

COMMONWEALTH FINANCE.

THE financial obligations of the Commonwealth began with the appointment of the Executive and the proclamation of the Constitution on the 1st January, 1901, at which date also the administration of the Customs passed over to the control of the Commonwealth. Besides the Customs and Excise, the Commonwealth has authority to take over from the States the administration of the following services, viz., posts, telegraphs, and telephones; naval and military defence; lighthouses, lightships, beacons and buoys; astronomical and meteorological observations; quarantine; census and statistics; bankruptcy and insolvency; copyrights; naturalisation and aliens; divorce and matrimonial causes; and immigration and emigration.

In accordance with this power, the Postal Service was transferred to the Commonwealth on the 1st March, 1901, and on the same date the Defence Administration was taken over. None of the other departments have yet been transferred.

The expenditure of the Commonwealth is divisible into new expenditure, that is to say, on services called into being after the proclamation of the Federal Union, and other expenditure, or expenditure on services previously existing. The new expenditure is charged to the States proportionately to their population, and the cost of transferred services over and above the revenue derived therefrom being ascertained, the total of the two amounts is deducted from the net revenue from Customs and Excise, and the balance handed back to the States.

Under the provisions of Section 87 of the Constitution Act, the Treasurer of the Commonwealth is entitled to retain one-fourth of the net proceeds of Customs and Excise services for the purposes of defraying the expenses of the Commonwealth, the remaining three-fourths, and as much more as the Treasurer does not require, being handed back to the States. It is, therefore, very essential in considering the question of Federal and State Finance to remember that, so far as concerns three-parts of the net revenue derived from customs and excise, such revenue, though appearing in the receipts of the Commonwealth, is not within the disposal of Parliament, but must be returned to the States. A large amount, in a normal year estimated at over seven and three-quarter millions, appears first as a federal receipt and a federal expenditure, and again as received by the States. Therefore in calculating the total sums raised by the Australian Governments, the amount returned to the States by the Federal Treasurer should be deducted from the total

receipts. It is necessary, however, that the whole transactions of the Federal Treasurer should be shown both as to revenue and expenditure; for, unless this is done, a proper understanding of Federal and State accounts cannot be obtained.

The financial year of the Commonwealth ends on the 30th June. Since the 1st January, 1901, there have been two periods, the first being the six months, January to June, 1901, and the second, the twelve months from 1st July, 1901, to 30th June, 1902. The first of these periods was quite abnormal, the transferred departments were not administered by the Commonwealth for the whole period, and there were some exceptional expenses by reason of the federal elections, and the cost of establishing the Commonwealth itself; on the other hand the federal departments were not organised, and cost less than in an ordinary year.

OPERATIONS FOR HALF-YEAR ENDED 30TH JUNE, 1901.

For the half-year ended 30th June, 1901, the following were the income and expenditure of the Treasurer:—

Income.		Expenditure.	
	£		£
Customs and Excise	4,150,589	New services of Commonwealth	131,255
Posts and Telegraphs	740,665	Customs and Excise collection	121,443
Other	4,502	Posts and Telegraphs	809,840
		Military and Naval	233,515
		Balance carried to following year	5,974
		Returned to States	3,593,729
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	£4,895,756		£4,895,756

During this period the State tariffs existing at the establishment of the Commonwealth remained in force, the uniform Customs tariff with the abolition of interstate duties not coming into operation until some time later. The collections in each State were:—

State.	Half-year ended 30th June, 1901.			
	Customs and Excise.	Posts and Telegraphs.	Other.	Total.
	£	£	£	£
New South Wales	1,019,008	276,936	1,019	1,296,963
Victoria	1,356,099	177,931	2,780	1,536,810
Queensland	710,830	95,586	301	806,717
South Australia	351,953	90,703	395	443,051
Western Australia	491,371	67,735	1	559,107
Tasmania	221,328	31,774	6	253,108
Total	4,150,589	740,665	4,502	4,895,756

The expenditure on account of new Services distributed on a capita- tion basis, and the other expenditure chargeable to the States were as follows :—

State.	Half-year ended 30 June, 1901.					
	New Expenditure.	Customs and Excise Collections.	Posts and Telegraphs.	Naval and Military.	Balance carried forward to following year.	Total.
	£	£	£	£	£	£
New South Wales	47,606	29,005	262,036	70,743	Cr. 4,300	413,690
Victoria	41,056	32,645	209,177	77,148	Dr. 956	359,070
Queensland	17,031	27,944	129,388	49,666	Dr. 594	223,435
South Australia ...	13,088	11,656	71,030	15,605	Dr. 567	110,812
Western Australia	6,038	15,338	84,191	8,610	Cr. 4,070	118,247
Tasmania	6,436	4,855	54,018	11,743	Dr. 279	76,773
Total.....	131,255	121,443	809,840	233,515	5,974	1,302,027

The difference between these figures and the amounts set out in the preceding table represents the payments which the States were entitled to receive under the provisions of Section 87 of the Constitution Act, and the sums handed back to each were as shown below.

	£
New South Wales	883,273
Victoria	1,177,740
Queensland	583,282
South Australia	332,239
Western Australia	440,860
Tasmania	176,335
Total.....	£3,593,729

The financial operations of the Commonwealth for its first half-year call for no special comment,—the payments made and the sources of income were in continuation of those of the States; no new sources of revenue were entered on by the Commonwealth, while the amount of new expenditure was comparatively small.

OPERATIONS FOR YEAR ENDED 30TH JUNE, 1902.

An entirely new set of conditions came into operation on the 9th October, 1902, when the schedule of uniform Customs duties was promulgated. Under the new conditions the interstate duties ceased, except,

as will be hereafter explained, in the case of Western Australia. The Federal Customs and Excise duties were in force for thirty-eight weeks and the state duties for fourteen weeks, while the Post Office and Defence Services were administered by the Commonwealth for the whole year. The following is a statement of the transactions of the Federal Treasurer for the year.

Income.		Expenditure.	
	£		£
Balance brought forward from 30th June, 1901 ...	5,974	New Services of Commonwealth	313,931
Customs and Excise	8,692,750	Customs and Excise collection	259,584
Posts and Telegraphs	2,364,873	Posts and Telegraphs	2,417,861
Customs collected on behalf of Western Australia ...	201,569	Military and Naval	935,416
Other revenue	29,711	Other expenditure	17
Balance carried forward to 1902-3	350	Returned to States	7,368,418
Total.....	£11,295,227	Total	£11,295,227

The amount of revenue collected within each state was as shown in the following table. The Customs and Excise collections of Western Australia include £1,134,044 revenue from the Commonwealth tariff, and £201,569 from interstate duties.

State.	Collections during year ended 30th June, 1902.					
	Customs and Excise.	Posts and Telegraphs.	Other Revenue.	Balance brought forward from previous year.	Balance carried forward to following year.	Total.
	£	£	£	£	£	£
New South Wales...	2,812,722	870,244	8,474	Cr. 4,300	Dr. 3,240	3,698,980
Victoria	2,376,483	588,278	7,519	Dr. 956	Cr. 1,428	2,969,896
Queensland	1,297,664	312,882	1,048	Dr. 594	Cr. 7	1,610,993
South Australia.....	698,696	276,191	2,094	Dr. 567	Cr. 1,904	974,510
Western Australia...	1,335,613	225,748	211	Cr. 4,070	Cr. 1,319	1,564,323
Tasmania.....	373,141	91,530	10,365	Dr. 279	Dr. 1,768	476,525
Total.....	8,894,319	2,364,873	29,711	Cr. 5,974	Dr. 350	11,295,227

The distribution of the expenditure between the states was as shown in the following table, the new expenditure as it is called

being distributed amongst the states according to population, the other expenditure according to the states on behalf of which it was incurred.

State.	Expenditure during year ended 30th June, 1902.					
	New Expenditure.	Customs and Excise Collection.	Posts and Telegraphs.	Naval and Military.	Other Expenditure.	Total.
	£	£	£	£	£	£
New South Wales...	112,949	63,445	827,544	309,137	.....	1,313,075
Victoria	99,227	63,279	569,314	317,102	.....	1,048,922
Queensland	41,496	64,040	414,619	186,062	2	706,219
South Australia.....	29,952	26,779	242,936	58,694	.....	358,361
Western Australia...	16,001	31,828	256,115	35,303	.....	339,247
Tasmania.....	14,306	10,213	107,333	29,118	15	160,985
Total.....	313,931	259,584	2,417,861	935,416	17	3,926,809

The difference between the collections and disbursements by the Commonwealth on behalf of the states was returned to the latter, and the following sums represent the amount in each case :—

	£
New South Wales	2,385,905
Victoria	1,920,974
Queensland	904,775
South Australia	616,148
Western Australia.....	1,225,076
Tasmania	315,540
Total.....	7,368,418

PROBABLE REVENUE AND EXPENDITURE, 1902-3.

The settlement of the tariff and the passage of the Postal Act enable the Federal Treasurer to forecast the probable revenue and expenditure for the year ending 30th June, 1903, with a reasonable assurance that the forecast will be realised. The following table indicates the revenue estimated to be received during the year :—

State.	Customs and Excise.	Posts and Telegraphs.	Other Revenue.	Total.
	£	£	£	£
New South Wales.....	3,150,000	887,500	3,140	4,040,640
Victoria	2,300,000	620,900	4,595	2,925,495
Queensland	1,200,000	323,500	280	1,523,780
South Australia.....	680,000	268,200	1,689	949,889
Western Australia	1,385,000	243,900	128	1,629,028
Tasmania	340,000	100,400	872	441,272
Total	9,055,000	2,444,400	10,704	11,510,104

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

State.	New Expenditure.	Customs and Excise Collection.	Posts and Telegraphs.	Naval and Military.	Total.
	£	£	£	£	£
New South Wales	111,450	72,919	888,645	301,483	1,374,497
Victoria	96,723	62,998	608,404	280,264	1,048,389
Queensland	40,998	64,942	428,159	131,388	665,487
South Australia	29,136	27,012	260,624	61,901	378,673
Western Australia	16,718	34,657	277,983	40,228	369,586
Tasmania.....	13,931	10,662	114,944	31,798	171,335
Total	308,956	273,190	2,578,759	847,062	4,007,967

The probable return to the states, after adding or deducting the balance brought forward from 1901-2, will, therefore, probably be—

	£
New South Wales.....	2,662,903
Victoria	1,878,534
Queensland	858,300
South Australia	573,120
Western Australia	1,260,761
Tasmania	268,169
Total	£7,501,787

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

State.	Estimated Revenue, 1902-3.		Estimated Expenditure, 1902-3.	
	Amount.	Proportion to Total.	Amount.	Proportion to Total.
	£	per cent.	£	per cent.
New South Wales.....	4,040,640	35·10	1,374,497	34·29
Victoria	2,925,495	25·42	1,048,389	26·17
Queensland.....	1,523,780	13·24	665,487	16·60
South Australia.....	949,889	8·25	378,673	9·45
Western Australia	1,629,028	14·16	369,586	9·22
Tasmania	441,272	3·83	171,335	4·27
Total	11,510,104	100·00	4,007,967	100·00

The proportions of population in each state to the total Commonwealth population, are—New South Wales, 35·83 per cent. ; Victoria, 31·34 ; Queensland, 13·44 ; South Australia, 9·46 ; Western Australia, 5·42 ; and Tasmania, 4·51. It will be seen that, of the states, Western Australia alone has a revenue in excess of the proportion indicated by its population.

CUSTOMS AND EXCISE.

The collections under customs and excise during the year ended 30th June, 1901, were under divided control. From the 1st July, 1900, to the 31st December of that year, the collections were made by the State Governments, and for the latter half of the financial year, the administration was carried out by the Commonwealth Government. During the whole period the tariffs existing in the various states at the time of their union remained in force, and afford no indication of the revenue likely to be received under a uniform tariff. Nor do the collections for the year ended 30th June, 1902, settle satisfactorily this important question. In the first place three months of the twelve were under state tariffs and inter-state duties, and secondly, in some of the states it is believed that there were large importations in anticipation of the Federal Tariff affecting goods then free or subject to low duties. During the passage of the tariff through Parliament, material alterations were made in the rates proposed, and on that account also the revenue received gives no exact indication of the possibilities of the tariff as a revenue-producing instrument.

The following table shows the amounts of Customs and Excise collections for the years ended 30th June, 1901 and 1902, with the proportion thereof collected in each state, and the average per inhabitant:—

State.	For Year ended 30th June, 1901.				For Year ended 30th June, 1902.	
	Collected by State Government.	Collected by Commonwealth Government.	Total Collections.	Average per Inhabitant.	Amount Collected.	Average per Inhabitant.
New South Wales	£ 939,336	£ 1,019,008	£ 1,958,344	£ s. d. 1 8 8	£ 2,812,722	£ s. d. 2 0 9
Victoria	1,202,999	1,356,099	2,559,098	2 2 9	2,376,483	1 19 4
Queensland	787,695	710,830	1,498,525	3 0 2	1,297,664	2 10 10
South Australia	338,233	351,953	690,186	1 18 3	698,696	1 18 4
Western Australia	500,845	491,371	992,216	5 10 2	1,134,044	5 16 5
Tasmania	253,783	221,328	475,111	2 14 11	373,141	2 2 10
Total	4,022,891	4,150,589	8,173,480	2 3 4	8,692,750	2 5 4

Besides the amount set down in the foregoing table as collected in Western Australia during the year ended 30th June, 1902, a sum of £201,569 was received by the Customs Department on interstate goods taxable under the special Western Australian tariff. Under the provisions of the 95th section of the Commonwealth of Australia Constitution Act, Western Australia is empowered for the first five years after the imposition of a uniform tariff to impose duties on goods passing

into that state and not originally imported from beyond the limits of the Commonwealth. The duty so imposed on any goods, however, is not to exceed, during the first of such years, that chargeable under the law of Western Australia in force at the imposition of uniform duties, and shall not exceed during the second, third, fourth, and fifth of such years respectively, four-fifths, three-fifths, two-fifths, and one-fifth of such latter duty. This special tariff therefore ceases on the 9th October, 1906. If these collections had been included, the total revenue for the Commonwealth would have been £8,894,319, and for Western Australia £1,335,613, equal in the former case to £6 17s. 1d. per inhabitant, and in the latter to £2 6s. 5d.

The passing of the uniform tariff has enabled the Federal Treasurer to estimate the revenue that may be expected from duties of customs and excise during the financial year ending 30th June, 1903. Excluding the receipts from the special Western Australian tariff, calculated to yield £225,000, the estimated collections will be as follows:—

State.	Estimated Net Revenue from Customs and Excise for year ending 30th June, 1903.
	£
New South Wales	3,150,000
Victoria	2,300,000
Queensland	1,200,000
South Australia	680,000
Western Australia	1,160,000
Tasmania	340,000
Total	8,830,000

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

Estimated Revenue, 1902-3.

Customs—	£	Customs—	£
Stimulants	2,074,500	Paper and stationery...	105,000
Narcotics	962,500	Vehicles	49,500
Sugar	468,500	Musical instruments ...	56,000
Agricultural products and groceries	881,500	Miscellaneous receipts, including licenses ...	115,500
Apparel and textiles ...	1,301,500	Total customs	7,603,500
Metals and machinery	713,500	Excise	1,375,500
Oils, paints, and var- nishes	127,000	Total collections...	8,979,000
Earthenware, &c.	160,000	Drawbacks and re- funds	149,000
Drugs and chemicals ...	54,000	Net revenue.....	8,830,000
Wood, wicker, and cane	203,500		
Jewellery and fancy goods.....	161,000		
Leather and rubber ...	170,000		

The foregoing estimated revenue is equal to £2 5s. 4d. per inhabitant, the rates for each state being :—

	£	s.	d.
New South Wales.....	2	5	2
Victoria	1	17	8
Queensland	2	5	11
South Australia	1	16	11
Western Australia	5	10	0
Tasmania	1	18	9
Commonwealth	2	5	4

If the yield from its special tariff had been included the rate for Western Australia would be £6 11s. 5d., and for the Commonwealth, £2 6s. 6d. Western Australia stands far above any of the other states in regard to revenue per inhabitant, and in total revenue it exceeds Tasmania and South Australia, and equals Queensland. This position it owes to the large consuming power of its population, a population consisting very largely of adult males receiving higher wages than those paid in any other state.

The proportion in which the various states have contributed, and may be expected to contribute to the Commonwealth tariff, is a question of much interest, as under the book-keeping provisions of the Constitution the return made to each state depends upon its contribution to the revenue. The following is a statement of the proportions of customs and excise collected in each state for the nine months of the financial year 1902, during which the uniform tariff was in operation, and the proportions estimated by the Treasurer during the year ended June 1903; in order to throw further light on the question the proportion of population in each state to the total population of the Commonwealth is also given.

State.	Proportion of—		
	Population.	Customs and Excise Revenue raised, 9 months ended 30th June, 1902.	Customs and Excise Revenue estimated for year ending 30th June, 1903.
	Per cent.	Per cent.	Per cent.
New South Wales	35·83	35·31	35·67
Victoria	31·34	25·05	26·05
Queensland	13·44	14·62	13·59
South Australia	9·46	7·67	7·70
Western Australia.....	5·42	13·18	13·14
Tasmania.....	4·51	4·17	3·85

The chief element in determining the amount of revenue to be raised by the Commonwealth was the necessities of the various states, and so long as those necessities exist a sum approximating to what is now obtained will need to be raised, but it can hardly be supposed that Australia will long continue to raise as large a revenue as £2 5s. 4d. per inhabitant from a customs tariff containing so large a free list, embracing as it does imports amounting to £10,257,000 out of a total import of general merchandise of £38,503,000.

Although indirectly connected with the question of the Commonwealth tariff, the returns obtained in past years from customs and excise by the states under their local tariffs are worth recording.

It will be found from a consideration of the subsequent tables that the rate per inhabitant has varied greatly, not only in a comparison of the different states but for the same state in different years. This variation arises from diverse causes. First, the influence of good or bad times on the producing power of the people is directly felt in the customs collections, although the rise or fall of the rate per inhabitant is not always a safe indication of such influence. Certain states, notably Queensland and Western Australia, grow insufficient agricultural produce for their own requirements, and in times past a good season—since it enabled those states to depend to a greater extent on their own resources—meant a decrease in the revenue from the importation of agricultural produce. Similar effects have also been felt in regard to revenue derived from live stock and other forms of produce. It also must be remembered that for many years the states have been systematic borrowers from the London market, while they have been the recipients of much money sent for investment by private persons. As loans of all descriptions reach the borrowing country in the form of goods, and a considerable proportion of the importations is the subject of taxation, years of lavish borrowing are naturally years of large revenue collections, and coincident with the cessation of a flow of foreign capital there is a decrease in customs revenue. Furthermore, there have been extensive alterations in the tariffs affecting the revenue during the years which the following table covers. In New South Wales, in 1891 and 1895, and in Western Australia, in 1893 and 1896, radical tariff changes were made, and in other years minor alterations took place in nearly all the other states.

To these changes is chiefly attributable any sharp rise or fall in the rate of revenue per inhabitant. Speaking generally the customs revenue per inhabitant has tended to decline, especially when the tariffs are high, unless adjusted from time to time to meet the decline, for, apart from the specific causes mentioned above, other effective, if less obtrusive, influences are at work. Year by year the industries of the states are being developed, and the local producer is acquiring a firm hold on the domestic markets. Except in drought years little revenue will be received from duties on agricultural produce, as such produce will not be imported from abroad, and many descriptions of manufactured

goods have likewise ceased to be introduced, the locally-made article being produced in sufficient quantities to meet the demand. There can be no reasonable doubt that this tendency will be still more marked in the future; and it is, therefore, not surprising that Australasian Treasurers have of late years found it necessary to look to other sources than the customs for the revenue necessary to carry on the business of the country, and under the Commonwealth, with complete interstate freetrade and growing manufactures, this necessity will be greatly accentuated.

The amount of import and excise duties collected in the various states during each of the last twelve years is set forth in the following table—drawbacks and refunds being deducted from the gross collections of those states for which such information can be obtained:—

State.	1891.	1892.	1893.	1894.	1895.	1896.
	£	£	£	£	£	£
New South Wales	2,417,673	2,865,112	2,328,274	2,265,058	2,240,506	1,637,078
Victoria	2,509,551	2,318,218	1,887,474	2,045,853	2,021,564	2,050,380
Queensland	1,241,447	1,155,695	1,099,450	1,146,350	1,295,383	1,390,247
South Australia	647,203	611,723	546,006	539,868	551,103	613,169
Western Australia	233,777	271,376	254,095	409,886	614,457	988,829
Tasmania	393,457	336,084	303,682	299,661	322,755	347,925
Commonwealth	7,443,168	7,558,158	6,418,981	6,706,676	7,045,858	6,067,658

State.	1897.	1898.	1899.	1900.	1901 (Half-year).	1901-2.
	£	£	£	£	£	£
New South Wales	1,520,116	1,551,827	1,650,333	1,778,993	1,019,007	2,812,722
Victoria	2,025,886	2,217,541	2,224,811	2,320,555	1,356,100	2,376,483
Queensland	1,244,556	1,418,841	1,563,744	1,565,838	710,823	1,207,664
South Australia	612,382	618,430	641,181	639,005	352,934	698,696
Western Australia	1,062,026	906,831	859,915	976,411	491,371	1,335,613
Tasmania	370,312	426,799	447,036	489,921	221,327	373,141
Commonwealth	6,835,278	7,140,269	7,392,020	7,770,723	4,151,028	8,894,310

The revenue from import and excise duties per head of population probably offers more food for reflection than the figures in the table just given. New South Wales raised the smallest revenue compared with population of any of the states until 1891, a circumstance due to the comparatively low rate of the tariff; in 1892 its collections were about the average for Australasia; but at the beginning of 1896 a new tariff came into force which was designed to make the ports of the state free to all imports except narcotics and stimulants, and, although this intention was not fully carried out, yet the revenue per head of population was, until the introduction of the Commonwealth tariff, very considerably less than in any of the other states. The variations in the rates

from year to year are interesting as illustrating the force of the remarks made a few pages back in introducing the subject of customs duties.

State.	1891.	1892.	1893.	1894.	1895.	1896.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
New South Wales.....	2 2 4	2 8 8	1 18 8	1 16 11	1 15 10	1 5 9
Victoria	2 3 10	1 19 10	1 12 2	1 14 8	1 14 2	1 14 8
Queensland	3 2 7	2 17 2	2 13 2	2 14 2	2 19 7	2 19 8
South Australia	2 0 3	1 17 2	1 12 3	1 11 3	1 11 7	1 14 11
Western Australia	4 13 6	4 17 0	4 2 2	5 11 5	6 14 1	8 5 4
Tasmania	2 13 1	2 4 7	2 0 5	1 19 7	2 2 0	2 4 3
Commonwealth	2 6 5	2 6 1	1 18 5	1 19 5	2 0 8	1 19 6

State.	1897.	1898.	1899.	1900.	1901 (Half-year).	1901-2.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
New South Wales	1 3 7	1 3 8	1 4 9	1 6 3	0 14 11	2 0 9
Victoria	1 14 4	1 17 6	1 17 6	1 18 11	1 2 8	1 19 4
Queensland	2 14 8	3 0 11	3 5 10	3 3 10	1 8 6	2 10 10
South Australia	1 11 10	1 15 0	1 15 11	1 15 6	0 19 6	1 18 4
Western Australia	7 1 8	5 9 11	5 1 5	5 11 2	2 14 7	6 17 1
Tasmania	2 5 10	2 11 5	2 12 6	2 16 9	1 5 7	2 2 10
Commonwealth	1 13 1	1 19 2	2 0 0	2 1 6	1 2 0	2 6 5

POSTS AND TELEGRAPHS.

The administration of the Post and Telegraph services was undertaken by the Commonwealth on the 1st March, 1901; the departments consequently were under state direction for a period of eight months in the year ended 30th June, 1901. In discussing the question of the revenue derived from these services, it must be borne in mind that the taking over of the administration by the Commonwealth made no immediate change in the management, which was conducted as if the six states were separate systems. On coming into operation of the Commonwealth Postal Act on 1st November, 1902, a uniform system was introduced, but the finances of the postal service before that date remained unaffected. In the following table is set out the revenue derived during each of the last two financial years, distinguishing for

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

State.	For year ended 30th June, 1901.			For year ended 30th June 1902.
	Collected by State Government.	Collected by Commonwealth Government.	Total Collections.	Amount Collected.
	£	£	£	£
New South Wales.....	557,006	276,936	833,942	870,244
Victoria	410,435	177,931	588,366	588,278
Queensland	213,584	95,586	309,170	312,882
South Australia.....	183,310	90,703	274,013	276,191
Western Australia	142,391	67,735	210,126	225,748
Tasmania.....	72,551	31,774	104,325	91,530
Total	1,579,277	740,665	2,319,942	2,364,873

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

Stat	For year ended 30th June, 1901.			For year ended 30th June, 1902.
	Expenditure by State Government.	Expenditure by Commonwealth Government.	Total Expenditure.	Total Expenditure.
	£	£	£	£
New South Wales.....	527,254	262,036	789,290	827,544
Victoria	305,787	209,177	514,964	569,314
Queensland	246,798	129,388	376,186	414,619
South Australia.....	152,288	71,030	223,318	242,936
Western Australia	171,322	84,191	255,513	256,115
Tasmania	52,812	54,018	106,830	107,333
Total	1,456,261	809,840	2,266,101	2,417,861

The operations of the past year show an apparent deficiency of £52,988 in the working of the Post and Telegraph Department. There are, however, certain allowances to be made. The expenditure was charged with various sums amounting to £124,893, which should have been charged against the preceding year ; on the other hand, obligations to the extent of £37,056, chargeable to 1901-2, were thrown forward to next year. Making these allowances, the post and telegraphic services would appear to show a profit of £34,849. The financial position of the postal service, however, cannot be correctly stated unless the interest on the capital cost of the land, buildings, plant and appliances existing at the time of transfer to the Commonwealth,

be taken into account. This cost has been variously estimated at from £7,312,000 to £7,514,000, and if an interest payment of £3 6s. per annum be charged to the postal service, the transactions would show a net loss of £232,000. The revenue and expenditure of the Post and Telegraph Department for the year ending 30th June, 1903, is estimated by the Treasurer to be, approximately, as follows:—

State.	Revenue.	Expenditure.
	£	£
New South Wales	887,500	890,617
Victoria	620,900	610,116
Queensland	323,500	428,884
South Australia	268,200	261,140
Western Australia	243,900	278,278
Tasmania	100,400	115,191
Total	2,444,400	2,584,226

These figures indicate a probable loss of £139,826 on the operations of the year, but included in the proposed expenditure is an amount of £140,110, for the construction of works and buildings. From all the states, with the exception of South Australia, an increased revenue is expected. From South Australia a decrease in the revenue to the extent of £7,991 is looked for; this is due to the fact that alterations, by way of reduction in the terminal and other charges in connection with the Eastern Extension Cable Company's business, will not be compensated for by new business.

The determination to charge to revenue the expenditure upon works and buildings will leave the administration of this service with a deficiency of £139,826, without taking into consideration the interest chargeable on transferred properties.

EFFECT OF FEDERATION ON STATE FINANCE.

The question of the effect which the operations of the Commonwealth may have upon the finances of the states is of great moment, and one which will not lessen in importance with the passage of time. That the finances of the states are in a disturbed state is evident from the fact that increased taxation and drastic retrenchment are being carried out, or in contemplation, in several of the states, and some show large deficits on the year's transactions. The existence of financial disturbance immediately following on the loss by the states of the control of their customs revenue is relied upon as proving the allegation so confidently made that this disturbance is due to the action of the Commonwealth Parliament and the Federal Administration. The assumption, more easily made than proved, is one that admits of being tested by the evidence of actual facts.

In dealing with the matter it will be necessary to consider the finances of the states since federation, and for the few years preceding that event. The following is a statement of the net revenue and expenditure of each state upon the services not transferred to the Commonwealth. The period covered is the five years, 1897-1902:—

State.	1897-8.		1898-9.		1899-1900.	
	Revenue.	Expenditure.	Revenue.	Expenditure.	Revenue.	Expenditure.
	£	£	£	£	£	£
New South Wales	7,052,354	8,308,239	7,208,586	8,569,898	7,436,878	9,057,447
Victoria	4,250,196	6,261,685	4,585,787	6,315,082	4,595,216	6,567,260
Queensland	2,183,676	3,296,141	2,384,940	3,543,201	2,675,751	4,011,211
South Australia	1,768,205	2,479,569	1,844,949	2,505,035	1,935,725	2,659,777
Western Australia	1,516,111	2,906,952	1,414,120	2,255,399	1,733,571	2,316,117
Tasmania*	400,332	702,779	399,332	735,790	408,631	770,613

State.	1900-1.		1901-2.	
	Revenue.	Expenditure.	Revenue.	Expenditure.
	£	£	£	£
New South Wales	8,232,587	9,990,682	8,621,451	11,020,105
Victoria	4,932,031	7,219,771	5,085,359	7,407,781
Queensland	2,511,729	4,270,922	2,630,287	3,967,001
South Australia	2,082,153	2,801,736	1,853,850	2,823,578
Western Australia	1,875,692	2,806,002	2,129,047	3,151,427
Tasmania*	472,299	812,071	429,787	861,678

* Year ended 31st December previous.

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

State.	1897-8.	1898-9.	1899-1900.	1900-1.	1901-2.
	£	£	£	£	£
New South Wales	1,255,885	1,361,312	1,620,569	1,758,095	2,398,654
Victoria	2,011,489	1,729,295	1,972,044	2,287,740	2,322,422
Queensland	1,112,465	1,158,261	1,335,460	1,759,193	1,336,714
South Australia	711,364	660,086	724,052	769,583	969,728
Western Australia	1,390,841	841,279	582,546	930,310	1,022,380
Tasmania*	302,447	335,958	361,982	339,772	431,891

* Year ended 31st December previous.

It will thus be seen that, except in the case of Western Australia, every state has increased its expenditure in the non-transferred

departments. Comparing the years 1899 and 1902 the increase for each state has been as follows:—

	£
New South Wales	1,037,342
Victoria	593,127
Queensland	178,453
South Australia	309,642
Western Australia	181,101
Tasmania	95,933

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

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

State.	Excess of Revenue over Expenditure, Transferred Services.				
	1897-8.	1898-9.	1899-1900.	1900-1.	1901-2.
	£	£	£	£	£
New South Wales	1,261,358	1,371,988	1,508,119	1,692,661	2,483,981
Victoria	1,970,102	2,111,533	2,139,763	2,366,312	2,021,474
Queensland	1,133,189	1,308,177	1,383,249	1,247,275	946,102
South Australia	594,132	613,679	640,762	661,915	647,847
Western Australia	888,676	780,732	842,267	848,873	1,238,145
Tasmania*	362,440	414,013	434,498	471,021	398,966

* Year ended 31st December previous.

The whole of the sum shown as excess on transferred services in 1902 was not returned to the states, as the expenses of the Commonwealth had first to be deducted. After making due allowance for new revenue, the charges to the states under this head ranged between £11,354 for Tasmania for the year ended 31st December, 1901, and £112,949 for New South Wales for the year ended 30th June, 1902, as shown on page 816.

Taking the year 1898-9 as the last of the series for which the states were wholly responsible so far as revenue was concerned, and comparing

the excess of revenue therein with that for 1901-2 some interesting results are obtained.

	Excess of 1901-2 over 1898-9. £	Deficiency of 1901-2 on 1898-9. £
New South Wales	1,111,993	.....
Victoria .....	.....	90,059
Queensland .....	.....	362,075
South Australia	34,168	.....
Western Australia.....	457,413	.....
Tasmania ^a .....	.....	15,047

* Year ended 31st December 1901.

To three of the states, therefore, the first complete year of the Commonwealth gave a larger revenue than the last year under state control, while in the case of Victoria, Queensland, and Tasmania the reverse was true. It will be seen from the table on page 826 what efforts had been made to cope with the restriction of income which the re-arrangement of finances under federation would inevitably entail in the majority of the states. Placing, side by side, the sums representing the movements in revenue and expenditure and the sums charged to each state as its share of the new expenditure under federation, the position of affairs in the Commonwealth will be readily understood.

Taking the states individually it would appear that for New South Wales in 1901-2, as compared with three years previously (1898-9), there were—

Increased state expenditure	£ 1,037,342
New expenditure of Commonwealth charged to state.....	112,949
	<hr/>
	1,150,291
Increased revenue from transferred services.....	1,111,993
	<hr/>
Difference	38,298

The above statement shows that in New South Wales the whole of the new Commonwealth revenue was absorbed and a sum of £38,298 in addition.

In Victoria the conditions were :—

Increased state expenditure	£ 593,127
New expenditure of Commonwealth charged to state.....	99,227
	<hr/>
	692,354
Decreased revenue from transferred services	90,059
	<hr/>
Total	782,413

The state finances, therefore, were in a worse position to the extent of £782,413 in 1901-2 compared with three years previously, and the increase in the state expenditure was responsible for by far the larger part of this sum (£593,127). It may be pointed out that a reduction on customs revenue was almost inevitable with the abolition of

interstate duties, which, during the last year they were levied, gave Victoria £358,659.

The position of Queensland was as follows :—

	£
Increased state expenditure	178,453
New expenditure of Commonwealth charged to state.....	41,496
	<hr/>
	219,949
Decreased revenue from transferred services.....	362,075
	<hr/>
Difference	582,024

The state's financial position is, therefore, worse than in 1898-9 by £582,024, and of this sum only £178,453 can be attributed to the direct action of the state.

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

	£
Increased state expenditure	309,642
New expenditure of Commonwealth charged to state.. ...	29,952
	<hr/>
	339,594
Additional revenue from transferred services	34,168
	<hr/>
Difference	305,426

The state's position is, therefore, worse to the extent of £305,426. The cost of federal services is a charge every state looked forward to paying, and as South Australia has a larger revenue from transferred services than before the uniform tariff was adopted, the financial position of the state has not been affected by the establishment of the Commonwealth.

The position of Western Australia differs in one essential respect from that of the other states—duties are still leviable on interstate produce, and will continue leviable until the 8th October, 1906. Comparing 1898-9 with 1901-2, the following shows the altered conditions.

	£
Increase in state expenditure	181,101
New expenditure of Commonwealth charged to state ...	16,001
	<hr/>
	197,102
Increase of Revenue over Expenditure for transferred services	457,413
	<hr/>
Difference.....	260,311

Compared with three years ago the finances of 1901-2 showed an excess of £260,311 available revenue, which was about £59,000 in excess of the yield of the interstate duties. It is plain, therefore, that the state finances of Western Australia have not been disturbed by the operation of the uniform tariff.

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

	£
Increase of state expenditure	95,933
New expenditure of the Commonwealth charged to state	11,354
	<hr/>
	107,287
Decrease in Revenue from Transferred Services.....	15,047
	<hr/>
Total	122,334

The state Treasury was, therefore, in a less favourable position on the 31st December, 1901, by £122,334, than three years previously, but only £15,047 of this sum was due to the operation of the federal tariff.

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

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

Western Australia, for the present, retains its interstate duties, while New South Wales and South Australia receive back more from the new duties than they received from the old duties, including those on interstate goods. In the case of Victoria, the return by the Commonwealth is only £90,059 less than in 1889, and Tasmania only £15,047 less, representing in each instance the approximate cost of the new services of federation, a charge which all the states might have looked forward to bearing without disturbance to their finances.

As will be seen from the chapter dealing with State Finance, the Treasurers of the states are seeking, by means of retrenchment and increased taxation, to balance their accounts.

It is well, perhaps, that this resolution has been taken, for a little consideration will show that it is idle, so far as concerns some of the states, to expect a return from the Commonwealth equal to satisfying their needs on the basis of expenditure indulged in by them during 1902. The following would need to be the amount of customs and excise duties to be levied by the Commonwealth to enable each state to receive back sufficient to balance its finances as on the 30th June, 1902. In order to show the measure of responsibility to be attached to the states, a column has been added showing the customs and excise revenue that

would have sufficed had their requirements been not greater than in 1899:—

State.	Customs and Excise revenue required, so that the return to each State would be sufficient to balance its expenditure.	
	On the basis of 1899.	On the basis of 1902.
	£	£
New South Wales	5,031,000	7,940,000
Victoria	8,311,000	10,588,000
Queensland	11,418,000	12,731,000
South Australia	9,537,000	13,559,000
Western Australia	7,457,000	8,835,000
Tasmania	10,203,000	12,695,000

It will thus be seen that whereas a tariff from which £7,940,000 is obtainable would, at the present time (1902), satisfy the requirements of the New South Wales Treasurer, it would take one yielding £13,559,000 to satisfy South Australia, the other states occupying positions at various intervals between the extremes. If, however, there had been no expansion of expenditure between 1899 and 1902, the required tariff might have ranged between £5,031,000 for New South Wales and £11,418,000 for Queensland.

It will have been observed from a previous table in this chapter, and in the part of this volume dealing with "State Finance," that the requirements of the State Treasurers vary greatly from year to year; it would be hopeless, therefore, for the Commonwealth Treasurer to endeavour to adjust his revenue to the needs of any state; still more hopeless would it be for him to attempt to mould his revenue to suit the variations in the requirements of six states. Hence the obvious policy of fixing a reasonable sum to be raised through the Customs House, and allowing the states to adjust their incomes and expenditures to the revenue thus provided.