.				
	1937–38.	1938–39.	1939–40.	1940–41.	1941–42.
	£	£	£	£	£
South Australia	1,200,000	1,040,000	995,000	1,000,000	1,150,000
Western Australia	575,000	570,000	595,000	650,000	630,000
Tasmania	575,000	410,000	430,000	400,000	520,000

7. **Grants for Road Construction.**—(i) *Main Roads Development Acts.* Grants amounting in the aggregate to £1,750,000 were made to the States in 1922-23, 1924-25 and 1925-26 for the purpose of reconditioning certain main roads. £1,500,000 of this amount was on the basis of the expenditure by the States of an equivalent amount.

(ii) *Federal Aid Roads.* The Federal Aid Roads Act 1926 made provision for the construction and re-construction of roads in the several States out of moneys provided by the Commonwealth and States respectively. The original arrangement provided for a grant by the Commonwealth of £2,000,000 per annum for ten years from 1st July, 1926. The allocation to the States was based on three-fifths according to population and two-fifths according to area.

Expenditure was made in the proportion of 15s. by the States to £1 by the Commonwealth. The original agreement was varied in certain respects, the most important of which operated from 1st July, 1931, when in lieu of the £2,000,000 per annum, the Commonwealth agreed to contribute an amount equivalent to 2½d. per gallon customs duty, and 1½d. per gallon excise duty on petrol entered for home consumption during each year, and the States were not required to make any contribution as formerly agreed upon.

The 1926 agreement, which was originally intended to remain in operation for ten years, was continued until 30th June, 1937, when a new agreement was entered into. The latter provided for the continuation of the Federal Aid Roads Agreement for a further period of ten years from 1st July, 1937, increased the amount payable to the States to 3d. a gallon customs duty and 2d. a gallon excise (except benzol, on which the excise is only 1½d.) on petroleum and shale products, and stipulated that the proceeds of the extra ½d. per gallon should be expended on the construction, reconstruction, maintenance or repair of roads, or other works connected with transport. At the request of the Commonwealth Government the States will, up to a limit of one-twelfth of this additional amount, attend to the maintenance or repair of roads of approach to or adjoining Commonwealth properties. A further variation was the reduction from 3 to 2½ per cent. of the sinking fund contribution of the States on loan moneys provided by them between 1926 and 1931.

8. **Amounts Paid.**—(i) 1901 to 1941. The following table shows particulars of the amounts paid to each of the States since Federation, divided into three periods, with separate details for Special and Roads Grants. Special Commonwealth grants for the relief of primary producers are not included in this table. Details of these grants will be found in Chapter XVII. "Agricultural Production".

**PAYMENTS(a) BY THE COMMONWEALTH TO OR FOR THE STATES TO
30th JUNE, 1941.**

Particulars.	N.S.W.	Vic.	Q'land.	S.A.	W.A.	Tas.	Total.
	£'000.	£'000.	£'000.	£'000.	£'000.	£'000.	£'000.
1900-01 to 1909-10 (b) ..	27,606	19,815	8,895	6,148	8,727	2,602	73,793
1910-11 to 1926-27 (c) ..	41,634	31,341	15,184	9,923	6,899	4,367	109,350
1927-28 to 1940-41 (d) ..	47,899	33,376	17,741	12,008	8,519	4,217	123,760
Special Grants (e) ..	..	..	..	13,145	10,340	6,986	30,471
Non-recurring Grants from Excess Receipts ..	1,188	827	433	265	201	86	3,000
Special Assistance (f) ..	718	768	314	254	262	115	2,431
Grants for Road Construction, 1922-23 to 1940-41 (g)	11,765	7,538	8,008	4,777	8,128	2,117	42,333
Total	130,810	93,665	50,575	46,522	43,076	20,490	385,138

(a) Includes non-recurring grants from excess receipts, but excludes amounts provided for relief of wheat-growers and other primary producers and other payments for medical research, etc. (b) Under Section 87 of the Commonwealth Constitution. (c) Under the several Surplus Revenue Acts. (d) Under Financial Agreement Act 1928. (e) Under various State Grants Acts. (f) Unemployment Relief, Metalliferous Mining, Forestry and Local Public Works. (g) Under Federal Aid Roads and Main Roads Development Acts.

(ii) 1940-41. For the year ended 30th June, 1941, the payments made to or for each State are given below :—

PAYMENTS BY THE COMMONWEALTH TO OR FOR THE STATES, 1940-41.(a)

Particulars.	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tasmania.	Total.
	£	£	£	£	£	£	£
Interest on States' Debts ..	2,917,411	2,127,159	1,096,235	703,816	473,432	266,859	7,584,912
Sinking Fund on States' Debts (b) ..	641,786	303,231	208,451	181,208	177,423	44,650	1,556,749
Special Grants ..	..	..	..	1,000,000	650,000	400,000	2,050,000
Federal Aid Roads (c) ..	979,214	609,831	665,587	386,807	669,072	174,237	3,484,748
Local Public Works ..	39,400	27,400	14,450	8,700	6,650	3,400	100,000
Contribution—Port Augusta—Port Pirie Railway Agreement ..	..	..	..	20,000	..	..	20,000
Total	4,577,811	3,067,621	1,984,723	2,300,531	1,976,577	889,146	14,796,409

(a) Excludes relief to primary producers and other payments for medical research, etc. (b) Paid to National Debt Sinking Fund. (c) Paid to Trust Fund.

§ 3. Trust Funds.

The Trust Fund balances on 30th June, 1941, amounted to £33,477,484, as compared with £32,256,171 on 30th June, 1940.

§ 4. Commonwealth Loan Funds and Public Debt.

1. **General.**—Although it was not until 1915 that the Commonwealth Government came into the loan market as a borrower, there had previously existed a Commonwealth Public Debt which included several items, such as the balance of the debt taken over from South Australia and the amount owing to the States for transferred properties. 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 following paragraphs.

2. **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 payment of interest on transferred properties (further dealt with in par. 4 below) and 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, and at 30th June, 1940, £27,216 and £6,019—a total of £33,235. During 1940-41 this remaining indebtedness was redeemed.

3. **Loan Fund for Public Works, etc.**—Up to the year 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 Trans-Australian Railway and the Australian Capital Territory, a Loan Fund similar to those of the States was instituted. The initiation of this fund was greatly assisted by the fact that the Treasury at that time held a large quantity of gold, principally on behalf of the Australian Notes Account. Up to 30th June, 1914, the money required for loan expenditure was obtained mainly from this source at 3½ per cent., and inscribed stock of an equivalent value was created. Since then the money required for the Loan Fund has been mainly obtained by the issue of Treasury Bills and other securities issued in London and New York as well as in Australia. Yearly expenditure on works, etc., up to 1919-20 did not exceed £3,000,000. From 1920-21 it rose to nearly £9,500,000 in 1926-27 and it declined to about £2,000,000

in 1930-31. For the years 1931-32 to 1938-39 expenditure fluctuated between £520,000 and £4,550,000. During the last two years, due to the inclusion of expenditure on Defence and War (1939-41) Services the total expenditure from loan has risen considerably.

COMMONWEALTH EXPENDITURE FROM LOAN FUND.

Particulars.	1936-37.	1937-38.	1938-39.	1939-40.	1940-41.	Total to 30th June, 1941.
	£	£	£	£	£	£
Defence and War (1939-41) Services—						
General Services and Works ..	..	..	..	28,814,046	101,581,430	130,395,276
Additions, New Works, Buildings, etc.—						
Army Buildings, Works and Sites ..	Cr. 2,877	339,316	97,788	..	..	1,118,989
Arms, Armament and Ammunition ..	..	109,180	530,342	..	..	954,822
Naval Buildings, Works and Sites ..	Cr. 12,308	106,970	82,248	..	..	1,703,834
Fleet Construction ..	..	451,350	521,556	..	..	1,608,303
R.A.A.F. Equipment, Buildings, etc.	..	673,026	436,356	..	..	1,578,461
Munitions Production, Buildings and Works ..	8,530	273,945	243,994	..	..	1,729,539
Civil Aviation, Buildings and Works ..	65	112,550	..	..	..	214,291
Ships, Yards and Docks ..	..	..	Cr. 305,351	Cr. 14,016	Cr. 2,859	7,863,028
Lighthouses, Works and Services ..	Cr. 3,010	Cr. 1,000	Cr. 1,000	Cr. 1,000	Cr. 1,000	637,490
River Murray Waters Act ..	..	..	..	..	..	2,105,625
Postmaster-General's Department—						
Telegraph and Telephone Construction ..	300,000	..	..	1,733,113	1,689,329	35,117,640
Buildings, Works, Sites, etc. ..	2,193	Cr. 451	Cr. 1,290	120,050	220,882	3,834,803
Subscription to Capital of Amalgamated Wireless Ltd. ..	..	..	..	..	..	300,000
Radio Stations and Equipment ..	..	..	..	29,509	3,711	89,456
Serum and Health Laboratories ..	460	..	..	..	..	80,149
Other Health Buildings and Services ..	..	..	..	..	..	22,964
Repatriation Buildings, etc. ..	1,434	..	..	..	..	47,026
War Service Homes (a) ..	..	..	..	..	..	7,329,523
Railways—						
Trans-Australia ..	358,241	Cr. 938	Cr. 339	Cr. 102	Cr. 2,070	7,124,123
Central Australia ..	..	..	..	..	..	2,480,426
North Australia ..	..	..	..	Cr. 184	Cr. 170	1,597,375
Australian Capital Territory ..	..	..	..	..	..	28,755
Grafton-South Brisbane ..	..	..	..	..	..	2,446,005
Railways Plant and Store Suspense account ..	..	..	..	..	..	200,000
Territories—						
A.C.T. Works, Services and Acquisition of Land (b) ..	100,583	Cr. 5,514	Cr. 6,768	Cr. 10,752	Cr. 4,321	8,486,479
Northern Territory ..	19,127	Cr. 61	..	Cr. 31	..	171,870
Papua ..	..	..	..	..	..	129,749
New Guinea ..	..	..	..	..	..	40,496
Norfolk Island ..	..	..	..	..	..	2,000
London Offices ..	..	..	..	..	..	880,190
High Court Accommodation, Melbourne ..	..	..	..	..	..	19,505
Acquisition of Properties not elsewhere included ..	6,645	Cr. 263	..	..	..	137,648
Immigration ..	..	..	..	..	..	1,680,834
Subscription to Capital of Commonwealth Oil Refinery ..	..	..	..	..	..	343,751
Assistance to States—						
Unemployment Relief ..	332,880	Cr. 8,895	Cr. 3,822	Cr. 65,844	Cr. 45,284	2,455,377
Mining ..	64,000	..	..	..	..	283,750
Forestry ..	35,000	..	..	..	..	322,000
Farmers' Debt Adjustment ..	1,500,000	2,500,000	2,000,000	750,000	500,000	7,567,000
Roads ..	..	..	..	..	..	249,686
Wire and Wire Netting ..	..	..	..	..	..	608,849
Drought Relief ..	..	..	..	..	1,270,000	1,270,000
Wheat Bounty ..	..	..	..	..	..	3,429,571
Total Additions, New Works, Buildings, etc. ..	2,710,963	4,549,215	3,593,714	2,540,743	3,628,218	108,291,382
GRAND TOTAL ..	2,710,963	4,549,215	3,593,714	31,354,789	105,209,448	238,686,656

(a) In addition, £13,045,408 was expended from War Loan Fund prior to 1923-24.

(b) Includes Administration and other Public Buildings.

4. **Properties Transferred from States.**—At the time of Federation, when the Commonwealth took over the control of several departments previously administered by the States, a large amount of property was handed over to the Commonwealth Government, which paid interest to the States at the rate of $3\frac{1}{2}$ per cent. on the value of the properties so transferred. (Particulars of the valuation of the properties are given in Official Year Book No. 14, p. 694). The temporary provisions of the Financial Agreement between the Commonwealth Government and the Governments of the several States provided *inter alia* that the Commonwealth Government would for the period of two years from 1st July, 1927, pay to each State interest at the rate of 5 per cent. per annum on the agreed value of transferred properties as follows:—New South Wales, £4,788,005; Victoria, £2,302,862; Queensland, £1,560,639; South Australia, £1,035,631; Western Australia, £736,432; and Tasmania, £500,754; a total of £10,924,323.

From 1st July, 1929, the Commonwealth Government assumed all liability for so much of the Public Debt of the States maturing in London bearing interest at the rate of 5 per cent. per annum as is equivalent to the agreed value of the transferred properties shown above. The Commonwealth Government received the freehold or equivalent title to the transferred properties consisting of land or interests in land, and all liability of the Commonwealth to the State in respect of transferred properties was extinguished from that date.

5. **War (1914–19) Loan from the British Government.**—On the outbreak of the War of 1914–19, the Commonwealth Government obtained a loan from the British Government for the purpose of financing the prospective large military expenditure. At first, the arrangement was that the British Government should advance the sum of £18,000,000. Subsequently further loans amounting to £31,500,000 were negotiated. In addition to this capital indebtedness of £49,500,000, a further sum of £42,696,500 was due to the British Government for the maintenance of Australian troops.

Early in 1921 an arrangement was concluded with the British Government, by which almost the entire debt (upwards of £92,000,000) was consolidated. The Commonwealth Government undertook to extinguish the debt in about 35 years by annual payments representing 6 per cent. on the original debt, providing for interest at approximately £4 18s. 4d. per cent., and a sinking fund of approximately £1 1s. 8d. per cent. By a later arrangement with the British Government, however, principal and interest repayments for 1931–32 and subsequent years have been suspended. The principal outstanding on 30th June, 1941, was £79,724,220.

6. **Flotation of War (1914–19) Loans in Australia.**—In addition to the advances from the British Government, the Commonwealth Government raised large amounts of money in Australia. Full details of the seven War Loans are given in Official Year Book No. 14.

7. **Flotation of War (1939–42) Loans.**—The amounts liable in respect of portions of several loans raised, prior to the outbreak of the present war, for defence purposes, have now been reclassified as War (1939–42) Debt. These liabilities amounted to £12,396,016 at 30th June, 1940. The following table shows particulars of loans floated since the outbreak of war. Final particulars for the last two loans shown below are not yet available.

WAR (1939-42) LOAN RAISINGS.

Date of Raising.	Amount Invited.	Number of Subscribers.	Amount Subscribed.	Purpose.	Rate of Interest.	Year of Maturity.	Price.
	£		£			(a)	
1.12.39	12,000,000	Banks	3,340,000	Commonwealth — Defence, Works, etc.	3½	1942	100
			8,660,000	States—Works, etc.		1943	
			9,085,740	Commonwealth — Defence, Works, etc.	3½(b)	1944	
1.3.40	18,000,000	14,339	9,079,000	States—Works, etc.	3½(c)	1950-56	100
			6,746,790	Commonwealth — War purposes	2½	1945	
29.5.40	20,000,000	32,792	13,835,700	Commonwealth — War purposes	3½	1950-56	100
			21,491,420	Commonwealth — War, Works, etc.	2½(d)	1945	
28.11.40	28,000,000	21,830	7,018,000	States—Works, etc.	3½(e)	1950-56	100
			29,812,340	Commonwealth — War, Works, etc.	2½(f)	1946	
30.4.41	35,000,000	57,219	6,060,000	States—Works, etc.	3½(g)	1950-56	100
			34,158,000	Commonwealth — War purposes	2½(h)	1945-46	
7.10.41	100,000,000	83,380	22,626,000	Commonwealth — Conversion	3½(i)	1950-57	100
			43,605,000	States—Conversion			
			12,860,000	Commonwealth — War purposes	2½	1945-46	
17.2.42	35,000,000	244,074	35,465,000	Commonwealth — War purposes	3½	1950-58	100

(a) £4,000,000 each year. (b) £8,957,640. (c) £9,207,100. (d) £7,692,180. (e) £20,807,240. (f) £13,642,690. (g) £22,229,650. (h) Cash, £5,386,000; Conversion, £5,329,000. (i) Cash, £28,772,000; Conversion, £60,902,000.

In addition to the above amounts, nearly £27,000,000 has been raised by War Savings Certificates (Seven Years' Series), and over £5,900,000 by Citizens' National Emergency (Interest Free) Loans.

An advance of £12,000,000 has also been made by the British Government for war purposes.

8. London Conversion Loans.—Loans aggregating £22,000,000 were due for redemption in London in 1932-33, and in addition the Government had optional rights of redemption over a further £88,000,000, all of which were carrying an interest burden of 5 per cent. or greater. These obligations, particularly the accumulation of loans with optional rights of redemption, presented some difficulty to the Government and led to the appointment of a Resident Minister in London, who, in conjunction with the Australian Loan Council, arranged for the conversion of Commonwealth and State securities amounting to £109,849,000 between October, 1932, and February, 1934. Particulars of these and subsequent conversions to June, 1941, are shown in the following table :—

DETAILS OF LOANS CONVERTED IN LONDON, 1932 to 1941.

When Converted.	Commonwealth or State.	Amount.	Old Loan.		New Loan.				Annual Saving.	
			Interest Rate (nominal).	Yield to Investor.	Interest Rate (nominal).	Price of Issue.	Yield to Investor. (a)	Year of Maturity.	Interest. (b)	Exchange. (c)
1932—		£'000.	%	£ s. d.	%	£	£ s. d.		£'000.	£'000.
October ..	N.S.W.	12,361	5½	5 15 0	3½	97½	4 1 2	1936-37	222	56
1933—										
February ..	N.S.W.	9,622	4	3 19 8	4	100	4 0 0	1955-70	180	45
May ..	N.S.W.	6,427								
	S.A.	2,983								
	Tas.	2,000	6½	6 10 0	3½	99	3 14 10	1937-38	83	21
	N.S.W.	9,527								
	Qld.	2,000								
July ..	N.S.W.	2,000	6	6 8 4	4	99	4 1 10	1943-48	204	52
	W.A.	2,978								
	C'wealth.	2,716								
September	N.S.W.	15,000	6	6 9 6	3½	98	3 17 11	1948-53	360	92
	W.A.	4,901								
	W.A.	1,050								

(a) If redeemed at latest date of maturity. (b) Interest savings have been calculated on the yield to the investor worked on the issue prices of the old and new loans respectively. (c) Calculated at 25½ per cent.

DETAILS OF LOANS CONVERTED IN LONDON, 1932 TO 1941—*continued.*

When Converted.	Common- wealth or State.	Amount.	Old Loan.		New Loan.				Annual Saving.	
			Interest Rate (nominal).	Yield to Investor.	Interest Rate (nominal).	Price of Issue.	Yield to Investor. (a)	Year of Maturity.	Interest. (b)	Exchange. (c)
		£'000.	%	£ s. d.	%	£	£ s. d.		£'000.	£'000.
1933—										
December	N.S.W.	2,981	5½	5 14 1	3½	99	3 16 9	1946-49	53	14
	Vic. ..	2,950		5 10 0					119	30
	S.A. ..	3,907		5 12 2					73	19
	Tas. ..	5,633	5	5 3 3	3½	99	3 5 11	1964-74	15	4
		1,146		5 2 6					61	13
									206	52
1934—										
February..	N.S.W.	3,979	5	5 3 7	3½	97	3 13 8	1954-59	97	23
	Vic. ..	13,876		5 2 0					1	..
	Qld. ..	3,782		6 6 4					4	1
	C'wealth.	83	4	3 19 6	3½	99	3 5 11	1964-74	4	1
		574		3 13 9					23	6
	S.A. ..	789		3 19 6					—4	—1
		3,078	3½	3 7 1	3½	99	3 5 11	1964-74	1	..
		2,235		3 10 6					6	2
	W.A. ..	463		5 6 9					72	18
		2,497	4½	4 5 0	3½	99	3 5 11	1964-74	1	..
		3,745		3 18 10					7	2
	Tas. ..	138							316	80
1935—										
January ..	C'wealth.	17,355	5	5 2 8	3½	100	3 5 0	1956-61	15	4
	Vic. ..	807							24	6
	Qld. ..	1,328							14	4
	S.A. ..	799	3½	3 12 10	2½	99	2 18 6	1941-43	34	9
	W.A. ..	1,895		5 1 6					4	1
	Tas. ..	200		3 12 10					8	2
	N.S.W.	12,420	3	3 4 0	3	100	3 0 0	1939-41	21	5
	Vic. ..	1,050		5 0 0					421	107
									2	1
1936—										
January ..	N.S.W.	21,657	3½	3 12 10	3	95½	3 5 9	1955-58	208	53
	C'wealth.	372		5 1 6					13	3
	N.S.W.	10,955		3 12 10					49	13
	S.A. ..	1,996	4½	5 0 7	3½	99	3 15 1	1951-54	1	..
		2,631		3 1 7					—1	..
	W.A. ..	597							—6	—2
1937—										
June ..	N.S.W.	12,361	3½	3 10 0	3½	96½	3 16 2	1950-52	—3	—1
	N.S.W.	6,427		3 10 0					—11	—2
	S.A. ..	2,983		3 11 8					—1	..
	Tas. ..	2,000	3½	3 10 0	4	100	4 0 0	1955-70	—1	..
				3 10 0					—6	—2
	C'wealth.	160		3 11 8					—5	—1
1938—										
December	S.A. ..	1,158	3½	3 10 0	4	100	4 0 0	1955-70	—1	..
		1,158		3 10 0					—6	—2
		1,200		3 11 8					—5	—1
1939—										
December	Tas. ..	448	3	d 3 0 0	3½	99	3 15 5	1942-44	—3	—1
		4,137		d 3 10 0					—11	—2
									—1	..
Total(e)	..	229,407	4.87	5 1 2	..	98.3	3 11 11	..	3,273	831

(a) If redeemed at latest date of maturity. (b) Interest savings have been calculated on the yield to the investor worked on the issue prices of the old and new loans respectively. (c) Calculated at 2½ per cent. (d) Nominal. (e) Averages approximate.

Particulars to June, 1941, of the total amounts converted and the total savings on account of interest and exchange in respect of the Commonwealth and of each State are as follows :—

Commonwealth or State.	Amount Converted.	Total Savings.		
		Interest.	Exchange.	Total.
	£	£	£	£
Commonwealth ..	33,542,925	682,186	173,104	855,290
New South Wales ..	113,618,171	1,493,065	379,124	1,872,189
Victoria ..	22,620,392	360,979	91,598	452,577
Queensland ..	7,109,469	161,157	40,894	202,051
South Australia ..	23,597,110	265,772	67,560	333,332
Western Australia ..	17,830,181	240,308	60,978	301,286
Tasmania ..	11,088,550	69,110	17,617	86,727
Total ..	229,406,798	3,272,577	830,875	4,103,452

9. **Loan Raisings, 1939-40 and 1940-41.**—In addition to those loans, particulars of which are shown on page 820, Tasmanian stock to the value of £4,604,800 was converted in December, 1939. The new rate of interest is $3\frac{1}{2}$ per cent., year of maturity 1942-44, and price 99. "Over the Counter" Sales amounted to £1,063,365 in 1939-40 and to £440,100 in 1940-41.

10. **Public Debt for Commonwealth Purposes.**—(i) *Total Debt.* Reference has already been made to the development of the Commonwealth Public Debt and the following table shows the debt of the Commonwealth (excluding that of the States) at 30th June, 1941 :—

PUBLIC DEBT FOR COMMONWEALTH PURPOSES AT 30th JUNE, 1941.

Particulars.	Maturing in—			Total. (a)
	London.	New York.	Australia.	
	£ Stg.	£ (b)	£ Aust.	£
War (1914-19) Debt—				
Stock and Bonds	11,020,160	..	171,073,056	182,093,216
Indebtedness to United Kingdom Government	79,724,220	..	..	79,724,220
War and Peace Savings Certificates and Stamps, War Gratuity Bonds .. .. .	..	..	166,968	166,968
Total	90,744,380	..	171,240,024	261,984,404
War (1939-41) Debt —				
Stock and Bonds	5,775,000	..	84,178,116	89,953,116
Advance Loan Subscriptions .. .. .	..	..	871,750	871,750
Citizens' National Emergency Loans	100,000	..	5,339,713	5,489,713
War Savings Certificates .. .. .	..	..	17,380,098	17,380,098
War Savings Stamps .. .. .	..	..	79,902	79,902
Treasury Bills, Public .. .. .	..	..	1,750,000	1,750,000
Indebtedness to United Kingdom Government	12,000,000	..	..	12,000,000
Total	17,875,000	..	109,649,579	127,524,579
Works and other Purposes—				
Stock and Bonds	61,663,936	15,876,718	28,766,348	106,307,002
Treasury Bills and Debentures	3,720,161	..	..	3,720,161
Treasury Bills, Internal .. .. .	..	..	10,692,248	10,692,248
Total, Works and other Purposes..	65,384,097	15,876,718	39,458,596	120,719,411
Total, Commonwealth Purposes ..	174,003,477	15,876,718	320,348,199	510,228,394

PER HEAD OF POPULATION.(c)

	(Stg.) £ s. d.	(b) £ s. d.	(Aust.) £ s. d.	£ s. d.
War (1914-19) Debt	12 15 6	..	24 2 3	36 17 9
War (1939-41) Debt	2 10 5	..	15 8 9	17 19 2
Works and other Purposes	9 4 1	2 4 9	5 11 1	16 19 11
Total Commonwealth Purposes ..	24 10 0	2 4 9	45 2 1	71 16 10

(a) The total "face" or "book" value of the public debt without adjustment on account of currency changes since the loans were floated. (b) Payable in terms of dollars. For the purposes of these tables dollars have been arbitrarily converted to £ Stg. at the rate of \$4.8665 to £1. (c) Based on population at 30th June, 1941.

(ii) *Place of Flotation.* Since 1931-32 few new loans have been raised overseas. None have been raised in New York since 1927-28. Those raised in London have been almost exclusively conversion loans, but in the last four years there have been new raisings for defence purposes.

PUBLIC DEBT FOR COMMONWEALTH PURPOSES: PLACE OF FLOTATION.

Place of Flotation, etc.	At 30th June—				
	1937.	1938.	1939.	1940.	1941.
War (1914-19) Debt—					
London £ Stg.	90,744,381	90,744,381	90,744,381	90,744,381	90,744,380
Total Overseas .. £ Stg.	90,744,381	90,744,381	90,744,381	90,744,381	90,744,380
Australia £ Aust.	183,063,205	179,058,853	175,193,890	173,028,896	171,240,024
Total War (1914-19) Debt £ a	273,807,586	269,803,234	265,938,271	263,773,277	261,984,404
War (1939-41) Debt—					
London £ Stg.	..	..	..	5,810,000	17,875,000
Total Overseas .. £ Stg.	..	..	..	5,810,000	17,875,000
Australia £ Aust.	..	..	..	46,808,759	109,649,579
Total War (1939-41) Debt £	..	..	..	52,618,759	127,524,579
Works and other Purposes—					
London £ Stg.	65,034,246	67,619,246	72,096,566	65,779,396	65,384,097
New York £ (b)	16,201,952	16,080,972	15,913,501	15,876,718	15,876,718
Total Overseas .. £ (a)	81,236,198	83,700,218	88,010,067	81,656,114	81,260,815
Australia £ Aust.	31,755,432	37,341,609	43,302,593	37,279,030	39,458,596
Total Debt for Works, etc. £ a	112,991,630	121,041,827	131,312,660	118,935,144	120,719,411
Total Debt—					
London £ Stg.	155,778,627	158,363,627	162,840,947	162,333,777	174,003,477
New York £ (b)	16,201,952	16,080,972	15,913,501	15,876,718	15,876,718
Total Overseas .. £ (a)	171,980,579	174,444,599	178,754,448	178,210,495	189,880,195
Australia £ Aust.	214,818,637	216,400,462	218,496,483	257,116,685	320,348,199
Grand Total £ (a)	386,799,216	390,845,061	397,250,931	435,327,180	510,228,394

(a) The figures given represent the total "face" or "book" value of the public debt without any adjustment on account of currency changes since the loans were floated. (b) Payable in terms of dollars. For the purposes of these tables dollars have been arbitrarily converted to £ Stg. at the rate of \$4.8665 to £1.

(iii) *Amount of Debt at Various Rates of Interest.*—The first debt taken over from South Australia consisted mainly of securities bearing interest 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, consequently the average rate of interest fell until on 30th June, 1914, it stood at £3 11s. 10d. With the loans raised for war and repatriation purposes interest rates rose until the National Debt Conversion Loan (July–August, 1931) reduced interest rates on internal loans by 22½ per cent. Conversion loans in London referred to on p. 820 have reduced the average rate of interest on debt maturing in London by nearly one per cent. from £4 18s. 11d. per cent. in 1931 to

£3 19s. 4d. in 1941. The average rate of interest on internal loans at 30th June, 1941, was £3 11s. 5d. per cent. as compared with £5 9s. 10d. per cent. at 30th June, 1931. The average rate of interest payable on the total debt decreased from £5 4s. 11d. per cent. in 1931 to £3 14s. 2d. per cent. at 30th June, 1941.

The accompanying table gives particulars of rates of interest on the debt for Commonwealth purposes at 30th June, 1941 :—

PUBLIC DEBT FOR COMMONWEALTH PURPOSES : AMOUNTS AT EACH RATE OF INTEREST, AT 30th JUNE, 1941.

Rates of Interest.	Debt Maturing in—			
	London.	New York.	Australia.	Total.
Per cent.	£ (Stg.)	£ (a)	£ (Aust.)	£ (b)
5.0	29,128,495	12,295,662	(c) 4,824	41,428,981
4.91667	(d) 79,724,220	..	..	79,724,220
4.75	5,989,400	..	..	5,989,400
4.5 .. .. .	..	3,581,056	..	3,581,056
4.2625 .. .. .	..	..	943,812	943,812
4.25 .. .. .	..	..	82,757	82,757
4.06875 .. .. .	..	..	2,679,010	2,679,010
4.0	5,775,000	..	2136,812,661	142,587,661
3.875 .. .. .	..	..	46,013,506	46,013,506
3.75	20,730,800	..	7,672,430	28,403,230
3.675 .. .. .	..	..	66,510	66,510
3.625 .. .. .	..	..	4,288,680	4,288,680
3.5 .. .. .	..	..	4,380,830	4,380,830
3.375 .. .. .	..	..	4,345,390	4,345,390
3.25	16,563,595	..	(f) 66,128,028	82,691,623
3.0	12,000,000	..	5,258,550	17,258,550
2.75	271,806	..	12,238,260	12,510,066
2.5 .. .. .	..	..	11,449,510	11,449,510
2.25	2,720,161	..	..	2,720,161
2.0	1,000,000	..	..	1,000,000
1.5 .. .. .	..	..	12,442,248	12,442,248
Citizens' National Emergency Loans (Interest Free) ..	100,000	..	5,389,713	5,489,713
Overdue .. .. .	..	..	(g) 57,362	57,362
War (1939-41) Savings Stamps ..	..	..	79,902	79,902
War (1914-19) Savings Stamps ..	..	..	14,216	14,216
Total	174,003,477	15,876,718	320,348,199	510,228,394
	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Average rate per cent.	3 19 4	4 17 9	3 11 5	3 14 2

(a) Payable in terms of dollars. For the purposes of these tables dollars have been arbitrarily converted to £ Stg. at the rate of 84.8665 to £1. (b) The total "face" or "book" value of the public debt without adjustment on account of currency changes since the loans were floated. (c) War (1914-19) Savings Certificates. (d) War Debt due to Government of the United Kingdom (see par. 5, page 819). (e) Includes unconverted securities, £6,060. (f) Includes War (1939-41) Savings Certificates, £17,380,098. (g) Includes War Gratuity Bonds, £12,732.

(iv) *Amount of Interest Payable.* The next table shows the interest payable in Australia and overseas on the Commonwealth Public Debt (excluding amounts raised on behalf of the several States and debts of the States taken over) at 30th June in the years 1937 to 1941 inclusive:—

PUBLIC DEBT FOR COMMONWEALTH PURPOSES: INTEREST PAYABLE.

Interest on and where payable.	At 30th June—				
	1937.	1938.	1939.	1940.	1941.
War (1914-19) Debt—					
London £ Stg. (a)	426,008	426,008	426,008	426,008	426,008
Australia £ Aust.	7,310,325	7,149,993	6,949,706	6,868,976	6,798,034
Total War (1914-19) Debt .. £ (b)	7,736,333	7,576,001	7,375,714	7,294,984	7,224,042
Average Rate %	£3 19s. 9d.	£3 19s. 9d.	£3 19s. 3d.	£3 19s. 3d.	£3 19s. 3d.
War (1939-41) Debt—					
London £ Stg.	..	..	..	232,400	591,000
Australia £ Aust.	..	..	..	1,416,569	3,255,101
Total War (1939-41) Debt .. £	..	..	..	1,648,969	3,846,101
Average Rate .. .. %	..	..	..	£3 7s. 8d.	£3 3s. 0d.
Works and other Purposes—					
London £ Stg.	2,614,254	2,775,291	2,977,546	2,729,388	2,719,314
New York £ (c)	790,935	785,240	777,586	775,930	775,930
Total Overseas £ (b)	3,405,189	3,560,531	3,755,132	3,505,318	3,495,244
Australia £ Aust.	935,572	1,151,759	1,394,921	1,135,095	1,195,661
Total Debt for Works, etc. .. £ (b)	4,340,761	4,712,290	5,150,053	4,640,413	4,690,905
Average Rate %	£3 16s. 0d.	£3 17s. 0d.	£3 18s. 5d.	£3 18s. 0d.	£3 17s. 9d.
Total Debt—					
London £ Stg. (a)	3,040,262	3,201,299	3,403,554	3,387,796	3,736,322
New York £ (c)	790,935	785,240	777,586	775,930	775,930
Total Overseas £ (b)	3,831,197	3,986,539	4,181,140	4,163,726	4,512,252
Australia £ Aust.	8,245,897	8,301,752	8,344,627	9,420,640	11,248,796
Grand Total £ (b)	12,077,094	12,288,291	12,525,767	13,584,366	15,761,048
Average Rate %	£3 18s. 8d.	£3 19s. 0d.	£3 18s. 11d.	£3 17s. 3d.	£3 14s. 2d.

(a) Excludes suspended interest on War Debt owing to British Government. (b) The totals shown represent the nominal amount of interest, taking no account of exchange. (c) Payable in terms of dollars. For the purposes of these tables dollars have been arbitrarily converted to £ Stg. at the rate of \$4.8665 to £1.

(v) *Dates of Maturity.* The dates of maturity of the several portions of the Commonwealth debt are shown below according to financial years. Prior to 1937-38 the Public Debt was shown classified according to the latest date of maturity only, but the particulars now include tables showing both the earliest and latest dates of maturity. The Commonwealth Government has refrained from issuing interminable stock, but, in respect of a small proportion of the debt, no definite date of maturity had been assigned on 30th June, 1941.

PUBLIC DEBT FOR COMMONWEALTH PURPOSES, AT 30th JUNE, 1941.

(CLASSIFIED ACCORDING TO LATEST DATE OF MATURITY.)

Due Dates (year ended 30th June).				Maturing in—			Total.
				London.	New York.	Australia.	
				£ (Stg.)	£ (Stg.)	£ (Aust.)	£
1942	..	..	..	3,720,161	..	41,167,778	44,887,939
1943	..	..	..	271,806	..	4,940,120	5,211,926
1944	..	..	..	..	..	2,154,830	2,154,830
1945	..	..	..	..	..	24,700,422	24,700,422
1946	..	..	..	..	..	16,583,650	16,583,650
1947	..	..	..	..	..	11,338,690	11,338,690
1948	..	..	..	..	..	21,483,277	21,483,277
1949	..	..	..	..	..	4,367,220	4,367,220
1950	..	..	..	..	..	2,880	2,880
1951	..	..	..	..	..	13,346,141	13,346,141
1952	..	..	..	..	..	1,649,140	1,649,140
1954	..	..	..	13,780,100	..	12,655,830	26,435,930
1955	..	..	..	..	..	40,578,300	40,578,300
1956	..	..	..	..	13,548,199	14,166,248	27,714,447
1957	..	..	..	6,950,700	..	52,250,770	59,201,470
1958	..	..	..	..	2,328,519	11,933,586	14,262,105
1960	..	..	..	12,000,000	..	11,843,382	23,843,382
1961	..	..	..	22,223,217	..	..	22,223,217
1962	..	..	..	..	..	11,034,335	11,034,335
1964	..	..	..	5,775,000	..	..	5,775,000
1975	..	..	..	329,778	..	..	329,778
1976	..	..	..	29,128,495	..	..	29,128,495
War (1939-41) Savings Certificates .. .. .	..	..	..	..	..	17,380,098	17,380,098
War (1939-41) Savings Stamps .. .. .	..	..	..	..	..	79,902	79,902
Citizens' National Emergency Loans .. .. .	..	..	..	100,000	..	5,389,713	5,489,713
Advance Loan Subscriptions .. .. .	..	..	..	..	..	871,750	871,750
War (1914-19) Savings Certificates .. .. .	..	..	..	..	..	4,824	4,824
Peace Savings Certificates .. .. .	..	..	..	..	..	135,196	135,196
War (1914-19) Savings Stamps .. .. .	..	..	..	..	..	14,216	14,216
Unconverted .. .. .	..	..	..	..	..	6,060	6,060
Overdue .. .. .	..	..	..	..	..	(a) 57,362	57,362
Annual repayments .. .. .	..	..	..	(b) 79,724,220	..	..	79,724,220
Half-yearly .. .. .	..	..	..	..	..	212,479	212,479
Total .. .. .	..	..	..	174,003,477	15,876,718	320,348,199	510,228,394

(a) Includes War Gratuity Bonds, £12,732.
British Government.

(b) Repayments suspended by arrangement with

PUBLIC DEBT FOR COMMONWEALTH PURPOSES, AT 30th JUNE, 1941.

(CLASSIFIED ACCORDING TO EARLIEST DATE OF MATURITY.)

Due Dates (year ended 30th June).				Maturing in—			Total.
				London.	New York.	Australia.	
				£ (Stg.)	£ (Stg.)	£ (Aust.)	£
Before 1942	..	..	..	6,261,206	..	..	6,261,206
1942	..	..	..	3,720,161	..	41,167,778	44,887,939
1943	..	..	..	..	..	4,940,120	4,940,120
1944	..	..	..	..	..	2,154,830	2,154,830
1945	..	..	..	..	..	24,700,422	24,700,422
1946	..	..	..	29,128,495	..	16,583,650	45,712,145
1947	..	..	..	..	..	11,338,690	11,338,690
1948	..	..	..	..	2,328,519	21,483,277	23,811,796
1949	..	..	..	13,780,100	..	4,367,220	18,147,320
1950	..	..	..	..	..	2,880	2,880
1951	..	..	..	..	..	65,596,911	65,596,911
1952	..	..	..	..	..	1,649,140	1,649,140
1953	..	..	..	6,950,700	9,967,143	40,578,300	57,496,143
1954	..	..	..	..	..	14,373,610	14,373,610
1956	..	..	..	28,233,817	3,581,056	12,448,468	44,263,341
1958	..	..	..	..	..	11,933,586	11,933,586
1960	..	..	..	..	..	11,843,382	11,843,382
1961	..	..	..	5,775,000	..	..	5,775,000
1962	..	..	..	..	..	11,034,335	11,034,335
1965	..	..	..	329,778	..	..	329,778
War (1939-41) Savings Certificates	..	..	..	..	..	17,380,098	17,380,098
War (1939-41) Savings Stamps	..	..	..	..	..	79,902	79,902
Citizens National Emergency Loans	..	..	..	100,000	..	5,389,713	5,489,713
Advance Loan Subscriptions	..	..	..	..	..	871,750	871,750
War (1914-19) Savings Certificates	..	..	..	..	..	4,824	4,824
Peace Savings Certificates	..	..	..	..	..	135,196	135,196
War (1914-19) Savings Stamps	..	..	..	..	..	14,216	14,216
Unconverted	..	..	..	..	..	6,060	6,060
Overdue	..	..	..	..	..	(a) 57,362	57,362
Annual repayments	..	..	..	(b) 79,724,220	..	..	79,724,220
Half-yearly	..	..	..	..	..	212,479	212,479
Total	..	..	..	174,003,477	15,876,718	320,348,199	510,228,394

(a) Includes War Gratuity Bonds, £12,732.
British Government

(b) Repayments suspended by arrangement with

11 **Sinking Funds.**—Particulars relating to the creation of sinking funds are included in previous issues.

The old sinking funds were merged in the National Debt Sinking Fund on 11th August, 1923. Particulars of receipts and expenditure of the Commonwealth Account from the year 1936-37 are as follows :—

PUBLIC DEBT FOR COMMONWEALTH PURPOSES : SINKING FUND.

Items.	1936-37.	1937-38.	1938-39.	1939-40.	1940-41.	Total 1923-24 to 1940-41.
	£	£	£	£	£	£
Cr. Brought forward ..	1,780,186	1,937,295	1,252,784	1,131,163	1,525,784	..
Balance transferred to Fund on 11th August, 1923 ..	..	..	..	..	..	2,262,983
From Consolidated Revenue	3,434,219	3,681,741	3,917,825	4,269,096	4,956,791	52,313,979
Repayments of Sundry Loans ..	14,758	15,610	16,510	21,385	22,630	1,331,553
Purchase-money and Re- payments under War Service Homes Act ..	550,158	607,435	628,950	636,102	650,300	11,206,001
Half Net Profit Common- wealth Bank ..	354,090	318,752	321,448	363,719	422,030	5,685,325
Reparation Moneys ..	154	147	148	126	15	5,574,245
Interest on Investments ..	38,797	40,478	32,381	25,183	30,332	850,854
Other Contributions ..	13,453	13,453	13,453	13,453	13,453	194,891
Total ..	6,185,815	6,614,911	6,183,499	6,460,227	7,622,235	79,419,831
Dr. Redemptions ..	4,248,520	5,362,127	5,052,336	4,934,443	4,191,023	75,988,619
Carried forward ..	1,937,295	1,252,784	1,131,163	1,525,784	3,431,212	3,431,212

Particulars of repayment of the British Government loan are given on page 819.

Information regarding the transactions of the States' Account of the National Debt Sinking Fund is published in the State Finance section of this issue, and, in greater detail, in the *Finance Bulletin* issued by this Bureau.

§ 5. Cost of War (1914-1919) and Repatriation.

In view of the importance of the subject, a further reference is here made to the cost of the War of 1914-19. The general policy of the Commonwealth Government has been to pay from Consolidated Revenue all charges for interest, sinking fund, pensions and other recurring charges consequent upon the War, and part of the expense of repatriation. On the other hand, the whole direct cost of the War and the larger proportion of the cost of repatriation have been paid from loans. Detailed particulars

relating to Repatriation, War and Service Pensions appear in Chapter X. "Repatriation" of this issue. The total cost from both sources to 30th June, 1941, is set out in the following table:—

COMMONWEALTH WAR (1914-19) EXPENDITURE.

Year.	From Consolidated Revenue Fund.			War Loan Expenditure.(b)
	War and Repatriation Services, including War Pensions.	Interest and Sinking Fund. (a)	Total.	
	£	£	£	£
1914-15	796,190	115,145	911,335	14,100,000
1915-16	1,718,887	2,059,491	3,778,378	37,423,568
1916-17	2,439,271	5,988,058	8,427,329	53,114,237
1917-18	4,049,955	7,813,296	11,863,251	55,028,180
1918-19	6,536,927	14,718,174	21,255,101	59,547,080
1919-20	8,976,793	15,718,650	24,695,443	43,194,764
1920-21	13,672,345	19,096,130	32,768,475	24,148,501
1921-22	10,261,471	20,284,074	30,545,545	7,576,977
1922-23	9,298,560	19,673,299	28,971,859	1,762,694
1923-24	8,161,230	19,734,736	27,895,966	691,247
1924-25	8,231,656	18,539,081	26,770,737	Cr. 32,051
1925-26	8,473,717	18,828,800	27,302,517	Cr. 7,613
1926-27	8,814,001	18,636,806	27,450,807	23,938
1927-28	8,788,037	18,203,797	26,991,834	Cr. 23,741
1928-29	9,026,749	18,938,920	27,965,669	Cr. 12,972
1929-30	9,520,750	18,530,695	28,051,445	Cr. 2,669
1930-31	10,468,748	17,284,929	27,753,677	Cr. 2,206
1931-32	8,764,848	11,024,378	19,789,226	..
1932-33	7,928,817	10,109,285	18,038,102	..
1933-34	8,187,952	9,882,546	18,070,498	..
1934-35	8,433,372	9,467,662	17,901,034	..
1935-36	8,660,427	9,580,972	18,241,399	..
1936-37	9,101,353	9,622,000	18,723,953	..
1937-38	9,342,462	9,605,838	18,948,300	..
1938-39	9,699,994	9,556,818	19,256,812	..
1939-40	9,342,577	9,491,965	18,834,542	..
1940-41	9,142,053	9,460,577	18,602,630	..
Discounts and Flotation Expenses on Loans, including Redemption and Conversion Loans	(c)	..	..	5,999,094
Indebtedness to the Government of the United Kingdom for payments made, services rendered, and goods supplied during the War .. ..	..	..	..	(d)43,398,098
War Gratuities paid in cash ..	452,295	..	452,295	27,061,668
Total to 30th June, 1941 ..	218,291,437	235,196,722	570,258,159	372,988,794

NOTE.—For particulars of expenditure relating to the present War see pages 811-813 and 818.

(a) Excludes interest on amounts raised for the States for Soldier Land Settlement. (b) Excluding expenditure on War Service Homes from 1923-24. (See page 818.) (c) Included above. (d) The total indebtedness to the Government of the United Kingdom involved in the Funding Arrangements Act 1921 was £92,480,157, the balance, £49,082,059, for cash supplied, being included above. At 30th June, 1941, the amount outstanding had been reduced to £79,724,220. (e) Interest, £300,300,636; Sinking Fund, £51,666,086.

§ 6. Invalid and Old-age Pensions.

1. **General.**—In previous issues of the Official Year Book an account is given of the introduction of the old-age pension system in Australia, together with a detailed description of the *Commonwealth Invalid and Old-age Pensions Act 1908*, which became operative on 1st July, 1909. Invalid pensions were first paid from 15th December, 1910. The following statement shows the rates of pension under the original Act and the rates as they have been varied from time to time :—

RATES OF PENSION PAYABLE.

Date from which Operative.	Pension Payable. (Annual Rate.)	Pensioner's Annual Income including pension not to exceed—
	£ s. d.	£ s. d.
1st July, 1909	26 0 0	52 0 0
12th October, 1916	32 10 0	58 10 0
1st January, 1920	39 0 0	65 0 0
13th September, 1923	45 10 0	78 0 0
8th October, 1925	52 0 0	84 10 0
23rd July, 1931	45 10 0	78 0 0
13th October, 1932	45 10 0	71 10 0
26th October, 1933	45 10 0	78 0 0
4th July, 1935	46 16 0	79 6 0
24th September, 1936	49 8 0	81 18 0
9th September, 1937	52 0 0	84 10 0
26th December, 1940	54 12 0	87 2 0
3rd April, 1941	55 18 0	88 8 0
11th December, 1941	61 2 0	93 12 0
2nd April, 1942 (a)	62 8 0	94 18 0

(a) For later particulars see Appendix.

Subject to the conditions of the Act, every person who has attained the age of sixty-five years (in the case of females, sixty years), or who, being permanently incapacitated for work, has attained the age of sixty years, is, while in Australia, qualified to receive an old-age pension. By an amendment of the Act in November, 1941, a person is deemed to be permanently incapacitated for work if he is permanently incapable of work or if the degree of his capacity for work does not exceed 15 per cent.

Asiatics, generally, are not eligible to receive an invalid or old-age pension, but the Act was amended in November, 1941, to include those who are British subjects.

Invalid pensions were granted from 15th December, 1910. Subject to the conditions of the Act, every person above the age of sixteen years who is permanently incapacitated for work, and every permanently blind person above the age of sixteen years, provided that, in each case, an old-age pension is not being received, is, while in Australia, qualified to receive an invalid pension. In 1920 special provision was made for a permanently blind person, by which the annual pension was at such a rate (not exceeding that shown in the table above) as would make his income plus that of his wife together with the pension equal to an amount not exceeding £221 per annum. This amount has since been varied and become £230 2s. from 26th December, 1940, £231 8s. from 3rd April, 1941, £236 12s. from 11th December, 1941, and £237 18s. from 2nd April, 1942. A claimant for an invalid pension, or an invalid pensioner, may be required to undertake such training for a vocation or physical rehabilitation as is available.

In December, 1940, when the pension rate was increased to £54 12s. per annum, provision was made for future adjustments to be made in accordance with the variations of the "C" Series Retail Prices Index-number for the Six Capital Cities, and for the rate to be reviewed by the Commissioner of Pensions each quarter commencing with that ended 31st March, 1941, in order to determine the rate for the next succeeding quarter; but the rate not in any event to fall below £54 12s. per annum. The first adjustment under the "C" Series was made from 3rd April, 1941, when the pension rate became £55 18s. per annum.

The basis for adjustments was amended in November, 1941, which provides that if the price index-number for the quarter immediately preceding that in which the rate is reviewed exceeds 981, the rate per annum shall be £58 10s. plus £1 6s. for every 23 units, or portion thereof, by which the index-number exceeds 981. If the index-number subsequently falls, the rate shall, where necessary, be reduced to accord with the rate determined as above, provided that it shall not, in any event, be reduced to less than £58 10s.

An increase of £1 6s. per annum in the rate became due in January, 1942, but was brought forward to 11th December, 1941, the date on which the amendment came into operation. The amendment also provided for an additional increase of £3 18s. per annum, raising the rate of pension to £61 2s. per annum from that date. By the price index adjustment the pension rate was further increased to £62 8s. per annum from 2nd April, 1942.

Under the December, 1940, amendment, pensions to inmates of institutions were also increased from 6s. to 6s. 6d. per week, and provision made for their future adjustment in accordance with the variations of the price index-number to the extent of not more than half the amount of the increase in the rate of pension on a weekly basis. Pensions to inmates of institutions have since been increased as follows:—6s. 9d. from 3rd April, 1941; 7s. 9d. from 11th December, 1941; and 8s. from 2nd April, 1942.

During 1939-40 all invalid pensions in force were specially reviewed, and at 30th June, 1940, all those pensioners who had become qualified for old-age pensions by age and residence were transferred to the old-age pension list. This transference has been continued in 1940-41, though the numbers involved were naturally much smaller.

Further explanation of pension rates and other matters incorporated in the act above referred to are given in the *Invalid and Old-age Pensions Handbook* issued by the Commissioner of Pensions.

2. **Old-age Pensions.**—(i) *Number in force.* At 30th June, 1940, there were 272,896 old-age pensions in force. During 1940-41, 24,753 pensions claims were granted, and 2,226 pensioners were transferred from the invalid pension list, while 23,115 pensions expired through cancellations and deaths. The net increase for the year was 3,864 and the total in existence at 30th June, 1941, 276,760.

(ii) *Sexes of Pensioners—States.* Of the pensioners at 30th June, 1941, 110,041 (or 40 per cent.) were males, and 166,719 (or 60 per cent.) were females. Details for each State are as follows:—

OLD-AGE PENSIONS : SEXES OF PENSIONERS AT 30th JUNE, 1941.

State.	Males.	Females.	Total.	Masculinity.(a)
New South Wales	43,619	66,411	110,030	65.68
Victoria	28,560	47,811	76,371	59.74
Queensland	15,360	19,808	35,168	77.54
South Australia	9,578	15,498	25,076	61.80
Western Australia	8,541	10,882	19,423	78.49
Tasmania	4,383	6,309	10,692	69.47
Total	110,041	166,719	276,760	66.00

(a) Number of males to each 100 females.

(iii) *Ages and Conjugal Conditions of Pensioners.* The recorded ages of the 24,753 persons (10,991 males and 13,762 females) to whom pensions were granted during the year 1940-41 varied considerably, ranging from 5,274 at age 60 to 2 at age 97. The conjugal condition of these new pensioners was as follows:—Males—single, 2,050; married, 7,088; and widowed, 1,853. Females—single, 1,928; married, 6,942; and widowed, 4,892.

3. **Invalid Pensions.**—(i) *Number in force, 1940-41.* The number of invalid pensioners increased from 58,696 in 1939-40 to 58,921 in 1940-41, an increase of 225. Total pensions granted during the year were 9,779, while 7,328 pensions became inoperative through cancellations or deaths, and 2,226 were transferred to the old-age pension list.

(ii) *Sexes of Pensioners.* Of the 58,921 persons in receipt of invalid pensions on 30th June, 1941, 26,475, or 45 per cent. were males, and 32,446, or 55 per cent. were females. Details for the several States are as follows:—

INVALID PENSIONS : SEXES OF PENSIONERS AT 30th JUNE, 1941.

State.	Males.	Females.	Total.	Masculinity.(a)
New South Wales	11,938	15,310	27,248	77.98
Victoria	5,771	6,676	12,447	86.44
Queensland	4,161	4,483	8,644	92.82
South Australia	1,856	2,710	4,566	68.49
Western Australia	1,544	1,881	3,425	82.08
Tasmania	1,205	1,386	2,591	86.94
Total	26,475	32,446	58,921	81.60

(a) Number of males to each 100 females.

(iii) *Ages and Conjugal Conditions of Pensioners, 1940-41.* The recorded ages of the 9,779 persons (5,118 males and 4,661 females) to whom invalid pensions were granted during 1940-41 varied from 16 to 85, 5,158 or 53 per cent. were in the 45-59 years age-group.

The conjugal condition of persons to whom invalid pensions were granted during the year was as follows:—Males—single, 2,160; married, 2,689; and widowed, 269. Females—single, 1,885; married, 1,703; and widowed, 1,073.

4. *Cost of Administration.*—Under State control the cost of administration differed considerably in the several States, and for 1908-9 represented in New South Wales 4.17 per cent. of the amount actually paid in pensions. In Victoria for the same year the corresponding percentage was 0.70. The total cost of administering the Old-age and Invalid Pensions Department in 1940-41 was approximately £132,000, or 0.76 per cent. of the amount paid to pensioners and to Benevolent Asylums and Hospitals. The corresponding cost in 1939-40 was approximately £130,000 or 0.79 per cent. of the total payments.

The actual sum disbursed in old-age and invalid pensions in the financial year 1940-41, apart from the cost of administration and inclusive of the amount paid to asylums and hospitals for the maintenance of pensioners, was £17,366,365 (49s. 6d. per head of mean population) and in 1939-40, £16,459,245 (47s. 1d. per head).

5. *Summary.*—The following table gives details concerning the operations of the Act for the last six years:—

OLD-AGE AND INVALID PENSIONS : SUMMARY, AUSTRALIA.

Year ended 30th June—	Number of Pensioners.				Amount Paid in Pensions.	Total Payment to Pensioners and Institutions.	Cost of Administration (approximate.)	Cost of Administration per £100 paid to Pensioners and Institutions (approximate).	Average Fortnightly Pension as at 30th June.
	Old-age.		Invalid.	Total.					
	No.	Est. No. per 1,000 of persons eligible on age qualification.							
			No.	No.	£	£	£	s. d.	s. d.
1936	206,748	352	80,487	287,235	12,634,706	12,797,726	115,257	18 0	634 8
1937	215,690	361	83,396	299,086	13,827,636	13,998,793	118,851	17 0	636 8
1938	224,154	372	86,096	310,250	15,615,428	15,798,687	124,000	15 8	638 6
1939	232,836	376	88,812	321,648	15,798,038	15,991,782	128,000	16 0	38 5
1940	272,896	427	58,696	331,592	16,250,064	16,459,245	130,000	15 10	38 6
1941	276,760	428	58,921	335,681	17,147,509	17,366,365	132,000	15 2	641 5

(a) Based on an estimate of the aggregate of males aged 65 and over and females aged 60 and over at 30th June of each year. (b) Changes in rate—see par. 1 above. (c) Transfer from invalid to old-age pension list—see par. 1 above.

Separate particulars of the payments to invalid and to old-age pensioners are not available but the annual liability at 30th June, 1941, together with the total payments in 1940-41 are given hereunder:—

INVALID AND OLD-AGE PENSIONS : PAYMENTS AND ANNUAL LIABILITY.

State.	Payments Old-age and Invalid Pensions, 1940-41. (a)	Annual Liability at 30th June, 1941.		
		Old-age Pensions.	Invalid Pensions.	Total.
	£	£	£	£
New South Wales (b)	7,054,032	5,930,704	1,491,334	7,422,038
Victoria	4,655,508	4,109,690	675,896	4,785,586
Queensland	2,267,972	1,896,388	469,742	2,366,130
South Australia (c)	1,515,028	1,321,268	245,466	1,566,734
Western Australia	1,186,486	1,034,462	185,952	1,220,414
Tasmania	686,439	569,530	139,854	709,384
Total	17,366,365	14,862,042	3,208,244	18,070,286

(a) Including amounts paid to Benevolent Asylums and Hospitals for the maintenance of pensioners.

(b) Includes Australian Capital Territory.

(c) Includes Northern Territory.

§ 7. Child Endowment.

1. **General.**—The Child Endowment Act, assented to on 7th April, 1941, came into operation on 1st July, 1941. For further particulars see Chapter XXIV., § 4, and for Pay-roll Tax see page 802 of this Chapter.

§ 8. Maternity Allowance.

1. **General.**—The Maternity Allowance Act 1912-1937 makes provision for the payment of maternity allowances. The scope and main provisions of the Act were given in Official Year Book No. 14, p. 1047. The most important conditions in the original Act were that the sum of five pounds was payable in the case of each confinement resulting in the birth of a viable child whether such child was born alive or dead. The mother must be a native of Australia or intend to settle permanently therein. No payment is made to aliens. The Act was amended in May, 1942, to provide for the allowance to be paid to aboriginal natives of Australia, subject to certain conditions. The Financial Emergency Act 1931 reduced the allowance payable to £4 and limited the application of the original Act to those cases where the combined income of husband and wife did not exceed £260 (reduced to £208 by the Financial Emergency Act 1932) in the previous 12 months.

From 1st August, 1934, the limit of income was increased by £13 per annum in respect of each previous child of the claimant under the age of 14 years living at the date of the birth, with a maximum income limit of £299. The amount of the allowance was also increased from £4 by 5s. in respect of each such child up to a maximum of £5.

On 21st September, 1936, the limit of income was increased from £208 to £221 with an allowance of £13 per annum in respect of each previous surviving child under 14 years of age up to a maximum income of £312. The amount of maternity allowance was also increased to £4 10s. in cases where there was no previous surviving issue under 14 years of age and £5 where there was any such issue. In respect of births occurring on and after 1st January, 1938, the income limit is £247, with an additional £13 in respect of each previous living child under 14, the maximum being £338. The amount of the allowance is £4 10s. where there is no previous living child under 14, £5 where there are one or two previous living children under 14 and £7 10s. where there are three or more such children.

The following table gives a summary in connexion with the working of the Maternity Allowance Act for the years 1936-37 to 1940-41:—

MATERNITY ALLOWANCE : SUMMARY.

Year.	Claims Paid.	Claims Rejected.	Amount Paid.	Cost of Administration (approximate).	Cost per £100 allowance paid (approximate).
	No.	No.	£	£	£ s. d.
1936-37 ..	79,254	5,843	370,150	12,150	3 5 8
1937-38 ..	79,000	5,931	400,004	15,671	3 18 4
1938-39 ..	80,916	6,272	436,614	16,959	3 17 8
1939-40 ..	77,352	6,779	416,964	17,181	4 2 5
1940-41 ..	75,692	8,184	407,533	14,852	3 12 11
Aggregate— 1912-13 to 1940-41 ..	3,269,586	75,791	16,075,354	404,738	2 10 4

2. **Claims paid in each State.**—The following table shows the number of maternity allowance claims paid in each State during the last five years:—

MATERNITY ALLOWANCE : CLAIMS PAID IN EACH STATE.

Year ended 30th June—	N.S.W. (a)	Vic.	Q'land.	S.A.	W.A.	Tas.	N.T.	Total.
	No.	No.	No.	No.	No.	No.	No.	No.
1937 ..	31,086	20,350	12,170	6,854	4,731	4,018	45	79,254
1938 ..	30,440	20,160	12,660	6,656	5,026	4,029	29	79,000
1939 ..	30,860	20,819	12,880	7,162	5,213	3,940	42	80,916
1940 ..	29,700	19,660	12,290	7,009	4,774	3,883	36	77,352
1941 ..	28,540	19,150	12,481	6,831	4,775	3,877	38	75,692
Total, 1912-13 to 1940-41 ..	1,297,486	853,094	485,623	284,760	207,380	140,141	1,102	3,269,586

(a) Includes Australian Capital Territory.

§ 9. Commonwealth Public Service Superannuation Fund.

This Fund, which was inaugurated on 20th November, 1922, is maintained by contributions of officers of Parliament, of employees of the Commonwealth Public Service and the Defence Departments, and by payments from Consolidated Revenue, the latter being made when the officers retire on pension. Full particulars as to the benefits, etc., will be found in Official Year Book, No. 18, p. 383. In September, 1937, legislation was passed extending superannuation rights to approximately 1,600 employees of the Repatriation Commission, the War Service Homes, the High Commissioner's Office, London, and the Council for Scientific and Industrial Research. During the same year a new feature, in the form of the Provident Account, was introduced. This provides for compulsory contributions in respect of those, who, through physical disabilities or failure to pass the required medical examination, are ineligible to contribute to the Superannuation Fund. Any other, whose contribution to the Superannuation Fund for the first two units of pension is in excess of the rate for age 45 years and above 5 per cent. of his salary, may elect to transfer to the Provident Account.

The number of contributors to the fund at 30th June, 1940, was 42,861, (38,066 males and 4,795 females) and the average pension contributed for was 4.732 units or £123 os. 8d. per annum.

During 1939-40 the receipts of the fund, excluding cash in hand, amounted to £1,483,063, of which officers' contributions represented £597,402, interest on investments, £313,623, investments matured, £9,049, and advances by the Treasury, £552,046. The payments from the fund for the year were £1,483,068, of which £151,619 represented pension payments and £1,071,269 investments. At 30th June, 1940, the total funds invested amounted to £8,523,284 (at cost). The average rate of interest on investments at 30th June, 1940 was £4 4s. 6d. per cent.

Pensions in force on 30th June, 1940, including contributory and non-contributory but excluding commuted pensions, numbered 6,998, with a net annual liability of £633,701, of which £478,101 represented the share payable from the Consolidated Revenue Fund.

§ 10. Currency and Coinage.

1. **Australian Mints.**—Soon after the discovery of gold in Australia a branch of the Royal Mint was established in Sydney. The formal opening took place on 14th May, 1855. The Melbourne branch was opened on 12th June, 1872, and the Perth branch on 20th June, 1899. The States of New South Wales, Victoria and Western Australia provided an annual endowment in return for which the mint receipts were paid into the respective State Treasuries, and it might be said until recently that, apart from expenditure on buildings, new machinery, etc., the amounts paid into the Treasuries fairly balanced the mint subsidies. Early in 1923, however, it was announced that owing to losses incurred in the operations of recent years, the British Treasury in consultation with the New South Wales Government had decided to close the Sydney branch at the end of 1923. This decision was, however, not carried out until the end of 1926.

2. **Standard Weight and Fineness of Coinage.**—In addition to coins minted at Melbourne and Perth mints, Imperial silver coins legally current in England and which were minted prior to 31st March, 1920, when the fineness was reduced from .925 to .500, are also legal tender in Australia where the fineness of silver coin is .925. The circulation of Imperial silver currency in Australia has practically ceased, as the ruling exchange rate has made it profitable to transfer to London all coins legally current there. Sovereigns coined at the Royal Mint, London, or at any of its branches throughout the Empire are legal tender in Australia. The provisions as to legal tender are—gold coins, legal tender to any amount, silver for an amount not exceeding forty shillings, and bronze up to one shilling. The standard weights of the sovereign and half-sovereign are respectively 123.27447 grains and 61.63723 grains, but these coins will pass current if they do not fall below 122.5 grains and 61.125 grains respectively. Gold coins have ceased to circulate in Australia and Commonwealth Bank Notes are legal tender to any amount.

3. **Gold Receipts and Issues.**—(i) *Receipts.* The receipts of gold during 1940 and the aggregate at each mint to the end of 1940 were as follows:—

AUSTRALIAN MINTS: RECEIPTS OF GOLD, 1940, AND TOTAL.

Mint.	Deposits during 1940.	Total to end of 1940.		
		Quantity.		Value.
		Gross.	Fine.	
	Oz.	Oz.	Oz.	£
Sydney(a) ..	..	42,082,928	36,907,045	156,771,141
Melbourne ..	487,493	45,366,520	40,819,596	173,390,510
Perth.. ..	1,544,593	43,725,657	35,292,034	149,910,933
Total ..	2,032,086	131,175,105	113,018,675	480,072,584

(a) To end of 1926.

In cases of deposits containing over a certain minimum of silver, the excess is paid for at the rate fixed from time to time by the Deputy-Master of the branch mint concerned.

(ii) *Issues.* The Australian mints issue gold bullion partly for the use of local manufacturers (jewellers and dentists), and partly for export. Since September, 1931, when the United Kingdom departed from the gold standard, the minting of gold coins by Australian mints has ceased. Australian exports of gold are mainly in the form of 400-oz. ingots, but in earlier years a considerable amount of gold was shipped in 10-oz. bars to India. During recent years the export was subject to regulation by the

Commonwealth Government. The issues during 1940, and the total to the end of that year, are shown in the table below :—

AUSTRALIAN MINTS : ISSUES OF GOLD.

Mint.	Coin.			Bullion.	Total.
	Sovereigns.	Half-sovereigns.	Total.		
	£	£	£	£	£
1940—					
Melbourne ..	..	..	..	1,508,338	1,508,338
Perth ..	..	..	..	4,770,508	4,770,508
Total, 1940	..	..	..	6,278,846	6,278,846
Aggregate—					
Sydney ..	144,435,550	4,781,000	149,216,550	7,574,408	156,790,958
Melbourne ..	147,283,131	946,780	148,229,911	25,160,674	173,390,585
Perth ..	106,384,197	367,338	106,751,535	43,172,425	149,923,960
Total to end of 1940 ..	398,102,878	6,095,118	404,197,996	75,907,507	480,105,503

(iii) *Withdrawals of Worn Coin.* The mints receive light and worn coin for recoinage. The total withdrawals of worn gold coin to the end of 1940 were as follows :—Sydney (to 1926), £1,110,867; Melbourne, £882,304 (since and including 1890); and Perth, £1,401.

4. *Price of Gold.*—In consequence of Great Britain's departure from the gold standard on 21st September, 1931, the market value of gold immediately rose by about 17½ per cent. from £4 4s. 11d. to £4 19s. 7d. per fine ounce. Considerable fluctuations have since taken place, but over the last few years the price has been steadily rising. At the outbreak of the present War the price in London was fixed at £stg. 8.4 per fine ounce. In issues of the Official Year Book prior to No. 33 the Australian prices shown were calculated from the London price, but in view of this fixation the prices shown in the following table represent the Commonwealth Bank's buying price for gold lodged at the mints in Australia.

The table shows the prices in London and Australia for 1933–34 and following years, and for each month from July, 1938 to December, 1941. Particulars are also shown for the value of the sovereign.

PRICE OF GOLD : LONDON AND AUSTRALIA, 1933–34 to 1941–42.

Period.	London.		Australia.(a)		
	Average price per fine oz.	Average value of Sovereign.	Average price per fine oz.	Average value of Sovereign.	Equivalent to a premium of—
Average for Year—	£s s. d.	£s s. d.	£A s. d.	£A s. d.	%
1933–34 ..	6 11 8	1 11 0	8 2 0	1 18 1	90.6
1934–35 ..	7 1 6	1 13 4	8 14 10	2 1 2	105.7
1935–36 ..	7 0 9	1 13 2	8 14 0	2 1 0	105.0
1936–37 ..	7 0 10	1 13 2	8 15 3	2 1 3	106.2
1937–38 ..	7 0 0	1 13 0	8 13 10	2 0 11	104.6
1938–39 ..	7 6 9	1 14 7	9 2 9	2 3 0	115.0
1939–40 ..	8 4 10	1 18 8	10 8 4	2 9 1	145.4
1940–41 ..	8 8 0	1 19 7	10 13 5	2 9 2	145.8

NOTE.—“£s” represents £'s sterling, while Australian £'s are indicated by “£A.”

(a) Based on the Commonwealth Bank's buying price for gold lodged with the mints. Particulars in previous issues calculated from the London price. The average value of sovereigns from September, 1939 onwards is the direct quotation of the Commonwealth Bank. In respect of earlier figures the value has been calculated from the gold price, one sovereign being estimated at .23542 fine ounces in weight.

PRICE OF GOLD: LONDON AND AUSTRALIA, 1933-34 to 1941-42—continued.

Period.		London.		Australia.(a)				
		Average price per fine oz.	Average value of Sovereign.	Average price per fine oz.	Average value of Sovereign.	Equivalent to a premium of—		
Average for Month—		£s s. d.	£s s. d.	£A s. d.	£A s. d.	%		
1938-39—								
July	..	7 1 3	1 13 3	8 15 5	2 1 4	106.5		
August	..	7 2 6	1 13 6	8 17 4	2 1 9	108.7		
September	..	7 4 5	1 14 0	9 0 2	2 2 5	112.1		
October	..	7 5 9	1 14 4	9 1 8	2 2 9	113.8		
November	..	7 7 8	1 14 9	9 3 9	2 3 3	116.3		
December	..	7 8 11	1 15 1	9 5 3	2 3 7	118.1		
January	..	7 8 11	1 15 1	9 5 6	2 3 8	118.3		
February	..	7 8 4	1 14 11	9 4 8	2 3 6	117.6		
March	..	7 8 5	1 14 11	9 5 2	2 3 7	117.9		
April	..	7 8 6	1 15 0	9 5 1	2 3 7	117.9		
May	..	7 8 6	1 14 11	9 4 11	2 3 6	117.6		
June	..	7 8 6	1 14 11	9 4 10	2 3 6	117.6		
1939-40—								
July	..	7 8 6	1 15 0	9 4 11	2 3 6	117.6		
August	..	7 10 6	1 15 5	9 10 5	2 4 10	124.1		
September	..	8 7 7	1 19 5	10 11 0	2 8 2	140.8		
October	..	8 8 0	1 19 7	10 11 0	2 8 2	140.8		
November	..	8 8 0	1 19 7	10 11 11	2 8 7	142.9		
December	..	8 8 0	1 19 7	10 12 6	2 8 11	144.6		
January	..	8 8 0	1 19 7	10 12 9	2 8 11	144.6		
February	..	8 8 0	1 19 7	10 13 2	2 9 0	145.0		
March	..	8 8 0	1 19 7	10 13 3	2 9 0	145.0		
April	..	8 8 0	1 19 7	10 13 3	2 9 0	145.0		
May	..	8 8 0	1 19 7	10 13 3	2 9 0	145.0		
June	..	8 8 0	1 19 7	10 13 0	2 9 0	145.0		
1940-41—								
July	..	8 8 0	1 19 7	10 11 0	2 8 6	142.5		
August	..	8 8 0	1 19 7	10 12 6	2 8 11	144.6		
September	..	8 8 0	1 19 7	10 13 3	2 9 0	145.0		
October	..	8 8 0	1 19 7	10 14 0	2 9 3	146.3		
November	..	8 8 0	1 19 7	10 14 0	2 9 3	146.3		
December	..	8 8 0	1 19 7	10 14 0	2 9 3	146.3		
January	..	8 8 0	1 19 7	10 14 0	2 9 3	146.3		
February	..	8 8 0	1 19 7	10 14 0	2 9 3	146.3		
March	..	8 8 0	1 19 7	10 14 0	2 9 3	146.3		
April	..	8 8 0	1 19 7	10 14 0	2 9 3	146.3		
May	..	8 8 0	1 19 7	10 14 0	2 9 3	146.3		
June	..	8 8 0	1 19 7	10 14 0	2 9 3	146.3		
1941-42—								
July	..	8 8 0	1 19 7	10 14 0	2 9 3	146.3		
August	..	8 8 0	1 19 7	10 14 0	2 9 3	146.3		
September	..	8 8 0	1 19 7	10 14 0	2 9 3	146.3		
October	..	8 8 0	1 19 7	10 14 0	2 9 3	146.3		
November	..	8 8 0	1 19 7	10 13 4	2 9 2	145.7		
December	..	8 8 0	1 19 7	10 11 0	2 8 6	142.5		

NOTE.—“£s” represents £'s sterling, while Australian £'s are indicated by “£A.”

(a) Based on the Commonwealth Bank's buying price for gold lodged with the mints. Particulars in previous issues calculated from the London price. The average value of sovereigns from September, 1930 onwards is the direct quotation of the Commonwealth Bank. In respect of earlier figures the value has been calculated from the gold price, one sovereign being estimated at .23542 fine ounces in weight.

5. **Silver and Bronze Coinage.**—(i) *Prices of Silver.* Particulars for recent years are shown on p. 410 of Chapter XV. "Mineral Industry".

(ii) *Profits on Coinage of Silver.* As sixty-six shillings are coined out of one pound troy of standard silver (.925 fine), the silver required to produce £3 6s. of coin costs, at the average 1940 London market price of 1s. 10.3d. per ounce, approximately 22s. 4d. The difference nearly represents, therefore, the gross profit or seigniorage made on the coinage of every £3 6s. Negotiations between the Imperial authorities and the Governments of New South Wales and Victoria for the coinage of silver and bronze coin in Australia extended over a number of years but no decision was arrived at. As section 51 of the Commonwealth Constitution makes legislation concerning "currency, coinage, and legal tender" a Commonwealth matter, the question remained in abeyance until 1907, when the matter was discussed at the Colonial Conference, London, with the result that in the latter part of 1908 the Commonwealth Treasurer announced his intention of initiating the coinage. Since 1916 silver and bronze coins have been minted in Australia on behalf of the Commonwealth Treasury. Crowns were minted to the value of £250,200 in 1937 and £25,400 in 1938. Issues were made during 1936-37 (£200,000), 1937-38 (£50,000), 1938-39 (£25,000) and 1939-40 (£600). These coins have now practically disappeared from circulation.

(iii) *Silver and Bronze Issues.* The total issues of silver and bronze coinage on account of the Commonwealth since 1910, as obtained from returns furnished by the Treasury, are set out in the following table :—

AUSTRALIAN MINTS : SILVER AND BRONZE ISSUES BY TREASURY.

Year.	Silver.						Bronze.		
	5s.	2s.	1s.	6d.	3d.	Total.	1d.	½d.	Total.
	£	£	£	£	£	£	£	£	£
1910 to 1933 ..	..	3,928,000	1,846,500	866,700	829,700	7,470,900	346,633	126,125	472,758
1933-34 ..	..	81,400	29,200	23,800	24,200	158,600	21,890	7,500	29,390
1934-35 ..	..	140,400	24,200	24,000	29,800	218,400	17,390	6,770	24,160
1935-36 ..	..	167,500	34,400	46,800	49,400	298,100	23,920	8,050	31,970
1936-37 ..	200,000	208,600	13,000	47,000	39,200	507,800	17,180	6,190	23,370
1937-38 ..	50,000	365,000	93,600	59,700	65,200	633,500	26,770	7,130	33,900
1938-39 ..	25,000	77,400	30,000	47,800	39,400	219,600	30,660	11,140	41,800
1939-40 ..	600	176,800	36,800	41,600	50,600	306,400	20,770	5,280	26,050
1940-41 ..	..	1,161,000	83,400	66,800	83,200	1,394,400	45,820	7,600	53,420
Total	275,600	6,306,100	2,191,100	1,224,200	1,210,700	11,207,700	551,033	185,785	736,818

(iv) *Withdrawals of Worn Silver Coin.* An examination of the wear on silver coins made by the London Mint Authorities in 1909 revealed that the average life of silver coins (then .925 fine) was :—2s. pieces, 45 years; 1s., 41 years; 6d., 28 years; and 3d., 32 years. No worn silver coins were received during 1940. The total withdrawals of worn silver coin to 1940 were :—Melbourne, £1,747,409; Perth, £129,738; Sydney (to 1926), £1,248,672.

6. **Australian Note Issue.**—(i) *General.* Information in some detail regarding Australian Notes has been given in earlier issues of the Official Year Book. In December, 1920, the assets and liabilities of the Treasurer under the Australian Notes Act 1910-1914 were transferred to the Note Issue Department of the Commonwealth Bank and control of the Australian Note Issue was placed under the Board of Directors of this Department. Under the Commonwealth Bank Act 1924 control of the Note Issue passed to the Board of Directors of the Commonwealth Bank.

(ii) *Reserve against Note Issue.* Prior to 19th June, 1931, the reserve held in gold against the note issue was fixed at 25 per cent. of the total notes in circulation. To permit further shipments of gold to meet short-term obligations in London, an Amending

Act reduced the statutory gold reserve to 15 per cent. with provision for the restoration by graduations to 25 per cent. within a period not exceeding five years. A further Amending Act provided that portion of the note issue reserve may be held in British sterling, which was defined as follows :—(a) Balances standing to the credit of the Bank at the Bank of England or at any other of its bankers in London ; (b) Bills of Exchange or advances secured thereby which will mature in not more than three months and which are payable in the United Kingdom in currency which is legal tender therein ; and (c) Treasury Bills or other securities of the United Kingdom which will mature in not more than three months.

(iii) *Notes in Circulation.* Particulars of the average notes in circulation and of the gold reserve for the years 1936-37 to 1940-41 are given in the following table :—

AUSTRALIAN NOTE ISSUE.

Particulars.	Average of monthly statements for year—				
	1936-37.	1937-38.	1938-39.	1939-40.	1940-41.
Notes held by—	£	£	£	£	£
Banks	17,581,703	17,364,332	15,454,157	13,605,581	14,191,386
Public	29,853,103	31,940,677	33,117,633	39,115,467	49,427,607
Total	47,434,806	49,305,009	48,571,790	52,721,048	63,618,993
Gold Reserve (a) ..	16,007,335	16,007,493	16,020,486	16,055,566	17,080,494
Percentage of Reserve on Total Issue	33.8	32.5	33.0	30.6	26.9

(a) Includes English sterling.

Details of the average value of each of the several denominations of Australian Notes outstanding in 1914 and from 1936-37 to 1940-41 are given in *Finance Bulletin* No. 32 issued by this Bureau.

(iv) *Note Issue Department—Australian Notes Account at 30th June, 1941.* The following statement shows particulars of liabilities and assets of the Note Issue Department of the Commonwealth Bank as at 30th June, 1941.

AUSTRALIAN NOTES ACCOUNT : 30th JUNE, 1941.

Liabilities.		Assets.	
	£		£
Notes in circulation ..	67,864,038	Gold and English sterling ..	17,705,022
Reserve for Notes not presented	39,388	Debentures and other Securities	51,367,017
Special Reserve premium on gold	7,754,955	Other Assets (Commonwealth Government)	8,072,779
Other Liabilities	1,486,437		
Total Liabilities	77,144,818	Total Assets	77,144,818

The total profits of the Note Issue Department are paid to the Commonwealth Treasury. In 1940-41 they amounted to £1,461,839.

7. **Legal Tender Extant.**—Accurate information regarding the amount of token money in circulation is not available, but the following table gives an estimate of the amount of legal tender extant about the middle of the years 1937 to 1941.

ESTIMATED LEGAL TENDER EXTANT : AUSTRALIA.

Particulars.	1937.	1938.	1939.	1940.	1941.
Australian Note Issue(a)—	£'000.	£'000.	£'000.	£'000.	£'000.
Held by Banks	17,537	17,630	14,829	13,937	14,044
Held by Public	29,502	31,404	32,701	46,938	53,820
Notes of Trading Banks outstanding(b)	167	167	167	167	167
Coin—Gold—Held by Banks(c) ..	62	48	79	75	49
Held by Public .. .. .	..	..	..	..	..
Silver—Held by Banks(c) ..	2,325	2,601	2,508	1,925	2,444
Held by Public	6,160	6,515	6,861	7,616	8,593
Bronze—Held by Banks(c) ..	118	117	132	125	111
Held by Public	460	499	535	569	624
Total	56,331	58,981	57,812	71,352	79,852

(a) Last Monday in June.

(b) Average for June quarter.

(c) At 30th June.

The figures given above for silver coin represent the total issues of Australian silver coin less the excess of exports of Australian coins to New Zealand and the Pacific Islands over the reimports of Australian coins. The amount of English coin in circulation in Australia is negligible, and as it is not possible to ascertain accurately its volume, no allowance has been made therefor. The figures given for bronze coins refer to the total issues of Australian coin, the small amount of British coin in circulation being disregarded.

C.—STATE FINANCE.

§ 1. General.

1. **Functions of State Governments.**—In comparing the financial returns of the States, allowance must be made for the various functions discharged by the respective Governments, and for local conditions in each case. Direct comparisons of the revenue, expenditure and debt of the individual States are difficult, owing to the fact that functions which in one State are assumed by the Central Government are in another relegated to municipal or semi-governmental bodies which are vested with certain defined borrowing powers and whose financial transactions are not included with those of the Central Government. Care, therefore, is needed in instituting comparisons, and the particulars contained in this Chapter should be read with those contained in Chapter XIV., "Local Government". In many respects, moreover, the budgets of the Australian Governments differ materially from those of most European countries, owing to the inclusion therein of the revenue and expenditure of departments concerned in rendering public services, such as railways, tramways, water supply, etc., which in other countries are often left to private enterprise.

2. **Accounts of State Governments.**—The various financial transactions of the States are in each case mainly concerned with one or other of three Funds—the "Consolidated Revenue Fund", the "Trust Fund", and the "Loan Fund". All revenue (except certain taxation items paid into special funds) collected by the State is placed to the credit of its Consolidated Revenue Fund, from which payments are made under the authority of an Annual Appropriation Act passed by the Legislature, or by a permanent appropriation under a Special Act.

Figures relating to New South Wales represent the transactions of the Consolidated Revenue Fund, the Unemployment Relief Fund, the Social Services Fund and the Business Undertakings included in the Annual Budget Papers. These latter are as follows:—Railways, Tramways, and Omnibuses, Sydney Harbour Trust Section of the Maritime

Services Board, and Road Transport and Traffic Fund. Deductions have been made from the Budget figures, however, in order to obviate duplications caused by inter-fund payments and to maintain uniformity from year to year in the presentation of statistics. A deduction of £856,873 has thus been made from the Budget Revenue total of £60,752,444 and of £1,290,261 from the expenditure total of £61,609,297. Particulars for all other States relate to the transactions of the Consolidated Revenue Fund and no adjustments have been made thereto.

On 16th December, 1938, it was enacted that, in order to provide for the co-ordination, regulation, control and improvement of transport in Tasmania, a Transport Commission, consisting of a Commissioner and two Associate Commissioners, should be constituted. This Commission was given control of all means of transport by road, rail or air within the State, other than those operated by private owners or by local government authorities. Revenue was provided for by allotting to the Commission receipts from the operations of the various forms of Government transport, registration and licence-fees in respect of motor vehicles, etc., motor taxation collections, etc. In addition, the State Treasurer was required to pay to the Commission all moneys made available by the Commonwealth from the proceeds of petrol taxation, and all land tax collections. This Act became effective on 1st July, 1939. The separation of the Commission's financial transactions from the Consolidated Revenue Fund has therefore occasioned considerable decreases in the figures since 1939-40 as compared with those for the previous years.

The Trust Fund comprises all moneys held in trust by the Government, and includes such items as savings banks funds, sinking funds, insurance companies' deposits, etc.

The Loan Fund is debited with all loan moneys raised by the State, and credited with the expenditure therefrom on public works or other purposes.

3. Inter-relation of Commonwealth and State Finances.—In regard to the inter-relation of Commonwealth and State Finances, a statement in some detail, covering the period from the inception of Federation to the passing of the Financial Agreement Act 1928, was published in Official Year Book, No. 22, pages 379-80. On page 814 of this issue details are given in regard to the constitutional and other requirements of the distribution of Commonwealth revenues.

§ 2. Consolidated Revenue Funds.

Division I.—Revenue.

1. General.—The principal sources of State revenue are :—

- (a) Taxation ; (b) The business undertakings controlled by the State Governments ; (c) Sale of and rental from Crown lands ; (d) Payments by Commonwealth Government under the Financial Agreement and Special Grants Acts ; (e) Interest on advances ; and (f) Miscellaneous sources, comprising fines, fees, etc.

Of these sources, that yielding the largest revenue for the States as a whole is the group of Business Undertakings, the principal contributor being the Government Railways and Tramways. Next in magnitude comes Taxation, followed in order by the Commonwealth Payments and Interest Receipts.

The Queensland Income (Unemployment Relief) Tax Act, 1930-1935, which provided that taxes collected for unemployment relief should be paid into a special fund, was repealed by the Income (State Development) Tax Act of 1938, which came into operation on 1st January, 1939. Under the conditions of the new Act, taxes collected are paid into Consolidated Revenue Fund. The inclusion of these taxes is largely responsible for the increase of Queensland 1938-39 revenue figures over those for 1937-38. The expenditure of the amounts so collected is responsible for a similar increase in the expenditure figures.

2. Revenue Received.—The following table furnishes particulars of the total amounts and the amounts per head, of consolidated revenue received by the several States during the last five years.

STATE CONSOLIDATED REVENUE.

Year.	N.S.W. (a)	Victoria.	Q'land.	S. Aust.	W. Aust.	Tasmania.	Total.
TOTAL COLLECTIONS.							
	£	£	£	£	£	£	£
1936-37	49,159,077	27,221,267	16,535,038	11,739,306	10,185,433	3,488,524	118,328,645
1937-38	53,545,720	27,614,982	17,339,731	12,460,936	10,819,042	3,639,755	125,420,166
1938-39	51,709,735	26,985,548	19,330,369	12,303,597	10,949,660	3,614,764	124,893,673
1939-40	54,754,626	28,102,735	20,755,504	12,755,648	11,119,943	3,055,310a	130,543,766
1940-41	59,895,571	29,182,657	21,539,749	12,924,663	11,432,068	2,921,573a	137,896,281

PER HEAD OF POPULATION.(c)							
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
1936-37	18 6 9	14 13 11	16 16 0	19 19 1	22 10 10	15 0 6	17 8 7
1937-38	19 15 4	14 16 9	17 8 5	21 1 11	23 13 3	15 9 8	18 6 3
1938-39	18 18 3	14 7 10	19 4 0	20 14 0	23 13 4	15 5 2	18 1 6
1939-40	19 16 4	14 17 5	20 7 9	21 7 3	23 17 0	12 16 1a	18 14 5
1940-41	21 11 3	15 7 8	21 3 1	21 15 6	24 13 5	12 6 2	19 14 9

(a) See § 1 par. 2 above. (b) See § 2 par. 1 above. (c) Based on mean population of each financial year.

3. Sources of Revenue.—(i) *General.* Classifying the revenue of the several States in the manner indicated in par. 1 above, particulars for the year 1940-41 are as follows:—

STATE CONSOLIDATED REVENUE : SOURCES, 1940-41.

Source of Revenue.	N.S.W. (a)	Victoria.	Q'land.	S. Aust.	W. Aust.	Tasmania. (a)	Total.
TOTAL REVENUE.							
	£	£	£	£	£	£	£
Taxation(b) ..	21,609,820	10,592,348	8,140,208	4,341,716	3,159,975	1,513,528	49,357,595
Business Under-takings ..	29,748,407	13,516,986	8,245,953	5,261,891	5,721,328	5,784	62,500,349
Lands ..	1,633,413	534,109	1,614,985	291,347	318,828	71,036	4,466,720
Interest ..	438,756	1,478,083	1,288,021	912,086	381,259	452,332	4,950,537
Commonwealth payments (d) ..	2,917,411	2,127,159	1,096,235	1,583,816	1,123,432	666,859	9,514,912
Miscellaneous ..	3,547,762	933,972	1,154,347	530,807	727,246	212,034	7,106,168
Total ..	59,895,571	29,182,657	21,539,749	12,924,663	11,432,068	2,921,573	137,896,281

PER HEAD OF POPULATION.(e)							
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Taxation(b) ..	7 15 7	5 11 8	7 19 10	7 6 3	6 16 5	6 7 6	7 1 4
Business Under-takings ..	10 14 2	7 2 6	8 2 0	8 17 4	12 6 11	0 0 6	8 18 11
Lands ..	0 11 9	0 5 8	1 11 9	0 9 11	0 13 9	0 6 0	0 12 9
Interest ..	0 3 2	0 15 7	1 5 4	1 10 9	0 16 5	1 18 1	0 14 2
Commonwealth payments (d) ..	1 1 0	1 2 5	1 1 6	2 13 4	2 8 6	2 16 3	1 7 3
Miscellaneous ..	1 5 7	0 9 10	1 2 8	0 17 11	1 11 5	0 17 10	1 0 4
Total ..	21 11 3	15 7 8	21 3 1	21 15 6	24 13 5	12 6 2	19 14 9

(a) See § 1 par. 2 above. (b) In all States certain taxation collections are not paid into Consolidated Revenue Fund. For total collections see next page. (c) Including £120,000 of Disabilities Grant credited direct to Railway Revenue. (d) Including special grants. (e) Based on mean population of the financial year.

In connexion with the item Business Undertakings, it should be borne in mind that services performed by the Government in one State may, in another, be carried out by a Board or Trust. For instance, in New South Wales and Western Australia the tramway systems are controlled by the Government, while in the other States ownership is largely vested in Trusts or private companies. Harbour and river services and water supply and sewerage are also controlled in some cases by the State and in others by Trusts. As stated in § 1 par. 2 above, all the Tasmanian transport facilities are now controlled by a Commission.

The magnitude of the revenue per head from Business Undertakings in the case of Western Australia is mainly due to railways, the mileage of which is greater per head of population than in other States. In New South Wales and Western Australia the revenue from tramways is also included.

(ii) *Revenue from Taxation.*—(a) *General.* The following table shows for the year 1940-41 particulars of all State taxation collections irrespective of whether such moneys have been paid into the Consolidated Revenue Funds or not. For this reason the particulars hereunder are different from those stated in the tables relating to the Consolidated Revenue Funds, but represent a comprehensive statement of all taxation collections by the Government in each State. In this and the succeeding statements of taxation the collections have been grouped according to the nature of the tax rather than the method of collection. For example, stamp duties on betting tickets and bookmakers' licences have been included under "Entertainment Tax" instead of under "Stamp Duties" and "Licences" respectively :—

STATE REVENUE FROM TAXATION : TOTAL COLLECTIONS, 1940-41.

Tax.	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tas.	Total.
TOTAL COLLECTIONS.							
	£	£	£	£	£	£	£
Probate and Succession Duties	2,316,161	1,433,954	550,806	280,289	164,636	127,791	4,873,637
Other Stamp Duties	1,475,192	973,711	538,131	236,334	235,666	83,314	3,542,348
Land	2,411	492,939	407,673	306,220	120,515	87,054	1,416,812
Income and Dividend	7,777,938	5,009,172	3,886,399	2,476,119	2,059,485	474,571	21,683,684
Other taxes on Income—							
Special Income and Wages						333,447	333,447
Unemployment Relief	6,316,237	1,585,491					7,901,728
State Development			2,369,883				2,369,883
Financial Emergency					284,025		284,025
Social Services	2,601,384				(b) 284,910		2,886,294
Liquor	499,968	286,504	95,314	33,977	88,478	29,697	1,033,938
Lotteries			80,000			291,637	371,637
Entertainments (d)	551,783	726,498	90,971	348,212	154,783	75,787	1,948,034
Motor	2,925,307	1,925,430	1,026,911	698,117	456,851	214,294	7,246,910
Licences, N.E.I.	67,898	98,602		33,419	15,980	10,230	
Other	848	15,344	134,345	7,234	27,899		411,799
Total	24,535,127	12,547,645	9,180,433	4,419,921	3,893,228	1,727,822	56,304,176

(a) Includes Gold Mining Profits Tax, £185,813 (8s. per head). (b) Hospital Tax. (c) Includes Income Tax on Lottery Prizes, £191,250 (16s. 1d. per head). (d) Includes Racing.

The table hereunder shows the percentage of collections under individual taxes on the total taxation revenue for the year 1940-41 :—

STATE REVENUE FROM TAXATION : PERCENTAGES ON TOTAL, 1940-41.

Tax.	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tas.	Total.
	%	%	%	%	%	%	%
Probate and Succession Duties	9.44	11.43	6.00	6.34	4.23	7.40	8.66
Other Stamp Duties	6.01	7.76	5.86	5.35	6.04	4.82	6.29
Land	..	3.93	4.44	6.93	3.10	5.04	2.52
Income and Dividend	31.70	39.93	42.33	56.02	52.90	27.46	38.51
Other taxes on Income—							
Special Income and Wages	..	..	..	..	..	19.30	0.59
Unemployment Relief	25.75	12.64	..	..	..	..	14.03
State Development	..	..	25.82	..	..	..	4.21
Financial Emergency	..	..	..	..	7.30	..	0.50
Social Services	10.61	..	..	..	7.32	..	5.13
Liquor	2.04	2.28	1.04	0.77	2.27	1.72	1.84
Lotteries	..	..	0.87	..	..	16.88	0.66
Entertainments	2.25	5.79	0.99	7.88	3.98	4.39	3.46
Motor	11.92	15.34	11.10	15.79	11.73	12.40	12.87
Licences, N.E.I.	0.28	0.79	1.46	0.76	0.41	0.59	0.73
Other	..	0.11	..	0.16	0.72	..	..
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Prior to Federation duties of Customs and Excise constituted the principal source of revenue from taxation. At present the most productive State taxes are the various Income Taxes, which include Unemployment Relief, Social Services, State Development, Wages and Financial Emergency. Motor taxation, Probate and Succession and other Stamp duties rank next in importance. In addition to these, State land taxes and licence fees of various kinds are collected in all the States, and a Dividend tax is levied in Western Australia and Tasmania.

The total amounts and the amounts per head raised from all sources of taxation by the several State Governments, including amounts not paid into the Consolidated Revenue Fund, during the five years ended 1940-41 are given in the following table :—

STATE REVENUE FROM TAXATION.

Year.	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tas.	Total.
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TOTAL COLLECTIONS.

	£	£	£	£	£	£	£
1936-37	18,726,370	10,818,800	7,730,782	3,610,431	3,077,910	1,484,808	45,449,101
1937-38	20,504,582	11,646,645	8,539,471	3,998,132	3,288,776	1,697,159	49,674,765
1938-39	20,262,919	12,023,240	8,646,453	4,199,064	3,596,603	1,778,718	50,506,997
1939-40	22,682,127	12,710,662	8,816,448	4,620,118	3,729,558	1,827,902	54,386,815
1940-41	24,535,127	12,547,645	9,180,433	4,419,921	3,893,228	1,727,822	56,304,176

PER HEAD OF POPULATION.(a)

	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
1936-37	6 19 8	5 16 10	7 17 1	6 2 9	6 16 3	6 7 11	6 13 11
1937-38	7 11 5	6 5 2	8 11 7	6 15 4	7 3 10	7 4 5	7 5 1
1938-39	7 8 3	6 8 3	8 11 9	7 1 3	7 15 6	7 10 2	7 6 2
1939-40	8 4 2	6 14 6	8 13 3	7 14 9	8 0 0	7 13 2	7 16 0
1940-41	8 16 8	6 12 3	9 0 4	7 8 11	8 8 1	7 5 7	8 1 2

(a) Based on mean population of each financial year.

(b) *Probate and Succession Duties.* Probate duties have been levied for many years in all the States, but the provisions of the Acts governing the payment of duty differ widely both in regard to the ordinary rates and those which apply to special beneficiaries. A table showing the values of the estates in which probates and letters of administration were granted is given earlier. (See Chapter XXV. "Private Finance", page 788.)

The duties collected for the last five financial years are as follows :—

STATE PROBATE AND SUCCESSION DUTIES : NET COLLECTIONS.

State.	1936-37.	1937-38.	1938-39.	1939-40.	1940-41.
	£	£	£	£	£
New South Wales ..	2,081,548	2,233,144	2,364,124	2,201,268	2,316,161
Victoria ..	1,509,693	1,431,057	1,374,355	1,456,752	1,433,954
Queensland ..	583,741	636,207	677,037	658,298	550,806
South Australia ..	299,775	244,512	366,526	563,505	280,289
Western Australia ..	93,320	101,631	123,798	122,442	164,636
Tasmania ..	73,165	107,687	94,669	135,107	127,791
Total ..	4,641,242	4,754,238	5,000,509	5,137,372	4,873,637

(c) *Other Stamp Duties.* The revenue derived from stamp duties (exclusive of probate and succession duties and stamp duties on betting tickets) for the last five years is shown in the accompanying table :—

OTHER STATE STAMP DUTIES.—NET COLLECTIONS.

State.	1936-37.	1937-38.	1938-39.	1939-40.	1940-41.
	£	£	£	£	£
New South Wales ..	1,264,646	1,368,919	1,286,124	1,422,851	1,475,192
Victoria ..	917,255	952,470	959,727	978,992	973,711
Queensland ..	548,732	632,329	610,110	605,490	538,131
South Australia ..	243,372	277,843	249,729	236,427	236,334
Western Australia ..	263,630	281,417	274,995	250,728	235,666
Tasmania ..	74,189	79,193	84,832	85,626	83,314
Total ..	3,311,824	3,592,171	3,465,517	3,580,114	3,542,348

(d) *Land Tax.* All the States impose a land tax, Queensland, the last State to fall into line, collecting its first levy in 1915-16. In the other States the impost is of long standing. In New South Wales the State land tax is levied on the unincorporated portion of the western division of the State only.

The following table shows the amounts collected by means of such taxes during the financial years 1936-37 to 1940-41 :—

STATE LAND TAX : NET COLLECTIONS.

State.	1936-37.	1937-38.	1938-39.	1939-40.	1940-41.
	£	£	£	£	£
New South Wales ..	2,221	2,237	2,154	2,169	2,411
Victoria ..	492,143	498,232	482,336	490,255	492,939
Queensland ..	402,308	405,070	401,682	408,640	407,673
South Australia ..	301,660	325,499	321,482	320,316	306,220
Western Australia ..	116,894	122,856	114,623	99,348	120,515
Tasmania ..	89,927	84,380	85,069	83,769	87,054
Total ..	1,405,153	1,438,274	1,407,346	1,404,497	1,416,812

(e) *Income Tax.* A tax on the incomes of persons, whether derived from personal exertion or from property, is also imposed in all the States. As might be expected, the rates, exemptions, etc., differ widely, but the general principles of the several Acts are similar.

The following table shows the total amounts collected in the several States during the years 1936-37 to 1940-41. In the cases of Western Australia and Tasmania the amounts of dividend duty collected are included. The tax levied on prizes in lotteries although coming within the Income Tax class has been excluded from the amounts given below.

STATE INCOME AND DIVIDEND TAXES : NET COLLECTIONS.

State.	1936-37.	1937-38.	1938-39.	1939-40.	1940-41.
	£	£	£	£	£
New South Wales ..	5,186,972	6,367,046	6,339,215	7,031,961	7,777,938
Victoria ..	3,299,440	3,976,958	4,370,656	4,737,696	5,009,172
Queensland ..	2,565,278	2,868,864	3,157,249	3,452,653	3,886,399
South Australia ..	1,676,728	2,032,784	2,102,928	2,358,733	2,476,119
Western Australia(a) ..	708,261	756,826	870,812	1,001,906	2,059,485
Tasmania ..	269,524	388,437	429,623	452,072	474,571
Total ..	13,706,203	16,390,915	17,270,483	19,035,021	21,683,684

(a) Includes Gold-mining Profits Tax.

(f) *Other taxes on Income.* During 1930-31 special unemployment relief taxes were levied in New South Wales, Victoria and Queensland, but, in the case of New South Wales, this was discontinued and replaced by Special Income and Wages Taxes, which were in turn replaced in 1939-40 by the Unemployment Relief and Social Services Taxes. In 1941-42 these two taxes were abolished, and provision for unemployment relief and social services was made by extending the field and scope of Income Tax. In Queensland the State Development Tax replaced the Unemployment Relief Tax in 1938-39 (see C. State Finance, § 2, par. 1 above). In South Australia portion of the moneys for expenditure on unemployment relief was raised by an increment in the rate of income tax. A Hospital Tax is levied in Western Australia. The Financial Emergency Tax in that State was abolished as from 1939-40. In Tasmania Special Income and Wages Taxes have provided the funds necessary for the relief of unemployment but, commencing with 1941-42, these taxes will be consolidated with Income Tax. Further references to unemployment relief taxation appear in the *Labour Report*, Nos. 22 to 31.

(g) *Motor Taxation.* Motor taxation comprises tax and registration fees on motor vehicles, and licences of motor dealers, motor drivers and motor cycle riders, and public vehicles except when controlled by local government authorities. The following table shows the collections for the last five years :—

MOTOR TAXATION : NET COLLECTIONS.

State.	1936-37.	1937-38.	1938-39.	1939-40.	1940-41.
	£	£	£	£	£
New South Wales	2,354,549	2,586,811	2,762,678	2,861,342	2,925,307
Victoria	1,682,561	1,825,152	1,913,689	1,981,509	1,925,430
Queensland	761,147	818,665	939,757	1,028,247	1,026,911
South Australia	639,874	672,635	715,944	687,644	698,117
Western Australia	410,378	429,030	453,053	451,037	456,851
Tasmania	133,003	147,864	175,591	214,189	214,294
Total	5,981,512	6,480,157	6,960,712	7,223,968	7,246,910

The proceeds of motor tax and motor registration fees are now paid into special funds and the amounts do not appear in the Consolidated Revenue Funds, except in the case of South Australia. In Tasmania, prior to 1939-40, motor taxation collections were paid into the Consolidated Revenue Fund, but are now paid to the Transport Commission.

(iii) *Business Undertakings.* (a) 1940-41. A very large proportion of State gross revenues is made up of receipts from business undertakings under the control of the Governments. The principal of these are railways and tramways, harbour works, water supply and sewerage and electricity supply, while, in addition, State batteries for the treatment of auriferous ores are included for Western Australia, and various minor revenue-producing services are rendered by the Governments of all States. In this connexion see C. State Finance, § 1, par. 2 above. For the year 1940-41 the revenue from these sources was £62,500,349 or 45 per cent. of the revenue from all sources. Details of revenue are as follows :—

STATE REVENUE FROM BUSINESS UNDERTAKINGS, 1940-41.

Source.	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tas.(a)	Total.
	£	£	£	£	£	£	£
Railways	623,215,610	111,144,935	8,242,298	43,482,404	3,573,979	..	49,659,226
Tramways and Omnibuses	4,790,086	(e)108,968	..	..	334,561	..	5,233,615
Harbours, Rivers, Lights	1,150,452	(f)188,791	..	589,750	230,540	..	2,159,533
Water Supply, Sewerage, Irrigation and Drainage .. ..	..	677,624	..	1,110,358	943,430	..	2,731,412
Electricity Supply .. ..	..	889,151	..	..	437,988	3,501	1,330,640
Other	(g)592,259	507,517	3,655	79,379	200,830	2,283	1,385,923
Total	29,748,407	13,516,986	8,245,953	5,261,891	5,721,328	5,784	62,500,349

(a) Tasmanian transport services now under separate control of Transport Commission.
 (b) Excludes £800,000 contribution from Consolidated Revenue Fund in respect of losses on country developmental railways.
 (c) Includes electric tramways operated by the Railways Department.
 (d) Includes £120,000. portion of Commonwealth Grant paid direct to Railways.
 (e) Tramway contribution to Consolidated Revenue.
 (f) Includes Harbour Trust Fund contribution £131,223.
 (g) Road Transport and Traffic Fund.

(b) 1936-37 to 1940-41. Particulars of the revenue from business undertakings for the last five years are given below :—

STATE REVENUE FROM BUSINESS UNDERTAKINGS. (a)

Source.	1936-37.	1937-38.	1938-39.	1939-40.	1940-41.
	£	£	£	£	£
Railways, Tramways and Omnibuses	46,252,795	48,639,567	48,154,340	49,256,971	54,892,841
Harbour Services	2,082,743	2,290,372	2,356,905	2,328,038	2,159,533
Water Supply, Sewerage, Irrigation and Drainage	2,750,233	2,857,242	2,543,046	2,702,474	2,731,412
Other	2,474,013	2,594,231	2,625,234	2,660,576	2,716,563
Total	53,559,784	56,381,412	55,679,525	56,948,059	62,500,349

(a) See notes to previous table.

(iv) *Lands.* The revenue from the sale and rental of Crown lands has, with few exceptions, been treated from the earliest times as forming part of the Consolidated Revenue Funds, and has been applied to meet ordinary expenses. Where the rentals received are for lands held for pastoral or residential purposes such application of the revenue would appear justifiable. On the other hand, where the rentals are for mineral and timber lands, and in all cases of sales of lands, the proceeding is essentially a disposal of capital to defray current expenses, and is, therefore, open to criticism. The following table gives the revenue from sales and rentals of Crown lands for the year 1940-41 :—

STATE LAND REVENUE, 1940-41.

Source.	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tas.	Total.
	£	£	£	£	£	£	£
Sales ..	115,404	66,968	..	65,633	3,662	1,491	253,158
Conditional Purchases	553,854	..	..	16,005	85,148	5,122	660,129
Rentals ..	760,855	136,011	1,082,566	212,687	67,177	25,262	2,284,558
Forestry ..	154,708	290,448	465,871	..	151,079	36,087	1,098,193
Other ..	48,594	40,682	66,548	22	11,762	3,074	170,682
Total ..	1,633,415	534,109	1,614,985	294,347	318,828	71,036	4,466,720

(v) *Commonwealth Payments.* The payments to the States (inclusive of special grants but excluding the contributions in respect of sinking fund on States' Debts and Federal Aid Roads grants which are paid by the Commonwealth into the National Debt Sinking Fund and Federal Aid Roads Trust Fund respectively and certain other grants paid into trust or special accounts) represent in each instance a considerable proportion of the States' revenue, and for the year 1940-41 aggregated £9,634,912 (including £120,000 credited direct to Railway Revenue in South Australia) or 7 per cent. of the total revenue of the States.

(vi) *Interest and Miscellaneous.* In addition to the foregoing, there are in each State several miscellaneous sources of revenue, including such items as interest, fines, fees, etc. In 1940-41 interest, mainly from loans to local governing bodies and on public account balances, was responsible for £4,950,537, whilst "Miscellaneous" revenue which includes fines of the courts and fees for services amounted to £7,106,168.

Division II.—Expenditure.

1. **General.**—The principal heads of State expenditure from Consolidated Revenue Funds are :—

- (a) Interest and sinking funds in connexion with public debt ; (b) Working expenses of railways, tramways and other business and industrial undertakings ; (c) Justice ; (d) Police ; (e) Penal establishments ; (f) Education ; (g) Health and charitable expenditure ; and (h) All other expenditure, under which heading is included Public Works, Lands and Surveys, Agriculture and Forestry, Legislative and General Administration, Pensions and Miscellaneous.

In earlier years the working expenses of Railways and Tramways were the most important item in Governmental expenditure, but in recent years Public Debt charges have been the heaviest item. In the year 1940-41 the percentage represented for Public Debt Charges was 31, as compared with 30 per cent. for Railways and Tramways ; next in importance were Charitable, Public Health and Hospitals, 12 per cent ; Education, 9 per cent. ; and Law, Order and Public Safety, 4 per cent.

2. **Total Expenditure.**—The total expenditure from Consolidated Revenue Funds in the several States and the expenditure per head of population during each of the last five years are given in the table hereunder.

STATE EXPENDITURE : CONSOLIDATED REVENUE FUNDS.

Year.	N.S.W. (a)	Victoria.	Q'land.	S. Aust.	W. Aust.	Tasmania.	Total.
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TOTAL.

	£	£	£	£	£	£	£
1936-37	49,081,953	27,192,344	16,815,228	11,600,138	10,556,638	3,443,618	118,689,919
1937-38	53,495,881	27,584,037	17,568,223	12,334,391	10,829,735	3,632,903	125,445,170
1938-39	54,163,064	27,772,790	19,316,323	12,700,921	11,170,102	3,640,748	128,763,948
1939-40	57,049,577	28,096,474	20,739,749	12,918,376	11,266,768	3,052,909	133,123,853
1940-41	60,319,036	29,040,357	21,511,313	13,007,598	11,420,957	3,103,204	138,402,465

PER HEAD OF POPULATION.(c)

	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
1936-37	18 6 2	14 13 8	17 1 9	19 14 4	23 7 3	14 16 7	17 9 8
1937-38	19 15 0	14 16 6	17 13 2	20 17 5	23 13 11	15 9 2	18 6 4
1938-39	19 16 2	14 16 4	19 3 8	21 7 4	24 2 10	15 7 4	18 12 8
1939-40	20 12 11	14 17 5	20 7 5	21 12 9	24 3 4	12 15 10	19 1 10
1940-41	21 14 4	15 6 2	21 2 6	21 18 3	24 13 0	13 1 5	19 16 2

(a) See § 1, par. 2 above.
each financial year.

(b) See § 2 (Div. I.), par. 1 above.

(c) Based on mean population of

3. Details of Expenditure, 1940-41.—The following table shows the total expenditure and expenditure per head under each of the principal items:—

STATE EXPENDITURE : DETAILS, 1940-41.

Particulars.	N.S.W. (a)	Victoria.	Q'land.	S. Aust.	W. Aust.	Tasmania. (a)	Total.
TOTAL.							
	£	£	£	£	£	£	£
Public debt (interest, sinking fund, exchange, etc.) ..	15,371,287	8,610,865	7,091,918	5,321,870	4,553,419	1,313,078	42,262,437
Railways, Tramways and Omnibuses (working expenses)	20,940,176	8,670,912	6,521,905	2,785,241	2,992,954	5,660	41,916,848
Water Supply, Sewerage, Irrigation and Drainage ..	..	489,258	..	391,188	306,731	..	1,187,177
Education ..	5,608,975	3,182,682	1,829,073	1,085,941	890,165	406,416	13,003,254
Health and charitable Justice ..	9,680,764	3,409,988	1,791,316	978,002	(b) 537,650	393,184	16,795,904
Police ..	609,901	271,997	217,366	88,113	90,036	42,533	1,319,946
Penal establishments	1,479,728	832,214	635,621	321,758	266,731	123,132	3,659,184
All other expenditure	396,506	136,114	44,743	50,948	35,801	22,266	686,378
Total ..	60,319,036	29,040,357	21,511,313	13,007,598	11,420,957	3,103,204	138,402,465

PER HEAD OF POPULATION.(c)

	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Public debt (interest, sinking fund, exchange, etc.) ..	5 10 8	4 10 9	6 19 4	8 19 4	9 16 7	5 10 7	6 0 11
Railways, Tramways and Omnibuses (working expenses)	7 10 9	4 11 5	6 8 1	4 13 10	6 9 2	0 0 6	6 0 0
Water Supply, Sewerage, Irrigation and Drainage ..	..	0 5 4	..	0 13 2	0 13 3	..	0 3 5
Education ..	2 0 5	1 13 7	1 15 11	1 16 7	1 18 5	1 14 3	1 17 3
Health and charitable Justice ..	3 9 8	1 15 11	1 15 2	1 12 11	1 3 2	1 13 7	2 8 1
Police ..	0 4 5	0 2 10	0 4 3	0 3 10	0 3 11	0 3 7	0 3 9
Penal establishments	0 10 8	0 8 9	0 12 6	0 10 10	0 11 6	0 10 4	0 10 6
All other expenditure	0 2 10	0 1 5	0 0 11	0 1 9	0 1 7	0 1 11	0 2 0
Total ..	21 14 4	15 6 2	21 2 6	21 18 3	24 13 0	13 1 5	19 16 2

(a) See § 1, par. 2 above. (b) In addition £306,610 was expended from Hospital Fund.
(c) Based on mean population of financial year.

Division III.—Surplus Revenue.

The following table shows for each of the years 1936-37 to 1940-41 the amount and amount per head of the surplus or deficit of each State :—

STATE SURPLUS REVENUE.

Year.	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tasmania.	Total.
	£	£	£	£	£	£	£
1936-37..	77,124	28,923	-280,190	139,168	-371,205	44,906	-361,274
1937-38..	49,839	30,945	-228,492	126,545	-10,693	6,852	-25,004
1938-39..	-2,453,329	-787,242	14,046	-397,324	-220,442	-25,984	-3,870,275
1939-40..	-2,294,951	6,261	15,755	-162,728	-146,825	2,401	-2,580,087
1940-41..	-423,465	142,300	28,436	-82,935	11,111	-181,631	-506,184

PER HEAD OF POPULATION.(a)

	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
1936-37..	0 0 7	0 0 4	-0 5 9	0 4 9	-0 16 5	0 3 10	-0 1 1
1937-38..	0 0 4	0 0 4	-0 4 7	0 4 3	-0 0 6	0 0 7	-0 0 1
1938-39..	-0 17 11	-0 8 5	0 0 3	-0 13 4	-0 9 6	-0 2 2	-0 11 2
1939-40..	-0 16 7	..	0 0 4	-0 5 6	-0 6 4	0 0 3	-0 7 5
1940-41..	-0 3 1	0 1 6	0 0 7	-0 2 9	0 0 5	-0 15 3	-0 1 5

NOTE.—Minus sign (—) indicates deficit.

(a) Based on mean population of each financial year.

§ 3. State Trust Funds.

1. **Nature.**—In addition to the moneys received as revenue and paid to the credit of Consolidated Revenue Funds, considerable sums are held by the State Governments in trust for various purposes. Municipal sinking funds placed in the hands of the Governments are paid to the credit of the appropriate Trust Funds. In all the States except New South Wales, where the practice is confined to those companies transacting workers' compensation insurance, life assurance companies operating are required to deposit a substantial sum in cash or approved securities with the Government, and these deposits help to swell the trust funds. Various other deposits accounts, superannuation funds, suspense accounts, etc., also find a place.

2. **Extent.**—The amounts of trust funds held on 30th June, 1941, were as follows :—

STATE TRUST FUNDS, 30th JUNE, 1941.

Particulars.	N.S.W. (a)	Victoria.	Q'land.	S. Aust.	W. Aust.	Tas.	Total.
	£	£	£	£	£	£	£
Amount of trust funds	16,428,634	9,599,608	4,489,641	1,817,994	5,292,756	873,810	38,502,443

(a) Special Deposits Account and Special Accounts.

§ 4. State Loan Funds.

Division I.—Loan Expenditure.

1. **General.**—As far back as 1842 revenue collections were supplemented by borrowed moneys, the earliest loan being raised by New South Wales for the purpose of assisting immigration, at rates of interest varying from 2½d. to 5½d. per £100 per diem, or approximately from 4½ per cent. to 8 per cent. per annum. Australian public

borrowing, however, is mainly due to the fact that the State Governments, in addition to ordinary administrative duties, undertake functions which in other countries are usually entrusted to local authorities or left to private enterprise. Foremost amongst these are the construction and control of the railway systems, but loan moneys have been largely used for improvements to harbours and rivers, and for the construction of roads, water supply and sewerage works. The State loan expenditure and public debt thus differ very materially from those of most European countries, and from those of the Commonwealth, where such expenditure was very largely incurred for defence or war purposes. As shown above, the State debts consist chiefly of moneys raised and expended with the object of assisting the development of the resources of the country, and are to a very large extent represented by tangible assets.

Statements relating to Loan Expenditure are given below for both "gross" and "net" expenditure. The gross expenditure represents the amounts disbursed during each year whereas the net expenditure represents the gross expenditure less any credits to the Loan Fund during the year on account of repayments of advances to local governing bodies, settlers, etc. Such moneys are credited to the Loan Fund in the year of repayment irrespective of when the advance was made.

2. *Loan Expenditure, 1940-41.*—(a) *Gross Loan Expenditure, 1940-41.* Particulars of the gross loan expenditure on Works, Services, etc., for the year 1940-41 are given in the following table :—

STATE GROSS LOAN EXPENDITURE ON WORKS, SERVICES, ETC., 1940-41.

Heads of Expenditure.	N.S.W.(a)	Victoria. (b)	Q'land.	S. Aust.	W. Aust. (a)	Tasmania.	Total.
	£	£	£	£	£	£	£
Public Works and Services—							
Railways	1,750,000	611,845	654,957	204,840	51,290	246,658	3,549,590
Tramways and Omnibuses .. ..	..	..	..	(c)20,000	9,109	..	29,109
Roads	240,235	1,179	410,193	67,000	..	..	..
Bridges	225,491	..	15,846	65,096	14,636	40,871	1,080,547
Harbours and Rivers .. ..	..	..	..	797,993	82,940	..	..
Lights and Lighthouses .. ..	..	..	..	183,000	69,390	..	2,040,902
Water Supply	162,300	471,369	274,000	797,993	82,940	..	739,169
Sewerage	215,043	..	..	183,000	69,390	..	..
Electricity Supply	659,090	415,324	530,279	93,613	157,231	509,000	2,006,913
Public Buildings .. ..	..	..	..	..	..	151,426	..
Loans and Grants to Local Bodies	138,127	..	913,474	..	..	..	1,081,601
Unemployment Relief Works	879,248	589,820	..	..	980,490	9,354	2,458,922
Housing	15,423	260,000	50,631	435,000	..	132,821	883,875
Other Public Works, etc.	118,039	..	30,363	177,824	3,685	254,419	584,330
Primary Production—							
Soldier Settlement	(d) 10,407	245	2,052	9,243	679	302,999	510,294
Land for Settlement .. ..	..	3,191	146,955	751	7,120	20,843	..
Advances to Settlers .. ..	..	..	13,600	169,955	667	168,520	355,933
Water Conservation	857,821	..	13,173	25,460	6,025	..	941,488
Irrigation and Drainage .. ..	..	..	7,180	7,511	31,829	..	..
Rabbit-proof Fencing .. ..	..	5,065	1,066	..	..	..	13,642
Agriculture(e)	193,783	..	..	..	4,737	..	198,520
Agricultural Bank .. ..	..	..	58,000	..	..	..	58,000
Forestry .. ..	..	278,742	98,090	223,244	..	..	605,076
Mines and Mineral Resources .. ..	..	25,052	14,729	..	44,982	..	81,763
Other .. ..	..	35,000	..	11	2,663	..	37,674
Other Purposes .. ..	..	17,610	..	115,000	53,739	..	186,349
Total Public Works, Services, &c., Expenditure	5,465,007	2,734,442	3,257,358	2,607,631	1,536,338	1,845,921	17,446,697
Per Head of Population	£1 19 4	£1 8 10	£3 4 0	£4 7 10	£3 6 4	£7 15 6	£2 9 11

(a) Includes expenditure from Loan Suspense Account. (b) Expenditure from Loan Funds and on account of Loans, including expenditure from Loan Funds, from Treasurer's Advance Account, and from State Loans Repayment Fund. (c) Loans to Metropolitan Tramways Trust. (d) Includes Rabbit-proof Fencing Advances. (e) Includes Grain Elevators, New South Wales.

(b) *Net Loan Expenditure, 1940-41.* For the year ended 30th June, 1941, State net loan expenditure on Works, Services, etc., was as follows:—

STATE NET LOAN EXPENDITURE ON WORKS, SERVICES, ETC., 1940-41.

Heads of Expenditure.	N.S.W. (a)	Victoria. (b)	Q'land.	S. Aust. (c)	W. Aust. (a)	Tasmania.	Total.
Public Works and Services—	£	£	£	£	£	£	£
Railways	1,297,641	618,610	529,512	188,722	47,049	33,575	2,715,109
Tramways and Omnibuses ..	Cr. 232,255			Cr. 30,000	8,724		Cr. 253,531
Roads		{ Cr. 27,230 }	358,621	52,000	Cr. 139		
Bridges	148,853	Cr. 3,136					
Harbours and Rivers	211,055	Cr. 2,741	15,720		14,363		38,612
Lights and Lighthouses ..				41,247			
Water Supply		{ 457,390 }	274,000	779,222	75,747		
Sewerage	126,539	Cr. 903		160,690	33,796		1,906,981
Electricity Supply	184,024				8,801	425,306	621,131
Public Buildings	625,270	414,567	522,183	91,478	153,047	141,043	1,947,588
Loans and Grants to Local Bodies	136,511	Cr. 2,972	466,593	Cr. 1,643	Cr. 683	Cr. 30,420	567,386
Unemployment Relief Works	825,877	478,721			980,490	Cr. 4,952	2,280,136
Housing	15,415	250,000	Cr. 37,473	203,931	Cr. 3,496	84,683	513,060
Other Public Works, etc. ..	104,188		30,363	132,777	3,685	247,073	518,086
Primary Production—							
Soldier Settlement		{ (e) 10,120 }	Cr. 390,095	{ Cr. 40,563 }	Cr. 46,001	Cr. 40,638	Cr. 41,126
Land for Settlement				96,975	Cr. 22,032	310	Cr. 7,814
Advances to Settlers		Cr. 10,530	Cr. 833	Cr. 59,408	466	Cr. 24,552	Cr. 91,857
Water Conservation				Cr. 14,034	23,908	5,722	
Irrigation and Drainage ..	798,783			2,037	30,847		847,353
Rabbit-proof Fencing		Cr. 13,561	Cr. 20,221	Cr. 3,607			Cr. 37,389
Agriculture (f)	103,728	Cr. 350,000	Cr. 5,561		3,080		Cr. 158,753
Agricultural Bank			25,033				25,033
Forestry		252,407	90,081	57,921	Cr. 3		400,406
Mines and Mineral Resources		22,437	10,112		37,949		70,498
Other		29,674	Cr. 77,831	Cr. 2,495	2,663		Cr. 47,939
Other Purposes		15,853	Cr. 51	37,940	47,034		100,776
Total Public Works, Services, &c.; Expenditure ..	4,445,749	1,738,991	2,222,626	1,606,727	1,409,314	864,428	12,287,835
Per Head of Population ..	£1 12 0	£0 18 4	£2 3 8	£2 12 2	£3 0 10	£3 12 10	£1 15 2

(a) Includes expenditure from Loan Suspense Account. (b) Expenditure from Loan Funds and on account of Loans, including expenditure from Loan Funds, from Treasurer's Advance Account, and from State Loans Repayment Fund. (c) Credits arising from the cancellation of securities redeemed from Sinking Fund not allowed for. (d) Loans to Metropolitan Tramways Trust. (e) Includes Rabbit-proof Fencing, advances. (f) Includes Grain Elevators, New South Wales and Victoria.

3. *Net Loan Expenditure on Works, Services, etc., 1936-37 to 1940-41.*—The following table gives the works net loan expenditure during each of the years 1936-37 to 1940-41:—

STATE NET LOAN EXPENDITURE ON WORKS, SERVICES, ETC.

Year.	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tasmania.	Total.
TOTAL.							
	£	£	£	£	£	£	£
1936-37	6,336,078	2,616,660	2,573,593	1,245,222	2,032,224	814,951	15,618,728
1937-38	5,100,865	2,345,460	2,224,934	1,133,054	2,160,480	850,305	13,815,098
1938-39	5,407,856	2,289,535	2,041,588	1,226,096	1,636,184	576,627	13,177,886
1939-40	5,886,266	3,141,711	2,608,727	950,166	1,812,079	852,911	15,251,860
1940-41	4,445,749	1,738,991	2,222,626	1,606,727	1,409,314	864,428	12,287,835
PER HEAD OF POPULATION.							
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
1936-37	2 7 3	1 8 3	2 12 4	2 2 4	4 9 11	3 10 2	2 6 0
1937-38	1 17 8	1 5 3	2 4 9	1 18 4	4 14 7	3 12 4	2 0 4
1938-39	1 19 7	1 4 5	2 0 7	2 1 3	3 10 9	2 8 8	1 18 2
1939-40	2 2 7	1 13 3	2 11 3	1 11 10	3 17 9	3 11 6	2 3 9
1940-41	1 12 0	0 18 4	2 3 8	2 14 2	3 0 10	3 12 10	1 15 2

The loan expenditure per head of population, which varies in the different States and in different years, was at its highest point for the five years under review in 1936-37 with £2 6s. per head, and at its lowest in 1940-41 with £1 15s. 2d. per head.

4. Total Net Loan Expenditure to 30th June, 1941.—The total net loan expenditure inclusive of revenue deficits, etc., of the States from the initiation of borrowing to 30th June, 1941, amounted to £1,028,827,338. The purposes for which this sum was expended are shown in the following table:—

TOTAL STATE NET LOAN EXPENDITURE TO 30th JUNE, 1941.

Heads of Expenditure.	N.S.W.	Victoria.(a)	Q'land.	S. Aust.	W. Aust.	Tasmania.	Total.
	£	£	£	£	£	£	£
Public Works and Services—							
Railways ..	153,920,358	77,495,782	66,127,363	35,123,533	25,631,533	7,370,440	365,719,009
Tramways and Omnibuses ..	8,911,411			(b) 3,714,415	1,248,134	..	13,873,960
Roads and Bridges ..	20,324,467	12,642,629	4,986,572	3,891,145	3,183,340	..	7,206,283
Harbours, Rivers, Lighthouses ..	22,046,859	1,404,535	2,813,261	8,468,246	7,463,948	..	108,357,475
Water Supply ..	40,932,155	31,304,368	1,326,741	16,241,118	10,562,476	..	28,582,926
Sewerage ..	..	217,784	..	3,652,663	4,120,170	..	41,425,484
Electricity Supply ..	2,336,630	17,839,227	6,983,708	4,171,884	1,350,655	6,556,405	..
Public Buildings ..	17,243,752	7,572,323	..	..	2,721,963	2,751,854	..
Loans and Grants to Local Bodies ..	1,611,626	1,626,377	18,603,982	21,989	92,954	580,850	22,537,778
Unemployment Relief Works ..	17,441,039	13,018,567	..	..	(c) 365,801	30,825,407	..
Housing ..	1,947,557	1,190,000	3,855,598	5,907,256	805,884	450,915	14,157,210
Commonwealth Services ..	3,965,937	149,323	554,751	1,233,337	332,293	500,754	6,786,445
Other Public Works and Services (d) ..	3,863,900	763,426	2,773,123	921,777	1,845,866	2,514,214	12,782,306
Primary Production—							
Land Settlement ..	8,475,238	..	(e) 866,055	1,545,367	8,530,575	430,058	87,861,137
Closer Settlement ..	..	..	3,283,444	..	324,662	..	..
Land for Settlement ..	f 3,852,644	41,570,934	1,169,715	8,425,474	6,934,481	2,451,560	7,385,434
Soldier Settlement ..	..	2,485,280	301,551	2,215,981	2,063,017	319,605	..
Advances to Settlers ..	..	..	..	4,319,909	1,333,808	..	33,933,064
Water Conservation ..	18,995,266	..	2,000,814	4,898,605	2,384,662	..	..
Irrigation and Drainage ..	..	..	..	..	..	..	..
Rabbit Proof Fencing ..	..	878,637	299,064	184,393	341,765	..	1,704,759
Agriculture(g) ..	7,392,936	1,150,682	53,787	..	3,788,023	..	12,386,328
Agricultural Bank ..	..	..	1,735,499	..	5,878,695	..	7,614,194
Forestry ..	..	1,176,894	1,267,786	1,294,779	961,040	..	4,700,499
Mines and Mineral Resources ..	580,687	569,383	2,072,747	..	2,879,023	..	6,101,840
Other ..	..	1,097,262	2,855,025	773,647	88,581	..	1,814,515
Other Purposes ..	..	158,800	424,055	(h) 4,082,840	3,402,162	..	3,067,857
Total Public Works, Services, &c., Expenditure ..	333,822,471	214,312,213	124,356,441	111,138,403	98,820,610	31,598,769	914,048,912
Other than Works, &c.—							
Discounts and Flotation Expenses ..	17,714,245	5,770,598	5,381,391	1,208,716	4,038,030	(i) ..	34,162,980
Revenue and General Cash Deficits ..	43,221,983	4,863,682	5,826,271	9,168,644	12,106,287	1,016,997	76,203,864
Treasury Bills Retired ..	..	..	2,857,150	..	..	..	2,857,150
Other ..	..	..	(j) 1,554,432	..	..	..	1,554,432
Grand Total ..	394,758,699	224,946,493	139,975,685	121,515,768	115,014,927	32,615,766	1,028,827,338

(a) Aggregate Gross Loan Expenditure. (b) Loans to Metropolitan Tramways Trust. (c) Not available separately. Distributed under various particular headings. (d) Includes Industrial Undertakings and Immigration. (e) Under Prickly Pear Land Act. (f) Includes advances for Rabbit-proof Fencing. (g) Includes Grain Elevators New South Wales and Victoria. (h) Includes £3,049,921 State Bank. (i) Included with Other Public Works. (j) Includes £1,200,000 contribution to Sinking Fund.

The figures in the foregoing table show the amounts actually spent, and differ from those given later in the statements relating to the public debt, which represent the amount of loans still unpaid. The statement above includes all expenditure, whether the loans have been repaid or are still in existence. As in the earlier tables on net loan expenditure, allowance has been made, however, for credits on account of repayments of advances to local government bodies, settlers, etc. In the public debt statement, on the other hand, loans repaid are not included, and in the case of loans still outstanding, each is shown according to the amount repayable at maturity, and not according to the amount originally available for expenditure.

5. Total Loan Expenditure, 1936-37 to 1940-41.—The following table gives particulars, in summary form, of the total loan expenditure in each State during each of the years 1936-37 to 1940-41 :—

STATE LOAN EXPENDITURE, SUMMARY, 1936-37 TO 1940-41.

Particulars.	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tasmania.	Total.
	£	£	£	£	£	£	£
1936-37.							
Works and Services—							
Gross Expenditure ..	7,182,523	3,303,501	3,760,113	2,966,499	2,155,199	1,907,930	21,365,765
Net Expenditure ..	6,336,078	2,616,660	2,573,593	1,245,222	2,032,224	814,051	15,618,728
Repayments ..	846,445	686,841	1,186,520	1,721,277	122,975	1,182,979	5,747,037
Other than Works—(a)							
Gross Expenditure ..	61,160,868	66,350	44,6320	48,935	522,757	..	2,245,230
Net Expenditure ..	61,115,368	66,350	44,6320	39,595	522,757	..	2,190,890
Repayments ..	45,000	..	..	9,340	..	..	54,340
Total Loan Expenditure—							
Gross ..	8,343,391	3,369,851	4,206,433	3,015,434	2,677,956	1,997,930	23,610,995
Net ..	7,451,946	2,683,010	3,019,913	1,234,817	2,554,981	814,951	17,809,618
Repayments ..	891,445	686,841	1,186,520	1,730,617	122,975	1,182,979	5,801,377
1937-38.							
Works and Services—							
Gross Expenditure ..	8,110,740	3,230,451	3,521,487	2,839,184	2,294,942	1,892,279	21,889,083
Net Expenditure ..	5,100,865	2,345,460	2,224,934	1,133,054	2,160,480	850,305	13,815,098
Repayments ..	3,009,875	884,991	1,296,553	1,706,130	134,462	1,041,974	8,073,985
Other than Works—(a)							
Gross Expenditure ..	1,279,698	30,836	349,346	127,250	32,234	..	1,819,364
Net Expenditure ..	1,279,698	30,836	349,346	126,306	32,234	..	1,813,420
Repayments ..	..	..	..	944	..	..	944
Total Loan Expenditure—							
Gross ..	9,390,438	3,261,287	3,870,833	2,966,434	2,327,176	1,892,279	23,708,447
Net ..	6,380,563	2,376,296	2,574,280	1,259,360	2,192,714	850,305	15,633,518
Repayments ..	3,009,875	884,991	1,296,553	1,707,074	134,462	1,041,974	8,074,929
1938-39.							
Works and Services—							
Gross Expenditure ..	8,786,604	3,218,531	3,392,641	2,529,562	1,783,224	1,686,647	21,399,200
Net Expenditure ..	5,407,956	2,289,535	2,041,588	1,226,096	1,636,184	576,627	13,177,886
Repayments ..	3,380,748	928,996	1,351,053	1,303,466	147,040	1,110,020	8,221,323
Other than Works—(a)							
Gross Expenditure ..	63,893,053	852,362	155,442	70,594	253,748	163,000	5,383,199
Net Expenditure ..	63,893,053	852,362	155,442	70,594	253,748	163,000	5,388,199
Repayments ..	..	..	..	..	..	..	..
Total Loan Expenditure—							
Gross ..	12,681,657	4,070,893	3,548,083	2,600,156	2,036,972	1,849,647	26,787,408
Net ..	9,300,909	3,141,897	2,197,030	1,296,690	1,889,932	739,627	18,566,085
Repayments ..	3,380,748	928,996	1,351,053	1,303,466	147,040	1,110,020	8,221,323

For notes see next page.

STATE LOAN EXPENDITURE, SUMMARY, 1936-37 TO 1940-41—continued.

Particulars.	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tasmania.	Total.
	£	£	£	£	£	£	£

1939-40.

Works and Services—							
Gross Expenditure ..	6,945,371	3,962,647	3,862,021	2,032,415	1,939,549	1,764,197	20,506,200
Net Expenditure ..	5,886,266	3,141,711	2,608,727	950,166	1,812,079	852,911	15,251,860
Repayments ..	1,059,105	820,936	1,253,294	1,082,249	127,470	911,286	5,254,340
Other than Works—(a)							
Gross Expenditure ..	41,561,354	19,667	108,754	409,574	162,242	50,000	2,311,591
Net Expenditure ..	Cr. 238,046	19,667	108,754	409,574	162,242	50,000	511,591
Repayments ..	1,800,000	..	..	..	..	..	1,800,000
Total Loan Expenditure—							
Gross ..	8,506,725	3,982,314	3,970,775	2,441,989	2,101,791	1,814,197	22,817,791
Net ..	5,647,620	3,161,378	2,717,481	1,359,740	1,974,321	902,911	15,763,451
Repayments ..	2,859,105	820,936	1,253,294	1,082,249	127,470	911,286	7,054,340

1940-41.

Works and Services—							
Gross Expenditure ..	5,465,007	2,734,142	3,257,358	2,607,631	1,536,338	1,845,921	17,446,697
Net Expenditure ..	4,445,749	1,738,091	2,222,626	1,506,727	1,409,314	861,428	12,287,835
Repayments ..	1,019,258	995,451	1,034,732	1,000,904	127,024	981,493	5,158,862
Other than Works—(a)							
Gross Expenditure—							
Discounts and Flotation							
Expenses ..	45,666	15,350	6,226	..	9,238	88,000	164,480
Revenue and General							
Cash Deficits ..	(e) 3,240,440	..	..	162,728	..	181,631	3,584,799
Other ..	..	..	(f) 100,000	..	..	..	100,000
Total ..	3,286,106	15,350	106,226	162,728	9,238	269,631	3,849,279
Net Expenditure—							
Discounts and Flotation							
Expenses ..	45,666	15,350	Cr. 153,774	..	8,373	88,000	3,615
Revenue and General							
Cash Deficits ..	2,690,440	..	..	162,728	Cr. 11,111	181,631	3,023,688
Other ..	..	..	(f) 100,000	..	..	..	100,000
Total ..	2,736,106	15,350	Cr. 53,774	162,728	Cr. 2,738	269,631	3,127,303
Repayments ..	550,000	..	160,000	..	11,976	..	721,976
Total Loan Expenditure—							
Gross ..	8,751,113	2,740,792	3,363,584	2,770,359	1,545,576	2,115,552	21,295,976
Net ..	7,181,855	1,754,341	2,168,852	1,769,455	1,406,576	1,134,059	15,415,133
Repayments ..	1,569,258	995,451	1,194,732	1,000,904	139,000	981,493	5,880,838

(a) Includes exchange, discounts and flotation expenses, revenue and general cash deficits. (b) Includes £703,481 available towards funding deficits—Revenue Deficits Loans (Funding) Account. (c) Includes £1,110,000 short-term loans for general cash deficit and £1,691,000 available towards funding deficits. (d) Includes £1,470,254 available towards funding deficits. (e) Includes £1,305,440 available towards funding deficits. (f) Contribution to Sinking Fund.

Division II.—State Public Debts.

1. **General.**—The first government loan raised in Australia was obtained by New South Wales in 1842. This and nine other loans prior to 1855 were all raised locally. In the last-mentioned year New South Wales approached the London market for the first instalment of a 5 per cent. loan for £683,300. Victoria first appeared as a borrower in 1854, and made its first appearance on the London market in 1859. The first public loans were raised by the other States in the following years:—Queensland 1861, South Australia 1856, Western Australia 1845, and Tasmania 1867.

2. **State Debts, 1937 to 1941.**—The table hereunder shows the State public debts and the amounts owing per head of population at 30th June in each year from 1937 to 1941 inclusive.

As provided in the Financial Agreement (particulars of which are given on page 873), the Commonwealth Government on 1st July, 1929, assumed the liabilities of the States to bondholders in respect of the debts of the States existing at 1st July, 1929, and taken over by the Commonwealth. Reference is made in Chap. IV. "Land Tenure and Settlement" to certain remissions which the Commonwealth Government made to the States on account of losses sustained by the States in connexion with soldier land settlement; the States' debts were so reduced by £5,000,000 as from 1st October, 1925, and by a further £2,597,783 as from 30th June, 1927. The following figures represent the total "face" or "book" values of the debts of the States leaving out of account currency changes since the loans were floated:—

STATE PUBLIC DEBTS.

Date.	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tasmania.	Total.
TOTAL.							
30th June, 1937	£ 350,291,499	£ 176,597,010	£ 124,808,475	£ 106,594,164	£ 92,332,855	£ 25,247,510	£ 875,961,543
" 1938	354,167,254	177,228,496	125,781,564	107,450,639	93,711,942	25,840,807	884,180,702
" 1939	359,813,990	179,698,118	127,503,251	108,887,092	95,472,600	26,366,990	897,772,041
" 1940	363,325,538	180,549,068	129,033,227	109,344,040	96,230,399	27,243,892	905,727,064
" 1941	368,974,948	181,219,188	130,094,603	109,779,725	97,791,721	28,161,858	916,022,046

PER HEAD OF POPULATION. (a)

	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
30th June, 1937	130 1 10	95 3 9	125 17 11	181 1 6	203 5 5	108 10 0	128 10 5
" 1938	130 5 3	94 18 6	125 7 8	181 8 3	203 13 0	110 6 11	128 11 11
" 1939	131 0 0	95 10 3	125 8 8	182 15 4	205 2 7	111 8 4	129 6 3
" 1940	130 18 4	94 16 11	125 14 8	182 15 6	205 13 8	113 17 0	129 3 11
" 1941	131 18 4	93 9 10	125 10 2	183 2 9	208 11 10	117 19 5	129 8 0

(a) Based on population at 30th June in each year.

The public debt of the whole of the States increased during the period under review by over £40 million or at the average rate of over £10 million per annum. The debt per head of population increased during the period by 17s. 7d. to £129 8s. per head, less than one per cent. In some States certain public functions such as Tramways, Water Supply and Sewerage, and Harbour Services, etc., are controlled by Boards or Trusts which, in addition to receiving advances from the Central Government, raise loans by public borrowing on their own behalf, while in other States these services are controlled by the Central Governments. Comparison of the debts of the States is therefore difficult, but on page 871 figures showing the aggregate debts of the States including these local and semi-governmental bodies are given for the years 1938–39 and 1939–40.

3. **Place of Flotation of Loans.**—Early loans usually for comparatively small amounts, were raised locally, but, with the increasing demand for loan funds and the more favourable terms offering in the London market, the practice of raising loans in London came into vogue, and for many years local flotations, except for short terms or small amounts, were comparatively infrequent. In more recent years, however, the accumulating stocks of money in Australia seeking investment have led to the placing or various redemption and other loans locally, with very satisfactory results. Loans have also been placed in New York on account of all States. The following table gives particulars of loans outstanding on 30th June, 1941, which had been floated abroad and in Australia respectively :—

STATE PUBLIC DEBTS, 30th JUNE, 1941 : PLACE OF FLOTATION OF LOANS.

State.	Maturing Overseas.			Maturing in Australia.	Grand Total.
	London.	New York.	Total Overseas.		
	£ Stg.	£(a)	£(b)	£ Aust.	£(b)
New South Wales	158,696,920	12,316,244	171,013,164	197,961,784	368,974,948
Victoria ..	62,464,855	4,498,878	66,963,733	114,255,455	181,219,188
Queensland ..	62,788,170	6,694,247	69,482,417	60,612,186	130,094,603
South Australia ..	42,849,807	1,733,467	44,583,274	65,196,451	109,779,725
Western Australia	43,889,767	2,015,436	45,905,203	51,886,521	97,791,724
Tasmania ..	13,352,087	227,796	13,579,883	14,581,975	28,161,858
Total ..	384,041,606	27,486,068	411,527,674	504,494,372	916,022,046

PER HEAD OF POPULATION.

	£ s. d. (Stg.)	£ s. d. (a)	£ s. d. (b)	£ s. d. (Aust.)	£ s. d. (b)
New South Wales	56 14 9	4 8 1	61 2 10	70 15 6	131 18 4
Victoria ..	32 4 6	2 6 5	34 10 11	58 18 11	93 9 10
Queensland ..	60 11 6	6 9 2	67 0 8	58 9 6	125 10 2
South Australia ..	71 9 8	2 17 10	74 7 6	108 15 3	183 2 9
Western Australia	93 12 4	4 6 0	97 18 4	110 13 6	208 11 10
Tasmania ..	55 18 8	0 19 1	56 17 9	61 1 8	117 19 5
Total ..	54 5 0	3 17 8	58 2 8	71 5 4	129 8 0

(a) Payable in terms of dollars. For the purposes of these tables dollars have been arbitrarily converted to £Stg. at the rate of \$4.8665 to £1. (b) Total "face" or "book" value of the debt of each State without adjustment on account of currency changes since the loans were floated.

Particulars of the aggregate debts of the States for the last five years showing the amounts which will mature overseas and in Australia respectively will be found on page 865.

4. **Rates of Interest.**—(i) *At 30th June, 1941.* The highest rate of interest paid for the earliest State loans was 5½d. per £100 per diem, or, approximately, 8 per cent. per annum. At present the rates vary from 7 per cent. to 1½ per cent., thirty-six separate rates being involved. The average rate payable on the aggregate indebtedness is £3 14s. 8d. per cent. For the separate States the average varies, being lowest for New South Wales and highest for Queensland. The following table gives particulars of the amount of debt at each rate of interest payable, together with the amount and the average rate of interest payable at 30th June, 1941, with separate information for London, New York and Australian maturities. The units of currency in this table are—for debts maturing and interest payable—

in Australia .. £ Australian.

in London .. £ Sterling.

in New York .. Payable in terms of dollars. See note (a) above.

The totals given represent the total "face" or "book" values of the debts of the States without adjustment on account of currency changes since the loans were floated, and the nominal amount (and average rate) of interest payable, taking no account of exchange :—

STATE PUBLIC DEBTS : AMOUNTS AT EACH RATE OF INTEREST PAYABLE, AT
30th JUNE, 1941.

Rate of Interest.	Place of Maturity.	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tasmania.	Total.
%		£	£	£	£	£	£	£
7.0 ..	New York	..	..	1,423,302	..	..	..	1,423,302
6.0 ..	New York	..	..	2,054,865	..	..	..	2,054,865
5.25 ..	London	17,870,500	..	..	..	..	..	17,870,500
5.0375 ..	Australia	..	..	..	..	250,000	261,240	511,240
5.0 ..	London	17,013,816	14,433,131	37,806,688	13,883,787	12,976,463	1,228,087	97,347,872
4.75 ..	New York	8,423,610	3,733,042	2,190,974	1,733,467	2,015,436	227,796	18,329,325
4.65 ..	London	..	5,913,200	..	..	..	..	5,913,200
4.5 ..	Australia	..	..	..	..	755,000	..	755,000
4.2625 ..	New York	3,892,634	760,836	1,025,106	..	..	..	5,678,576
4.06875 ..	Australia	2,124,060	..	..	166,140	62,797	..	2,352,997
4.0 ..	Australia	10,784,060	..	..	495,000	..	..	11,279,060
3.96667 ..	Australia	56,990,848	44,145,867	12,670,237	30,810,401	11,181,757	5,731,220	164,589,330
3.95833 ..	London	29,083,932	2,902,116	7,948,800	8,189,111	7,582,885	2,798,000	58,504,844
3.95417 ..	Australia	..	5,685,910	..	..	..	..	5,685,910
3.89167 ..	Australia	..	4,061,000	..	..	..	..	4,061,000
3.875 ..	Australia	..	1,875,750	..	..	..	..	1,875,750
3.8125 ..	Australia	23,110,600	19,485,241	7,662,212	12,736,725	7,129,765	2,559,290	72,683,833
3.79167 ..	Australia	..	6,370,000	..	1,035,000	..	..	7,405,000
3.75 ..	Australia	29,045,850	8,921,455	12,507,261	6,165,040	9,492,297	2,013,470	68,145,373
3.72917 ..	London	7,607,932	6,852,149	1,958,800	5,413,300	1,741,801	1,076,000	24,649,682
3.625 ..	Australia	..	..	..	350,000	..	..	350,000
3.5 ..	Australia	1,931,000	908,550	568,000	999,000	753,930	262,200	5,422,680
3.4875 ..	Australia	9,398,150	4,702,390	2,648,698	2,540,570	2,906,383	552,350	22,749,041
3.475 ..	London	33,477,901	19,609,345	5,580,200	2,737,500	4,793,225	6,503,150	76,701,321
3.375 ..	Australia	41,700	500	5,903,591	73,400	347,210	127,244	6,583,645
3.25 ..	Australia	9,142,430	3,737,540	1,303,740	2,086,080	1,767,220	385,200	18,422,300
3.125 ..	Australia	3,152,860	4,896,235	2,723,480	2,052,000	3,044,837	1,118,330	17,288,642
3.1 ..	London	..	650,075	1,237,769	4,411,899	10,568,718	1,234,950	18,123,411
3.0 ..	Australia	2,000	1,000	70,000	190,230	..	..	173,230
2.9 ..	Australia	4,573,310	322,549	2,449,895	..	1,566,000	163,743	9,075,997
2.90625 ..	Australia	12,724,222	3,348,610	9,507,297	1,322,514	2,843,235	1,012,098	30,757,976
2.75 ..	London	32,721,013	6,220,014	4,255,913	2,397,149	..	..	45,594,089
2.7125 ..	Australia	..	5,100	..	..	..	..	5,100
2.5 ..	Australia	787,000	1,959,930	281,000	172,000	215,090	177,000	3,592,020
2.325 ..	London	10,954,600	..	..	1,996,335	3,228,661	..	16,179,596
2.25 ..	Australia	291,421	303,845	352,915	..	..	..	948,181
2.2 ..	Australia	989,000	235,000	456,000	194,000	266,000	163,000	2,304,000
2.2 ..	London	645,653	778,083	54,750	373,451	..	..	1,851,937
2.0 ..	Australia	9,965,276	5,884,825	..	2,815,726	2,998,014	..	21,663,841
1.5 ..	London	..	..	..	1,000,000	..	491,000	1,491,000
Overdue and unconverted	Australia	31,925,000	2,515,000	1,358,000	3,315,000	6,305,000	5,000	45,423,000
	London	1,220	..	10	..	..	..	1,230
	London	2,250	..	..	..	..	..	2,250
Total Debt	Australia	197,961,784	114,255,455	60,612,186	65,196,451	51,886,521	14,581,975	504,494,372
	London	158,696,920	62,464,855	62,788,170	42,849,307	43,880,767	13,352,087	384,041,606
	New York	12,316,244	4,498,878	6,694,247	1,733,467	2,015,436	227,796	27,486,068
	Total ..	368,974,948	181,219,188	130,094,603	109,779,725	97,791,724	28,161,858	916,022,046
Total Interest Payable	Australia	6,692,786	4,274,581	2,141,423	2,421,304	1,790,633	546,184	17,866,911
	London(b)	5,916,363	2,402,036	2,784,954	1,574,369	1,634,945	491,930	14,954,603
	New York	596,348	221,140	378,602	86,074	100,771	11,390	1,394,925
	Total ..	13,205,497	6,897,757	5,304,979	4,182,347	3,576,349	1,049,510	34,216,439
Average Rates of Interest Payable	Australia	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
	London	3 7 7	3 14 10	3 10 8	3 14 3	3 9 0	3 14 11	3 10 10
	New York	3 14 7	3 16 11	4 8 9	3 18 2	3 16 9	3 13 8	3 17 11
	Total ..	4 16 10	4 18 4	5 13 1	5 0 0	5 0 0	5 0 0	5 1 6

(a) Includes £220 unconverted securities. (b) Includes contributions payable by Commonwealth and British Governments towards interest on Migration Loans.

The average rate for debt maturing in Australia has been reduced from £5 4s. 11d. per cent. in 1931 to £3 10s. 10d. per cent. in 1941. For debt maturing in London the average rate increased from £4 12s. 7d. per cent. in 1931 to £4 13s. 3d. in 1932, but, as a result of the conversions effected in London, fell to £3 17s. 11d. in 1941, while for New York loans decreased from £5 2s. 6d. per cent. in 1931 to £5 1s. 6d. in 1941.

(ii) *Variations from 1901 to 1941.*—The variations in the rates of interest payable on the public debts of the States are shown in the following table which gives the percentages of the total debts in various interest groups during the years specified, and the average rate of interest in each year :—

STATE PUBLIC DEBTS : PERCENTAGES, ETC., IN VARIOUS INTEREST GROUPS.

Interest Rates.	Percentage of Total Debt at 30th June—						
	1901.	1911.	1921.	1931.	1939.	1940.	1941.
	%	%	%	%	%	%	%
Not exceeding 3 per cent. ..	18.0	17.9	10.2	5.3	19.1	17.8	18.5
Exceeding 3 per cent. but not exceeding 4 per cent. ..	78.5	81.9	45.4	17.2	62.4	64.0	63.6
Exceeding 4 per cent. but not exceeding 5 per cent. ..	3.1	0.1	15.6	36.8	16.0	15.7	15.5
Exceeding 5 per cent. but not exceeding 6 per cent. ..	0.4	0.1	23.5	38.4	2.3	2.3	2.2
Exceeding 6 per cent. ..	..	..	5.3	2.3	0.2	0.2	0.2
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Average Rate of Interest Payable	3.7	3.6	4.4	4.9	3.7	3.7	3.7

5. *Dates of Maturity.*—Securities like the British Consols are interminable, but Australian debts have in most cases a fixed date for repayment, there being a few exceptions which are included in the following table under the headings "interminable", "Treasurer's option", and "indefinite". Those terminable at "Treasurer's option" include amounts which are payable by the respective Governments after giving a specified notice, and those "indefinite" consist of certain amounts owing to the Commonwealth Government. Generally, renewal is effected at date of maturity in respect of the greater portion of the loan. In order to avoid application to the market at an unfavourable time, the practice has been adopted of specifying a period prior to the date of maturity within which the Government, on giving twelve, or in some cases six months' notice, has the option of redeeming the loan. The Government can, therefore, take advantages of opportunities that may offer during the period for favourable renewals. Particulars concerning the due dates of latest maturity of the State loans outstanding on 30th June, 1941, are given in the following table, the various maturities being grouped according to years ending 30th June.

STATE PUBLIC DEBTS, 30th JUNE, 1941 : LATEST DATES OF MATURITY.

Year of Maturity.	Place of Maturity.	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tasmania.	Total.
		£ (a)	£ (a)	£ (a)	£ (a)	£ (a)	£ (a)	£ (a)
1941-42	Australia	61,982,110	22,146,937	3,923,330	13,303,624	10,293,249	1,090,395	112,739,645
	London	22,385,389	6,934,693	..	3,815,726	2,998,014	491,000	36,624,822
	New York	..	..	1,423,302	..	..	..	1,423,302
1942-43	Australia	15,957,270	4,890,395	2,255,220	5,324,815	3,688,377	591,890	32,707,967
	London	10,954,600	..	..	1,096,335	3,228,661	..	16,179,596
1943-44	Australia	7,372,650	11,377,740	908,840	2,548,570	2,874,920	285,850	25,368,570
	London	..	..	..	..	..	4,596,400	4,596,400
1944-45	Australia	7,818,482	10,621,417	5,771,012	5,580,887	1,965,994	921,931	32,679,723
	London	..	..	3,958,800	..	..	..	3,958,800
1945-46	Australia	2,667,100	4,247,610	833,000	739,000	678,090	407,000	9,571,800
	London	989,000	230,000	1,493,928	394,000	266,000	413,000	3,791,928
1946-47	Australia	..	..	4,255,913	..	1,417,800	..	5,673,713
	New York	..	..	2,054,865	..	..	..	2,054,865
1947-48	Australia	4,774,247	4,467,995	1,904,985	2,920,283	1,838,409	665,634	16,571,553
	London	13,589,370	4,673,790	2,813,281	919,470	4,052,375	839,390	26,887,676
1948-49	Australia	12,268,190	12,022,295	2,000,000	8,301,100	2,716,302	1,076,000	38,474,187
	London	11,115,360	3,144,772	4,967,537	1,476,080	3,045,530	484,150	24,503,429
1949-50	Australia	..	6,055,545	..	..	..	..	6,055,545
1950-51	Australia	4,672,845	4,112,108	2,461,627	2,752,027	1,341,198	553,202	15,893,007
	London	11,707,278	..	5,948,800	..	..	2,798,000	20,454,078
1951-52	Australia	9,925,400	3,795,980	4,483,946	2,533,950	3,952,210	1,041,320	25,732,906
	London	7,000	..	484,718	..	..	..	491,718
1952-53	Australia	11,789,758	..	..	..	..	..	11,789,758
	London	4,511,685	4,039,194	1,812,427	2,589,478	1,238,774	873,013	15,064,601
1953-54	Australia	11,018,047	..	..	2,737,500	864,393	1,906,750	16,526,690
1954-55	Australia	12,967,810	8,923,710	7,454,768	6,867,990	3,755,750	1,759,760	41,729,788
	London	..	..	..	..	3,204,904	..	3,204,904
1955-56	Australia	13,928,901	8,808,268	2,727,892	5,560,792	3,707,568	1,187,400	35,920,821
	New York	3,892,634	2,624,319	1,723,705	732,631	1,498,444	..	10,471,773
1956-57	Australia	6,028,100	3,488,860	2,438,685	3,051,900	2,047,890	1,452,038	18,567,773
	New York	4,183,191	..	..	..	..	..	4,183,191
1957-58	Australia	4,433,964	3,828,348	1,489,361	2,561,866	1,317,055	548,256	14,178,850
	London	38,171,400	..	..	..	..	..	38,171,400
1958-59	Australia	4,240,419	1,874,559	1,492,375	1,000,836	516,992	227,796	9,352,977
	London	3,829,050	13,553,800	384,082	..	164,144	..	518,226
1959-60	Australia	3,829,050	13,553,800	3,700,750	..	..	..	21,083,600
	London	4,415,334	3,861,116	2,137,957	2,428,058	1,478,568	697,499	15,018,632
1960-61	Australia	..	2,902,116	..	..	877,408	..	3,779,524
1961-62	Australia	..	..	2,378,404	..	424,446	..	2,802,850
	London	..	6,563,275	21,305,360	3,657,347	1,739,527	174,200	33,439,718
1962-63	Australia	4,262,102	3,889,368	1,339,485	2,511,034	1,398,803	674,217	14,075,009
	London	..	..	..	..	4,866,583	..	4,866,583
1963-64	Australia	106,804	..	458,106	..	153,523	..	718,433
1964-65	Australia	10,283,396	..	..	..	..	..	10,283,396
1965-66	Australia	..	..	619,017	..	1,753,183	96,000	2,468,200
1966-67	Australia	..	..	396,533	..	129,715	..	526,248
1967-68	Australia	..	..	..	..	..	..	..
1968-69	Australia	14,055,000	..	..	..	..	..	14,055,000
1969-70	Australia	..	..	1,920,650	..	..	..	1,920,650
1970-71	Australia	..	..	..	2,272,276	..	..	2,272,276
1971-72	Australia	9,273,446	..	..	3,593,587	8,829,191	1,080,750	13,603,528
1972-73	Australia	..	..	..	..	..	..	..
1973-74	Australia	..	..	50,064	..	..	..	50,064
1974-75	Australia	2,957,816	14,433,131	19,697,888	13,888,787	12,976,463	1,228,987	65,183,072
Overdue and unconverted	Australia	1,220	..	230	..	..	..	1,450
	London	2,250	..	..	..	..	..	2,250
Interminable	Australia	363,706	..	..	98,382	..	..	462,088
	London	1,000	..	..	..	..	..	1,000
Treasurer's option	Australia	6,070,924	..	..	530,545	..	..	6,601,469
	London	..	..	..	2,397,149	..	..	2,397,149
Half-yearly drawings	Australia	..	..	4,623,751	..	320,750	..	4,944,501
	London	..	..	..	..	170,521	..	170,521
Indefinite	Australia	..	3,431,747	..	503,700	..	..	3,935,447
Total	Australia	197,961,784	114,255,455	60,512,186	65,196,451	51,886,521	14,581,075	504,494,372
	London	158,606,920	62,464,355	62,788,170	42,849,807	43,899,767	13,352,087	384,041,606
	New York	12,316,244	4,498,873	6,694,247	1,733,467	2,015,436	227,796	27,486,068
	Total ..	368,974,948	181,219,188	130,094,603	109,779,725	97,791,724	28,161,858	616,022,046

(a) Units of currency—Australia, £A; London, £ stg.; New York, £ stg. (dollars converted at the rate of \$4.8665 to £1).

Particulars of the State Public Debts according to the year of earliest maturity are shown hereunder :—

STATE PUBLIC DEBTS, 30th JUNE, 1941 : EARLIEST DATES OF MATURITY.

Year of Maturity.	Place of Maturity.	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tasmania.	Total.
		£ (n)	£ (a)	£ (a)	£ (a)	£ (a)	£ (a)	£ (n)
Before 1941-42	Australia	63,322	..	595,924	..	..	..	659,246
	London	35,081,991	5,913,200	30,272,313	4,935,370	8,728,773	2,798,000	87,729,647
	New York	3,892,934	..	1,025,106	..	..	..	4,917,740
1941-42	Australia	61,977,210	22,145,937	3,923,330	13,303,624	10,293,249	1,090,395	112,734,745
	London	9,965,276	6,934,693	..	3,815,726	7,864,597	5,087,400	33,667,692
	New York	3,423,610	..	1,423,302	..	..	..	9,846,912
1942-43	Australia	16,045,324	4,890,395	2,255,220	5,324,815	3,688,377	591,890	32,796,021
	London	10,283,396	..	..	..	..	..	10,283,396
	Australia	7,360,350	11,377,740	908,840	2,548,570	2,874,920	285,850	25,363,270
1943-44	London	9,527,090	..	2,000,000	2,977,800	2,716,302	..	17,221,192
	Australia	7,815,582	10,621,417	5,771,012	5,580,887	1,965,994	921,931	32,676,823
	London	..	..	3,958,800	..	..	..	3,958,800
1945-46	Australia	2,666,800	4,247,610	833,000	739,000	678,090	407,000	9,571,500
	London	19,754,216	21,285,280	19,697,888	19,302,087	12,976,463	2,304,987	95,320,921
	Australia	980,000	236,000	1,493,928	304,000	266,000	413,000	3,791,928
1946-47	New York	..	..	2,054,865	..	..	..	2,054,865
	Australia	4,766,147	4,167,995	1,904,985	2,920,283	1,838,409	665,634	16,563,453
	London	17,870,500	..	..	..	..	..	17,870,500
1947-48	New York	..	..	1,492,375	1,000,836	516,992	227,796	3,227,999
	Australia	13,586,070	4,673,790	2,813,281	919,470	4,052,375	839,390	26,884,376
	London	4,866,232	5,170,146	..	..	864,393	..	10,900,771
1949-50	Australia	11,112,660	3,414,772	4,967,537	1,476,080	3,015,530	484,150	24,500,729
	London	..	6,055,545	1,920,650	..	..	..	7,976,195
	Australia	32,787,939	26,939,643	9,940,284	18,507,695	9,425,335	3,988,888	101,589,784
1950-51	London	17,941,573	..	..	2,737,500	..	..	22,585,823
	Australia	9,925,500	3,795,980	4,483,046	2,533,950	3,952,210	1,041,320	25,732,906
	London	12,965,110	8,923,710	7,140,108	6,867,990	3,755,750	1,750,760	41,112,428
1952-53	New York	..	3,738,042	693,599	732,631	1,468,444	..	6,667,716
	Australia	9,455,920	5,079,735	1,848,908	2,947,460	2,167,805	926,873	22,726,701
	London	3,829,050	13,553,800	3,700,750	..	..	..	21,083,600
1954-55	Australia	..	..	799,378	..	..	..	799,378
	London	20,300,900	..	..	..	..	..	20,300,900
	Australia	..	..	317,869	..	..	..	317,869
1955-56	London	9,273,446	650,075	1,237,769	2,990,588	1,739,527	174,200	16,065,605
	New York	..	760,836	..	..	..	..	760,836
	Australia	..	..	367,685	..	..	218,638	586,323
1956-57	Australia	..	..	284,070	..	142,896	548,256	975,222
	London	..	..	384,082	..	164,144	..	548,226
	Australia	..	7,984	886,857	..	311,563	165,000	1,371,404
1959-60	London	..	2,902,116	..	..	..	..	2,902,116
	Australia	..	..	2,378,404	..	424,446	..	2,802,850
1960-61	London	..	..	165,837	..	182,257	138,000	486,094
	Australia	..	..	458,106	..	153,523	..	611,629
1962-63	Australia	..	..	619,017	..	1,753,183	96,000	2,468,200
	London	..	..	399,533	..	129,715	..	526,248
1964-65	Australia	..	..	..	3,693,587	8,829,191	1,080,750	13,603,528
	London	..	..	50,064	..	..	..	50,064
Overdue and unconverted	Australia	1,220	..	230	..	..	..	1,450
	London	2,250	..	..	..	..	..	2,250
	Australia	363,706	..	..	98,382	..	..	462,088
Interminable	London	1,000	..	..	..	..	..	1,000
	Australia	6,070,924	..	..	530,545	..	..	6,601,469
Treasurer's option	London	..	..	..	2,397,149	..	..	2,397,149
	Australia	..	..	4,623,751	..	320,750	..	4,944,501
Half-yearly drawings	London	..	..	..	..	170,521	..	170,521
	Australia	..	..	..	..	..	..	..
Indefinite	Australia	..	3,431,747	..	503,700	..	..	3,935,447
Total	Australia	197,961,784	114,255,455	60,612,186	65,106,451	51,886,521	14,581,975	504,194,372
	London	158,696,920	62,164,855	62,788,170	42,849,807	43,889,767	13,352,087	384,041,606
	New York	12,310,244	4,498,878	6,694,247	1,733,467	2,015,436	227,796	27,486,068
Total ..		368,974,948	181,219,188	130,094,603	109,779,725	97,791,724	28,161,858	916,022,046

(a) Units of currency.—Australia, £A ; London, £ stg. ; New York, £ stg. (dollars converted at the rate of \$4.8665 to £1.)

6. **Sinking Funds.**—Prior to the passing of the Financial Agreement Act 1928, the practice of providing sinking funds by the States had been consistently followed in Western Australia only. This Act contains provisions for the establishment of a sinking fund on States' debts (see p. 874). Some particulars of the transactions of the National Debt Sinking Fund (States' Account) for 1940-41 are shown below, and further details are given in *Finance Bulletin* No. 32 issued by this Bureau.

STATE PUBLIC DEBTS, 30th JUNE, 1941 : SINKING FUNDS.

Particulars.	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tas.	Total.
	£	£	£	£	£	£	£
Total Receipts, 1940-41 ..	2,781,941	1,328,382	970,507	797,707	724,970	198,140	6,801,647
Total Receipts, to 30th June, 1941..	24,659,452	12,949,265	9,455,910	7,816,456	6,977,118	1,891,691	63,749,892
Total Funds applied to Redemptions, 1940-41 ..	715,889	892,846	466,429	501,639	455,371	110,711	3,142,885
Total Funds applied to Redemptions, to 30th June, 1941	22,137,107	12,012,396	8,810,326	7,399,815	357,937	1,778,457	59,496,038
Total Funds applied to investments to 30th June, 1941(a)	..	..	(b) 21,852	..	Cr. 954,395c	..	Cr. 932,543
Total Expenditure to 30th June, 1941..	22,137,107	12,012,396	8,832,178	7,399,815	6,403,542	1,778,457	58,563,495
Balance at 30th June, 1941, not permanently invested ..	2,522,345	936,869	623,732	416,641	573,576	113,234	5,186,397
Investments at 30th June, 1941 ..	..	..	673,154	..	..	..	673,154
Total Balance at 30th June, 1941 ..	2,522,345	936,869	1,296,886	416,641	573,576	113,234	5,859,551

(a) Less amounts received on investments realized to 30th June, 1941. (b) Excess of purchases over sales of investments. (c) Excess of sales over purchases of investments.

D.—COMMONWEALTH AND STATE FINANCE.

1. **Revenue and Expenditure.**—The following tables show the aggregate revenue and expenditure of the Commonwealth and States for each of the five years to 1940-41, allowance having been made in cases of duplication :—

COMMONWEALTH AND STATES : REVENUE.

Year ended 30th June—				Revenue collected by Commonwealth Government. (a)	Revenue collected by State Governments. (b)	Total.
				£	£	£
1937	..	..	..	82,775,120	108,275,484	191,050,604
1938	..	..	..	89,416,077	115,393,359	204,809,436
1939	..	..	..	95,001,628	115,193,501	210,195,129
1940	..	..	..	111,850,039	120,883,672	232,733,711
1941	..	..	..	150,434,523	128,261,369	278,695,892

(a) Excludes miscellaneous receipts from States.
Government to State Consolidated Revenue Funds.

(b) Excludes payments by Commonwealth

COMMONWEALTH AND STATES : EXPENDITURE.

Year ended 30th June—	Expenditure by Commonwealth Government. (a)	Expenditure by State Governments.	Total.
	£	£	£
1937	71,445,401	118,689,919	190,135,320
1938	75,894,537	125,445,170	201,339,707
1939	84,674,147	128,763,948	213,438,095
1940	99,266,570	133,123,853	232,390,423
1941	140,799,611	138,402,465	279,202,076

(a) Excludes payments by Commonwealth Government to State Consolidated Revenue Funds and miscellaneous receipts from States.

2. **Taxation.**—The following table shows the combined Commonwealth and State taxation for each of the years 1936–37 to 1940–41, as well as the amount per head of population. Certain taxation collections by the State Governments which are not paid into the Consolidated Revenue Fund have been included.

TOTAL COMMONWEALTH AND STATE TAXATION.

Particulars.	1936–37.	1937–38.	1938–39.	1939–40.	1940–41.
	£	£	£	£	£
Commonwealth—					
Customs and Excise ..	42,993,032	48,383,005	47,632,365	53,824,906	53,779,783
Sales Tax	8,008,427	8,023,886	9,308,334	12,196,175	19,792,680
Flour Tax	Dr. 12,193	3,025	1,808,972	2,486,070	1,498,595
Other	11,784,186	12,638,569	15,287,228	21,503,512	50,312,464
Total	62,773,452	69,048,485	74,036,899	90,010,663	125,383,522
State	45,449,101	49,674,765	50,506,997	54,386,815	56,304,176
Grand Total ..	108,222,553	118,723,250	124,543,896	144,397,478	181,687,698
Taxation per head—					
Commonwealth (a)—	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Customs and Excise	6 6 4	7 1 0	6 17 7	7 14 0	7 13 5
Sales Tax	1 3 6	1 3 4	1 6 10	1 14 11	2 16 5
Flour Tax .. .. .	..	..	0 5 3	0 7 1	0 4 3
Other	1 14 8	1 16 10	2 4 1	3 1 6	7 3 7
Total	9 4 6	10 1 2	10 13 9	12 17 6	17 17 8
State (b)	6 13 11	7 5 1	7 6 2	7 16 0	8 1 2
Grand Total ..	15 18 1	17 5 11	17 19 6	20 13 0	25 18 3

(a) Based on mean population for each financial year.

(b) Based on aggregate mean population of the six States for each financial year.

3. **Public Debt.**—(i) *General.* The following table shows the public debt of the Commonwealth and of the States at 30th June, in each of the years 1937 to 1941. In this table all moneys borrowed by the Commonwealth on behalf of the States have been included with State debts only, and similarly, the debts taken over by the Commonwealth from South Australia on account of the Northern Territory and of the Port Augusta-Oodnadatta Railway have been included with the Commonwealth Debt.

COMMONWEALTH AND STATE PUBLIC DEBTS.

Particulars.	Where Redeemable.	At 30th June—				
		1937.	1938.	1939.	1940.	1941.
Common- wealth	Aust. £ A. ..	214,818,637	216,400,462	218,496,483	257,116,685	320,348,199
	London £ Stg. ..	155,778,627	158,363,627	162,840,947	162,333,777	174,003,477
	New York £ Stg.	16,201,952	16,080,972	15,913,501	15,876,718	15,876,718
	Total £ (a) ..	386,799,216	390,845,061	397,250,931	435,327,180	510,228,394
States ..	Aust. £ A. ..	459,579,899	459,742,248	485,179,757	493,646,681	504,494,372
	London £ Stg. ..	387,633,735	385,888,993	384,327,833	384,162,382	384,041,606
	New York £ Stg.	28,747,909	28,549,461	28,264,451	27,918,001	27,486,068
	Total £ (a) ..	875,961,543	881,180,702	897,772,041	905,727,064	916,022,046
Total, Common- wealth and States	Aust. £ A. ..	674,398,536	686,142,710	703,676,240	750,763,366	824,842,571
	London £ Stg. ..	543,412,362	544,252,620	547,168,780	546,496,159	558,045,083
	New York £ Stg.	44,949,861	44,630,433	44,177,952	43,794,719	43,362,786
	Grand Total £(a)	1,262,760,759	1,275,025,763	1,295,022,972	1,341,054,244	1,426,250,440

(a) The "face" or "book" value of the debts without adjustment on account of currency changes since the loans were floated.

(ii) *Dates of Maturity.* The particulars given in the appended table show as at 30th June, 1941, the amounts of Commonwealth and State securities maturing in Australia and overseas according to the latest year of maturity, together with the amount of interest payable yearly thereon :—

COMMONWEALTH AND STATE PUBLIC DEBTS, 30th JUNE, 1941 : LATEST DATES OF MATURITY.

Year of Maturity.	Commonwealth and State Debts.				Annual Interest Payable at 30th June, 1941, in respect of Commonwealth and State Debts maturing in the Years stated.			
	Maturing in—				Interest Payable in—			
	Australia.	London.	New York.	Total.	Australia.	London.	New York.	Total.
	£ (Aust.)	£ (Stg.)	£ (a)	£ (b)	£ (Aust.)	£ (Stg.)	£ (a)	£ (c)
1941-42	153,997,423	40,344,983	1,423,302	195,675,708	4,702,305	1,002,559	99,631	5,804,495
1942-43	37,648,087	16,451,402	..	54,099,489	1,425,390	452,414	..	1,877,804
1943-44	27,823,400	4,596,400	..	32,419,800	1,002,520	160,874	..	1,163,394
1944-45	57,380,145	3,958,800	..	61,338,945	2,198,556	138,558	..	2,337,114
1945-46	26,155,450	..	..	26,155,450	783,705	..	..	783,705
1946-47	15,130,618	5,673,713	2,054,865	22,859,196	307,859	177,300	123,292	608,451
1947-48	38,054,830	..	..	38,054,830	1,509,597	..	..	1,509,597
1948-49	31,254,806	38,474,187	..	69,729,083	1,033,542	1,447,059	..	2,480,601
1949-50	24,506,309	6,055,545	..	30,561,854	870,236	211,944	..	1,082,180
1950-51	29,239,148	20,454,078	..	49,693,226	1,162,304	759,627	..	1,921,931
1951-52	27,382,046	..	..	27,382,046	1,025,372	..	..	1,025,372
1952-53	491,718	11,739,758	..	12,281,476	17,149	412,642	..	429,791
1953-54	27,720,431	30,306,790	..	58,027,221	1,103,617	1,100,514	..	2,213,131
1954-55	82,308,088	3,204,904	..	85,512,992	3,173,873	112,172	..	3,286,045
1955-56	50,087,069	..	24,019,932	74,107,001	1,973,829	..	1,154,698	3,128,527
1956-57	70,753,543	6,950,700	4,183,191	81,892,434	2,337,202	260,651	209,159	2,807,012
1957-58	26,112,436	38,171,400	11,681,406	75,965,332	1,043,339	1,547,228	584,975	3,174,642
1958-59	548,226	21,083,600	..	21,631,826	19,188	737,926	..	757,114
1959-60	26,862,014	15,779,524	..	42,641,538	1,063,050	508,988	..	1,572,038
1960-61	2,802,850	55,662,935	..	58,465,785	84,086	2,336,324	..	2,420,410
1961-62	25,109,344	4,866,583	..	29,975,927	999,513	104,663	..	1,104,176
1962-63	718,433	10,283,396	..	11,001,829	21,659	411,336	..	432,995
1963-64	2,468,200	5,775,000	..	8,243,200	75,612	231,000	..	306,612
1964-65	526,248	..	..	526,248	15,787	..	..	15,787
1965-66 .. .. .	..	14,055,000	..	14,055,000	..	702,750	..	702,750
1966-67 .. .. .	..	..	..	..	..	..	..	..
1967-68 .. .. .	..	..	..	..	..	..	..	..
1968-69 .. .. .	..	..	..	..	..	..	..	..
1969-70 .. .. .	..	1,920,650	..	1,920,650	..	67,223	..	67,223
1970-71 .. .. .	..	11,545,722	..	11,545,722	..	461,829	..	461,829
1971-72 .. .. .	..	..	..	..	..	..	..	..
1972-73 .. .. .	..	..	..	..	..	..	..	..
1973-74 .. .. .	..	..	..	..	..	..	..	..
1974-75 .. .. .	..	13,933,306	..	13,933,306	..	452,833	..	452,833
1975-76	50,064	94,311,567	..	94,361,631	1,552	4,715,579	..	4,717,131
War (1939-41) Savings Certificates ..	17,380,098	..	..	17,380,098	543,128	..	..	543,128
War (1939-41) Savings Stamps ..	79,902	..	..	79,902	..	..	..	..
Citizens' National Emergency Loans ..	5,389,713	100,000	..	5,489,713	..	..	..	..
Advance Loan Subscriptions ..	871,750	..	..	871,750	27,501	..	..	27,501
War (1914-19) Savings Certificates ..	4,824	..	..	4,824	291	..	..	291
Peace Savings Certificates ..	135,196	..	..	135,196	5,239	..	..	5,239
War (1914-19) Savings Stamps ..	14,216	..	..	14,216	..	..	..	..
Overdue and unconverted ..	(d) 64,872	2,250	..	67,122	251	..	..	251
Interimable ..	462,088	1,000	..	463,088	15,216	50	..	15,266
Treasurers' Option ..	6,601,469	2,397,149	..	8,998,618	190,343	71,914	..	262,257
Half-yearly drawings ..	5,156,980	170,521	..	5,327,501	167,006	5,968	..	172,974
Annual repayments ..	..	279,724,220	..	79,724,220	..	..	..	..
Indefinite ..	3,935,447	..	..	3,935,447	125,890	..	..	125,890
Total ..	824,842,571	558,045,083	43,362,786	1,426,250,440	29,115,707	18,690,925	2,170,855	49,977,487

(a) Payable in terms of dollars. For the purposes of this table, dollars have been arbitrarily converted at the rate of 4.8665 to £1. (b) The total "face" or "book" value of the Public Debt, leaving out of account currency changes since the loans were floated. (c) Nominal amount of interest payable takes no account of exchange. (d) Includes £6,250 unconverted. (e) Capital and interest payments suspended by arrangement with British Government.

The following table gives particulars of Commonwealth and State Public Debt as at 30th June, 1941, according to the earliest year of maturity, together with the amount of interest payable yearly:—

COMMONWEALTH AND STATE PUBLIC DEBTS, 30th JUNE, 1941 : EARLIEST DATES OF MATURITY.

Year of Maturity.	Commonwealth and State Debts.				Annual Interest Payable at 30th June, 1941, in respect of Commonwealth and State Debts maturing in the Years stated.			
	Maturing in—				Interest Payable in—			
	Australia.	London.	New York.	Total.	Australia.	London.	New York.	Total.
	£ (Aust.)	£ (Stg.)	£ (a)	£ (b)	£ (Aust.)	£ (Stg.)	£ (a)	£ (c)
Before 1941-42 ..	659,246	93,990,853	4,917,740	99,567,839	22,336	3,568,848	221,298	3,812,482
1941-42 ..	153,902,523	37,387,853	9,846,912	201,137,288	4,702,115	985,493	520,811	6,208,419
1942-43 ..	37,736,141	10,283,396	..	48,019,537	1,428,007	411,336	..	1,839,343
1943-44 ..	27,520,100	17,221,192	..	44,741,292	1,002,405	688,848	..	1,691,253
1944-45 ..	57,377,245	3,958,800	..	61,336,045	2,198,455	138,558	..	2,337,013
1945-46 ..	26,155,150	124,449,416	..	150,604,566	783,694	6,021,436	..	6,805,130
1946-47 ..	15,130,618	..	2,054,865	17,185,483	397,859	..	123,202	521,151
1947-48 ..	38,046,730	17,970,500	5,566,518	61,483,748	1,509,314	938,201	278,326	2,725,841
1948-49 ..	31,251,596	24,680,871	..	55,932,467	1,033,426	886,736	..	1,920,162
1949-50 ..	24,503,609	7,976,195	..	32,479,804	870,142	270,167	..	1,149,309
1950-51 ..	167,186,695	22,585,823	..	189,772,518	6,193,211	790,504	..	6,983,715
1951-52 ..	27,382,046	..	..	27,382,046	1,025,372	..	..	1,025,372
1952-53 ..	81,990,728	6,930,700	16,634,859	105,576,287	3,159,738	260,651	831,743	4,252,132
1953-54 ..	37,100,311	21,083,600	..	58,183,911	1,449,572	737,927	..	2,187,498
1954-55 ..	799,378	20,300,900	..	21,100,278	30,946	609,027	..	639,973
1955-56 ..	12,766,337	44,299,422	4,341,892	61,407,651	510,256	1,496,324	195,385	2,201,965
1956-57 ..	586,323	..	..	586,323	21,109	..	..	21,109
1957-58 ..	12,908,808	..	..	12,908,808	515,194	..	..	515,194
1958-59 ..	348,226	..	..	348,226	19,188	..	..	19,188
1959-60 ..	13,214,786	2,902,116	..	16,116,902	517,161	116,085	..	633,246
1960-61 ..	2,802,850	5,775,000	..	8,577,850	81,086	231,000	..	315,086
1961-62 ..	11,520,429	..	..	11,520,429	455,956	..	..	455,956
1962-63 ..	611,622	..	..	611,622	18,349	..	..	18,349
1963-64 ..	2,468,200	..	..	2,468,200	75,612	..	..	75,612
1964-65 ..	526,248	13,933,306	..	14,459,554	15,787	452,833	..	468,620
1975-76 ..	50,064	..	..	50,064	1,552	..	..	1,552
War (1939-41) Savings Certificates ..	17,380,098	..	..	17,380,098	543,128	..	..	543,128
War (1939-41) Savings Stamps ..	79,902	..	..	79,902	..	..	..	..
Citizens' National Emergency Loans ..	5,389,713	100,000	..	5,489,713	..	..	..	..
Advance Loan Subscriptions ..	871,750	..	..	871,750	27,501	..	..	27,501
War (1914-19) Savings Certificates ..	4,824	..	..	4,824	291	..	..	291
Peace Savings Certificates ..	135,196	..	..	135,196	5,239	..	..	5,239
War (1914-19) Savings Stamps ..	14,216	..	..	14,216	..	..	..	..
Overdue and unconverted ..	(d) 64,872	2,250	..	67,122	251	..	..	251
Interminable ..	462,088	1,000	..	463,088	15,216	50	..	15,266
Treasurers' Option ..	6,601,469	2,397,149	..	8,998,618	190,343	74,914	..	265,257
Half-yearly drawings ..	5,156,080	170,521	..	5,327,501	167,006	5,968	..	172,974
Annual repayments ..	..	679,724,220	..	79,724,220	..	..	..	..
Indefinite ..	3,935,447	..	..	3,935,447	125,890	..	..	125,890
Total ..	824,842,571	558,045,083	43,362,786	1,426,250,440	20,115,707	18,690,925	2,170,855	40,977,487

(a) Payable in terms of dollars. For the purposes of this table, dollars have been arbitrarily converted at the rate of 4.8665 to £1. (b) The total "face" or "book" value of the Public Debt, leaving out of account currency changes since the loans were floated. (c) Nominal amount of interest payable takes no account of exchange. (d) Includes £5,280 unconverted. (e) Capital and interest payments suspended by arrangement with British Government.

(iii) *Rates of Interest, 30th June, 1941.* The amount of Commonwealth and State Public Debt at each rate of interest (internal and external debt shown separately) is given in the following table:—

COMMONWEALTH AND STATE PUBLIC DEBTS, 30th JUNE, 1941 : AMOUNTS AT EACH RATE OF INTEREST.

Rate of Interest.	Commonwealth and State Debt maturing—			
	In Australia. £ (Aust.)	In London. £ (Stg.)	In New York. £ (Stg.)	Total. £
7.0 .. ..	..	..	1,423,302	1,423,302
6.0 .. ..	..	..	2,054,865	2,054,865
5.25 .. ..	..	17,870,500	..	17,870,500
5.0375	511,240	..	..	511,240
5.0	(a)4,824	126,476,367	30,624,987	157,106,178
4.91667 .. ..	..	79,724,220	..	79,724,220
4.75 .. ..	..	11,902,600	..	11,902,600
4.65	755,000	..	..	755,000
4.5 .. ..	..	..	9,259,632	9,259,632
4.2625	3,296,809	..	..	3,296,809
4.25	82,757	..	..	82,757
4.06875	13,958,970	..	..	13,958,970
4.0	(b) 301,401,991	64,279,844	..	365,681,835
3.96667	5,685,910	..	..	5,685,910
3.95833	4,061,000	..	..	4,061,000
3.95417	1,875,750	..	..	1,875,750
3.89167	1,035,000	..	..	1,035,000
3.875	118,697,339	..	..	118,697,339
3.8125	200,000	..	..	200,000
3.79167	6,370,000	..	..	6,370,000
3.75	75,817,803	45,380,482	..	121,198,285
3.72917	350,000	..	..	350,000
3.675	66,510	..	..	66,510
3.625	9,711,360	..	..	9,711,360
3.5	27,129,871	76,701,321	..	103,831,192
3.4875	6,583,645	..	..	6,583,645
3.375	22,767,690	..	..	22,767,690
3.25	(c)83,416,670	34,687,006	..	118,103,676
3.125	173,230	..	..	173,230
3.1	9,075,997	..	..	9,075,997
3.0	36,016,526	57,594,089	..	93,610,615
2.90625	5,100	..	..	5,100
2.75	15,830,280	16,451,402	..	32,281,682
2.7125	948,181	..	..	948,181
2.5	13,753,510	..	..	13,753,510
2.325	1,851,937	..	..	1,851,937
2.25 .. ..	..	24,384,002	..	24,384,002
2.0 .. ..	..	2,491,000	..	2,491,000
1.5	57,865,248	..	..	57,865,248
Citizens' National Emergency Loans (Interest Free) ..	5,389,713	100,000	..	5,489,713
Overdue and uncon- verted	(d)58,592	2,250	..	60,842
War (1939-41) Sav- ings Stamps	79,902	..	..	79,902
War (1914-19) Sav- ings Stamps	14,216	..	..	14,216
Total	824,842,571	558,045,083	43,362,786	1,426,250,440
Average Rate of Interest Payable	£ s. d. 3 11 1	£ s. d. 3 18 2	£ s. d. 5 0 2	£ s. d. 3 14 6

(a) War (1914-19) Savings Certificates. (b) Includes unconverted securities, £6,280.
(c) Includes £17,380,098 War (1939-41) Savings Certificates. (d) Includes £12,732 War (1914-19) Gratuity Bonds.

(iv) *Interest Payable.* The following table shows the interest payable on the public debt of the Commonwealth and of the States at 30th June, in each of the years 1937 to 1941 :—

COMMONWEALTH AND STATE PUBLIC DEBTS : INTEREST PAYABLE.

Particulars.	Where Payable.	At 30th June—				
		1937.	1938.	1939.	1940.	1941.
Commonwealth ..	Australia £ A. . .	8,245,897	8,301,752	8,344,627	9,420,640	11,248,796
	London £ Stg. (a)	3,040,262	3,201,299	3,403,554	3,387,796	3,736,322
	New York £ Stg.	790,935	785,240	777,586	775,930	775,930
	Total £ (b) ..	12,077,094	12,288,291	12,525,767	13,584,366	15,761,048
States ..	Australia £ A. . .	16,333,969	16,715,028	17,240,238	17,593,171	17,866,911
	London £ Stg. (c)	15,070,888	15,010,049	14,962,882	14,958,802	14,954,603
	New York £ Stg.	1,466,264	1,456,415	1,441,476	1,420,694	1,394,925
	Total £ (b) ..	32,871,121	33,181,492	33,644,596	33,972,667	34,216,439
Total Commonwealth and States	Australia £ A. . .	24,579,866	25,016,780	25,584,865	27,013,811	29,115,707
	London £ Stg. (a)	18,111,150	18,211,348	18,366,436	18,346,598	18,600,925
	New York £ Stg.	2,257,199	2,241,655	2,219,062	2,196,624	2,170,855
	Total £ (b) ..	44,948,215	45,469,783	46,170,363	47,557,033	49,977,487
Average Rate per cent.	Australia £ A. . .	£ s. d. 3 12 11	£ s. d. 3 12 11	£ s. d. 3 12 9	£ s. d. 3 12 4	£ s. d. 3 11 1
	London £ Stg. . .	3 18 1	3 18 5	3 18 7	3 18 7	3 18 2
	New York £ Stg.	5 0 5	5 0 5	5 0 6	5 0 4	5 0 2
	Total £ (b) ..	3 16 0	3 16 1	3 16 0	3 15 8	3 14 6

(a) Excludes suspended interest on War Debt due to the British Government. (b) The nominal amount and average rate of interest payable taking no account of exchange. (c) Includes contributions payable by Commonwealth and British Governments towards interest on Migration Loans.

(v) *Short-term Debt.* (a) *Amount.* Particulars of the short-term debt (Treasury Bills and Debentures) of the Commonwealth and States in London and in Australia at intervals from 30th June, 1934, to 30th June, 1941, are given in the following table. These particulars are included in Public Debt tables on earlier pages.

COMMONWEALTH AND STATES : SHORT-TERM DEBT.(a)

Date.	Maturing in London.			Maturing in Australia.		
	Common-wealth.	States.	Total.	Common-wealth.	States.	Total.
	£'000 Stg.	£'000 Stg.	£'000 Stg.	£'000 Aust.	£'000 Aust.	£'000 Aust.
30th June, 1934 ...	10,220	23,405	33,625	..	48,469	48,469
30th June, 1935 ..	10,220	23,405	33,625	..	45,124	45,124
30th June, 1936 ..	10,220	23,155	33,375	..	47,013	47,013
30th September, 1936	10,220	23,155	33,375	..	48,778	48,778
31st December, 1936..	9,720	23,155	32,875	..	53,584	53,584
31st March, 1937 ..	9,720	23,155	32,875	..	52,854	52,854
30th June, 1937 ..	9,720	23,155	32,875	..	46,408	46,408
30th June, 1938 ..	5,495	23,155	28,650	..	46,598	46,598
30th September, 1938	4,470	23,155	27,625	..	52,008	52,008
31st December, 1938..	4,220	23,155	27,375	..	59,573	59,573
31st March, 1939 ..	4,220	23,155	27,375	..	56,923	56,923
30th June, 1939 ..	4,220	23,155	27,375	..	50,228	50,228
30th September, 1939	4,220	23,155	27,375	..	56,586	56,586
31st December, 1939..	3,970	23,155	27,125	..	64,368	64,368
31st March, 1940 ..	3,970	23,155	27,125	..	51,376	51,376
30th June, 1940 ..	3,970	23,155	27,125	..	45,463	45,463
30th September, 1940	3,970	23,155	27,125	..	51,701	51,701
31st December, 1940..	3,720	23,155	26,875	..	53,103	53,103
31st March, 1941 ..	3,720	23,155	26,875	5,000	51,801	56,801
30th June, 1941 ..	3,720	23,155	26,875	1,750	45,423	47,173

(a) Exclusive of overdrafts.

(b) *Interest Rates.* (i) *London.* The rates of interest payable on Treasury Bills and Debentures in London during the period 1933-34 to 1940-41 were as follows :—

Year.						Minimum Rate.	Maximum Rate.
						%	%
1933-34	..	..	..	..	..	2	3
1934-35	..	..	..	..	..	2	3
1935-36	..	..	..	..	..	2	2½
1936-37	..	..	..	..	..	2	2½
1937-38	..	..	..	..	..	2	2½
1938-39	..	..	..	..	..	2	2½
1939-40	..	..	..	..	..	2	2½
1940-41	..	..	..	..	..	2	2½

(ii) *Australia.* The Treasury Bill rates in Australia were as follows :—

- 5½ per cent. from 10th October, 1929.
- 6 per cent. from 1st October, 1930.
- 4 per cent. from 31st July, 1931.
- 3½ per cent. from 27th October, 1932.
- 3¼ per cent. from 21st January, 1933.
- 2¾ per cent. from 18th February, 1933.
- 2½ per cent. from 1st June, 1933.
- 2¼ per cent. from 1st April, 1934.
- 2 per cent. from 15th October, 1934.
- 1½ per cent. from 1st January, 1935.
- 1½ per cent. from 1st May, 1940.

(vi) *Debts of States and Municipal and Semi-Governmental Bodies.* For the reasons indicated on p. 857 direct comparisons of the debts of the several States should be made with caution. The table following shows for 1939-40 particulars of the debts of the States

and the debts due to the Public Creditor by Municipal and Semi-Governmental bodies in each State. This affords a more reliable comparison, but as complete records are not available over a long period, particulars showing comparisons of the growth of the debt cannot be made. For further particulars relating to the Debt of Local and Semi-Governmental Authorities see *Finance Bulletin* No. 32 and Chapter XIV. "Local Government," § 3, p. 379 of this volume.

**PUBLIC DEBT : STATES, MUNICIPAL AND SEMI-GOVERNMENTAL BODIES,
1938-39 and 1939-40.**

State.	Debts of the States. (a)	Due to Public Creditor.(b)		Grand Total.
		Municipal.	Semi-Governmental Bodies.	
	£'000.	£'000.	£'000.	£'000.
New South Wales	363,326	38,046	57,324	458,696
Victoria	180,550	12,399	64,036	256,985
Queensland	129,033	21,222	3,611	153,866
South Australia	109,344	798	884	111,026
Western Australia	96,230	3,131	117	99,478
Tasmania	27,244	3,031	509	30,784
<hr/>				
Total. All States { 1939-40 ..	905,727	78,627	126,481	1,110,835
{ 1938-39 ..	897,772	76,582	118,506	1,092,860

DEBT PER HEAD OF POPULATION.(c)

	£	£	£	£
New South Wales	130.9	13.7	20.7	165.3
Victoria	94.9	6.5	33.6	135.0
Queensland	125.7	20.7	3.5	149.9
South Australia	182.8	1.3	1.5	185.6
Western Australia	205.7	6.7	0.3	212.7
Tasmania	113.8	12.7	2.1	128.6
<hr/>				
Total, All States { 1939-40 ..	129.2	11.2	18.1	158.5
{ 1938-39 ..	129.3	11.0	17.1	157.4

(a) Includes amounts due by Municipal and Semi-Governmental bodies, and debts due to Central Government.

(c) At 30th June, 1939 and 1940.

(b) Excluding overdrafts

4. The Financial Agreement between the Commonwealth and the States.—

The original Financial Agreement between the Commonwealth and the States was made on 12th December, 1927. It was later affected by the following agreements made under the powers conferred by Section 105A of the Constitution :—

Debt Conversion Agreement—Made 21st July, 1931.

Debt Conversion Agreement (No. 2)—Made 22nd October, 1931.

Agreement relating to Soldier Settlement Loans—Made 3rd July, 1934.

The Debt Conversion Agreements did not affect the wording of the main agreement, but contained provisions stating that where their provisions were not in accordance with any contained in the Financial Agreement the former should prevail. An Agreement was made between the Commonwealth and Tasmania only on 1st July, 1928. This was not an amendment, but was made under the authority of Part III, Clause 3 (l) of the original Agreement.

A summary of the original Agreement as affected by the subsequent Agreements is given below.

(i) *Australian Loan Council*: Under the Agreement, an Australian Loan Council was set up to co-ordinate the public borrowings of the Commonwealth and the States. It consists of the Prime Minister of the Commonwealth, and the Premier of each State, or in their absences Ministers nominated by them in writing.

Each of the Governments submits annually to the Loan Council a programme setting forth the amount it desires to raise by loans for the financial year for purposes other than the conversion, renewal or redemption of existing loans or temporary purposes. Any revenue deficit to be funded must be included in the loan programme. Loans for Defence purposes are not subject to the Agreement, and therefore the Commonwealth is not required to include borrowing for that purpose in its programme for submission to the Loan Council.

If the Loan Council decides that the total amount of the loan programmes for the year cannot be borrowed at reasonable rates and conditions, it then decides the amount which shall be borrowed and may, by unanimous decision, allocate that amount between the Commonwealth and the States. In default of a unanimous decision, the Commonwealth is then entitled to one-fifth of the total amount to be borrowed and each State to a proportion of the remainder equal to the ratio of its net loan expenditure in the preceding five years to the net loan expenditure of all States during the same period.

Questions other than the apportionment of loans are decided by a majority vote of the Council members, the member representing the Commonwealth having two votes and a casting vote and each member representing a State having one vote.

(ii) *Borrowings of the Commonwealth and the State*. (a) Subject to the decisions of the Loan Council, the Commonwealth arranges for all borrowings for or on behalf of the Commonwealth or any State, and for all conversions, renewals, redemptions, and consolidations of the Public Debts of the Commonwealth and of the States.

(b) If the Loan Council unanimously decides, however, a State may borrow outside Australia in the name of the State, and may issue securities for the amount so borrowed. The Commonwealth then guarantees that the State will fulfil all its obligations to bondholders in respect of the money so borrowed and the money is deemed to be borrowed by the Commonwealth for and on behalf of the State.

(c) Subject to any maximum limits decided upon by the Loan Council for interest, brokerage, discount and other charges, the Commonwealth or any State may—

- (i) Borrow within its own territory, for any purpose, money from any authorities, bodies, funds or institutions (including Savings Banks) constituted or established under Commonwealth or State law or practice;
- (ii) Borrow from the public by means of counter sales of securities; and
- (iii) Use any available public moneys.

However, any securities issued for money so borrowed or used must be Commonwealth securities on terms approved by the Loan Council.

(d) Where such borrowings are not solely for temporary purposes, they are treated as loans under the Agreement and, if their amount together with the amount of loan money raised for the Government concerned by the Loan Council exceeds the limit (if any) of the amount to be raised for or by that Government, the excess is deemed to be money received by the Government in the following year on account of its loan programme for that year.

(e) Any Government may use for temporary purposes any available public money and may, subject to terms approved by the Loan Council, borrow money for temporary purposes by way of overdraft, or fixed, special or other deposit. The conditions as to sinking fund, etc., do not apply to such temporary borrowing.

(iii) *Taking over of State Public Debts.* Subject to the provision of the Financial Agreement, the Commonwealth took over on 1st July, 1929—

- (a) the balance then unpaid of the gross public debt of each State existing on 30th June, 1927; and
- (b) all other debts of each State existing on 1st July, 1929, for money borrowed by that State deemed by the Agreement to be money borrowed by the Commonwealth for and on behalf of the State—

and in respect of these debts assumed, as between the Commonwealth and the States, the liabilities of the States to bond-holders.

The net public debt of each State existing on 30th June, 1927, was as follows :—

	£
New South Wales	234,088,501
Victoria	136,949,942
Queensland	101,977,855
South Australia	84,834,364
Western Australia	61,060,675
Tasmania	22,434,060
Total	641,345,397

These amounts have been varied in accordance with the terms of the " Agreement relating to Soldiers Settlement Loans " made on 3rd July, 1934. The amended figures are—

	£
New South Wales	233,153,779
Victoria	136,348,982
Queensland	101,840,622
South Australia	84,029,376
Western Australia	61,060,675
Tasmania	22,314,180
Total	638,747,614

These amounts represent the gross debt less—

- (a) the values of properties transferred by the States to the Commonwealth as shown below.
- (b) The balances of the State sinking funds at 30th June, 1927.

(iv) *Transferred Properties.* In respect of State properties transferred to the Commonwealth under Section 85 of the Constitution, the States, as from 1st July, 1929, are discharged from any liability in respect of principal, interest or sinking fund on so much of the debts bearing interest at 5 per cent. per annum taken over by the Commonwealth as amounts to the agreed value of these properties, namely £10,924,323. apportioned to the several States as follows :—

	£
New South Wales	4,788,005
Victoria	2,302,862
Queensland	1,560,639
South Australia	1,035,631
Western Australia	736,432
Tasmania	500,754
Total	10,924,323

(v) *Payment of Interest.* The Commonwealth will, in each year during a period of 58 years from 1st July, 1927, contribute the sum of £7,584,912 towards the interest payable on the State debts, the States paying the balance to the Commonwealth. After that period, the States will pay to the Commonwealth the whole of the interest due.

The distribution among the States of the contribution of the Commonwealth is as follows:—

	£
New South Wales	2,917,411
Victoria	2,127,159
Queensland	1,096,235
South Australia	703,816
Western Australia	473,432
Tasmania	266,859
Total	7,584,912

These amounts are equal to the sums paid by the Commonwealth to each State in the year 1926–27 at the rate of 25s. per head of population, the rate at which the Commonwealth had contributed annually to the States since 1st July, 1910, as compensation for the States relinquishing, after Federation, the right to levy customs and excise duties.

(vi) *Sinking Funds.* (a) A sinking fund at the rate of 7s. 6d. per annum for each £100 of the net public debts of the States existing on 30th June, 1927, and conversions thereof, was established under the terms of the Agreement. The Commonwealth contributes from revenue 2s. 6d. per cent. and each State 5s. per cent. on all State debts existing at 30th June, 1927. The payments of the Commonwealth and of all States except New South Wales will continue for a period of 58 years commencing on 1st July, 1927, and those of New South Wales for a similar period commencing on 1st July, 1928.

(b) On new borrowings after 1st July, 1927 (except those for redemptions or conversions, or funding a State deficit) a sinking fund at the rate of 10s. per cent. per annum is established and the State and the Commonwealth contribute equal shares for a period of 53 years from the date of raising. (New South Wales did not commence sinking fund contributions in respect of new loans raised in the financial year 1927–28 until 1st July, 1928.)

(c) Any State may increase its contribution in respect of loan funds expended on wasting assets in order to redeem a loan within a shorter period than 53 years. When this shorter period has expired, the State contributions cease but the Commonwealth contributions continue until the full period of 53 years has elapsed. State contributions in respect of other loans are reduced by the amount of these Commonwealth contributions during the period remaining.

(d) Where loan moneys have been advanced by a State under terms providing for their repayment, the State may credit such repayments either to the loan account or to the sinking fund and, in addition, it must provide from revenue its sinking fund contributions in respect of the loan from which the money so advanced was provided. However, advances repaid to the State from the revenue of Public or Local Authorities may be used by the State to meet sinking fund contributions in respect of the loans concerned.

(e) In respect of any loan raised after 30th June, 1927, by a State to meet a revenue deficit accruing after that date, no contribution is made by the Commonwealth but the State makes a sinking fund contribution at the rate of not less than 4 per cent. per annum of the loan for a period sufficient to provide for the redemption of the loan, the contributions being deemed to accumulate at the rate of $4\frac{1}{2}$ per cent. per annum compound interest.

(f) The sinking funds established are controlled by the National Debt Commission which may arrange with any State to act as its agent in connexion with payments due to bondholders. Except where the conditions relating to sinking funds, redemption funds, and funds of a like nature held by a State on 30th June, 1929, precluded such transfer, all such funds were transferred to the National Debt Commission.

(g) Sinking fund contributions made in respect of the debts of a State and funds of that State transferred to the National Debt Commission are not accumulated but must be applied, wherever expedient, to the redemption and repurchase of loan securities. When such a loan security is repurchased or redeemed by the National Debt Commission, it is cancelled, and the State, in addition to sinking fund contributions otherwise payable, pays a further annual sinking fund contribution at the rate of $4\frac{1}{2}$ per cent. on the face value of the cancelled security.

Consequent on the failure of the State of New South Wales to provide certain interest payments on its public debts in accordance with the Financial Agreement, the Commonwealth Parliament passed a Financial Agreement Enforcement Act (No. 3 of 1932). The State of New South Wales contended that the Commonwealth could not simply by Commonwealth Act deprive a State of revenue without the interposition of some judicial tribunal. The High Court by a majority decision of four to two held that this was a valid law and dismissed the action, subsequently refusing leave to appeal to the Privy Council.

It was realized at the inception of the Loan Council that, in the interests of co-ordinated borrowing, the Council should be advised of borrowings of large amounts by semi-governmental bodies. In May, 1936, all resolutions passed by the Loan Council in connexion with semi-governmental borrowings were consolidated into one set of rules, which superseded all previous resolutions. This set of rules is regarded as the "Gentlemen's Agreement", and provides, *inter alia*, for the submission of annual loan programmes in respect of semi-governmental authorities proposing to raise £100,000 or more in a year, for the consideration of such programmes in conjunction with the loan programme of the Government concerned, and for the fixing of the terms of individual semi-governmental loans coming within the scope of the annual programme.